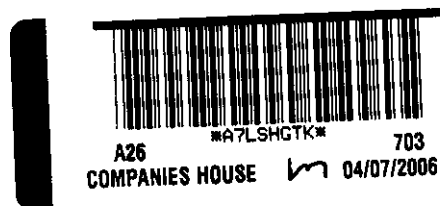


IHC HOTEL LIMITED 2323635

Report and Financial Statements

31 December 2005



IHC Hotel Limited

Registered No. 2323035

DIRECTORS

A S McEwan
C Springett
R Wheeler
R T Winter

SECRETARY

C Barry

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

IHC Hotel Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2005.

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 profit on ordinary activities after taxation for the year ended 31 December 2005 was £4,391,000 (year ended 31 December 2004 - £3,994,000).

The directors do not propose a dividend for the year on the ordinary equity shares (year ended 31 December 2004 - £nil).

A dividend of £10 on the 10% Cumulative Preference Shares has been accumulated during the year.

FUTURE DEVELOPMENTS

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

DIRECTORS' INTERESTS

The directors at 31 December 2005 and since the year end were as follows:

A S McEwan
C Springett
R Wheeler (appointed 27 March 2006)
R T Winter

CHANGE OF COMPANY SECRETARY

On 27 March 2006, C Engmann resigned and C Barry was appointed.

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 13 for information on the ultimate parent undertaking.

	<i>At 1.01.05 InterContinental Hotels Group PLC Ordinary Shares of 112 pence*</i>	<i>At 31.12.05 InterContinental Hotels Group PLC Ordinary shares of 10 pence</i>
A S McEwan	3,454	11,130
C Springett	552	404
R T Winter	8,035	5,983

*These share interests were in InterContinental Hotels Group PLC ("IHG PLC") prior to the capital reorganisation effective 27 June 2005. For every 15 existing IHG PLC ordinary shares of 112 pence each held on 24 June 2005, shareholders received 11 new ordinary shares of 10 pence each and £24.75 in cash.

IHC Hotel Limited

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

Executive Share Option plan

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.

	<i>Options held at 1.01.05</i>	<i>Granted during year</i>	<i>Lapsed during the year</i>	<i>Exercised during the year</i>	<i>Options held at 31.12.05</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
	-	26,230	-	-	26,230	619.83p	April 2008
C Springett	21,689	-	-	-	21,689	438.00p	May 2006
	19,800	-	-	-	19,800	494.17p	April 2007
R T Winter	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
	-	74,050	-	-	74,050	619.83p	April 2008

Savesave Plan

	<i>Options held at 1.01.05</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>Options held at 31.12.05</i>	<i>Option prices</i>	<i>Earliest exercisable date</i>
R T Winter	3,769	-	-	3,769	420.50p	March 2009

IHC Hotel Limited

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 and following the final release out of the Scheme during the year, these shares were further subject to the capital reorganisation effective 27 June 2005. For every 15 existing IHG PLC ordinary shares of 112 pence each held on 24 June 2005, shareholders received 11 new ordinary shares of 10 pence each and £24.75 in cash.

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 112 pence held in trust at 1.01.05*</i>	<i>Ordinary shares of 112 pence released during the year</i>	<i>Ordinary shares of 10 pence held at 31.12.05</i>	<i>Appropriation price</i>	<i>Release date</i>
R T Winter	27.02.02	827	827	-	539.75p	27.02.05

*These share interests were in IHG PLC prior to the capital reorganisation effective 27 June 2005.

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 1.01.05</i>	<i>Awarded during the year</i>	<i>Vested during the year</i>	<i>Lapsed during the year</i>	<i>Maximum entitlement to awards held over IHG PLC Ordinary shares at 31.12.05</i>
A S McEwan	124,980	46,060	19,872	13,248	137,920
C Springett	-	8,800	-	-	8,800
R T Winter	316,780	130,020	50,022	33,348	363,430

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

IHC Hotel Limited

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

Short Term Deferred Incentive Plan (STDIP)

During the year, share awards made in respect of the Short Term Deferred Incentive Plan were as follows:

	<i>Maximum entitlement to awards held over IHG PLC Ordinary shares at 1.01.05</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 31.12.05</i>
R T Winter	-	65,067	-	65,067

THIRD-PARTY INDEMNITIES

InterContinental Hotels Group PLC has provided to all of its group company directors, limited indemnities in respect of costs of defending claims against them, and third-party liabilities.

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 Company's auditor in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

By order of the Board



Secretary

19 June 2006

IHC Hotel Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom Law and United Kingdom Generally Accepted Accounting Practice.

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 HOTEL LIMITED

We have audited the Company's financial statements for the year ended 31 December 2005 which comprise the Profit and loss account, Balance sheet, the Statement of Total Recognised Gains and Losses 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

Birmingham

Date *30 June 2006*

IHC Hotel Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	<i>Notes</i>	<i>2005</i> <i>£000</i>	<i>2004</i> <i>£000</i>
Interest receivable and similar income	5	6,273	5,706
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>6,273</u>	<u>5,706</u>
Tax on profit on ordinary activities	6	(1,882)	(1,712)
PROFIT FOR THE FINANCIAL YEAR		<u><u>4,391</u></u>	<u><u>3,994</u></u>

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2005

There are no recognised gains and losses other than the profit attributable to the shareholders of the Company of £4,391,000 for the year ended 31 December 2005 (year ended 31 December 2004 – profit of £3,994,000).

IHC Hotel Limited

BALANCE SHEET

As at 31 December 2005

	Notes	2005 £000	2004 £000
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	94,897	88,624
Cash at Bank and in hand		7,224	7,224
		<u>102,121</u>	<u>95,848</u>
CREDITORS: amounts falling due within one year	8	(11,887)	(10,005)
		<u>90,234</u>	<u>85,843</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>90,234</u>	<u>85,843</u>
CAPITAL AND RESERVES			
Share capital	9	1	1
Share premium account	10	77,294	77,294
Profit and loss account	10	12,939	8,548
		<u>90,234</u>	<u>85,843</u>
SHAREHOLDERS' FUNDS	10	90,234	85,843
		<u>90,234</u>	<u>85,843</u>

Approved by the board on
and signed on its behalf by



Director

19 June 2006

IHC Hotel Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2005

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.

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 year 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 (year ended 31 December 2004 – nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	£000	£000
Interest on loans to group undertakings	6,273	5,706

IHC Hotel Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2005

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	2005	2004
	£000	£000
UK corporation tax at 30 % (31 December 2004 – 30%)		
Current year	1,882	1,712
Total current tax	1,882	1,712
Tax on profit on ordinary activities	1,882	1,712

(b) Factors affecting current tax charge for the year

	2005	2004
	£000	£000
Profit before tax	6,273	5,706

The effective current rate of tax on ordinary activities is equal to the UK statutory rate of 30% (31 December 2004 – 30%).

7. DEBTORS

	2005	2004
	£000	£000
Amounts falling due within one year:		
Amounts owed by group undertakings	94,897	88,624

The amount owed by group undertakings falling due within one year is a loan to IHC (UK) Holdings Limited for a total of £73,929,956 (£55,929,956 being issued in June 1999, with a further £18,000,000 issued in March 2001). The entire loan matures on 15 December 2006. Interest is receivable on the loan at a rate per annum equal to LIBOR plus 2%.

Interest is receivable from IHC (UK) Holdings Limited bi-annually. Interest not received is added to the principal and is repayable at maturity. The loan balance at 31 December 2005 is £94,598,065 (31 December 2004 - £88,335,710) and the financial statements include an accrual for interest receivable of £297,931 (31 December 2004 - £287,697).

IHC Hotel Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2005

8. CREDITORS: Amounts falling due within one year

	2005 £000	2004 £000
Amounts owed to group undertakings	8,323	8,293
Corporation tax	3,564	1,712
	<u>11,887</u>	<u>10,005</u>

9. SHARE CAPITAL

	2005 £	2004 £
Authorised:		
99,999,900 ordinary shares of £1 each	99,999,900	99,999,900
100 10% cumulative preference shares of £1 each	100	100
	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully paid:		
1,093 ordinary shares of £1 each	1,093	1,093
100 10% cumulative preference shares of £1 each	100	100
	<u>1,193</u>	<u>1,193</u>

The 10% cumulative preference shares entitle the holders to a preferential right to dividends and to redemption at par value over equity shareholders in the event of a winding up.

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Share premium £000	Profit and loss account £000	Total shareholders' funds £000
At 31 December 2003	1	77,294	4,554	81,849
Profit for the year	-	-	3,994	3,994
At 31 December 2004	1	77,294	8,548	85,843
Profit for the year	-	-	4,391	4,391
At 31 December 2005	1	77,294	12,939	90,234

Included above are non-equity interests of £100.

IHC Hotel Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2005

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

12. RELATED PARTY TRANSACTIONS

As the Company was a wholly owned subsidiary of InterContinental Hotels Group PLC at 31 December 2005, 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.

13. PARENT UNDERTAKING AND CONTROLLING PARTY

As at 31 December 2005, InterContinental Hotels Group PLC (registered no. 5134420), a company incorporated in Great Britain and registered in England and Wales was the ultimate parent undertaking and controlling entity of IHC Hotel Limited.

During a group reorganisation effective 27 June 2005, InterContinental Hotels Group PLC (registered no. 5134420) replaced InterContinental Hotels Group PLC (registered no. 4551528) as the new ultimate parent company. InterContinental Hotels Group PLC (registered no. 4551528) was renamed InterContinental Hotels Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by InterContinental Hotels Group PLC (registered no. 5134420). Consolidated financial statements of InterContinental Hotels Group PLC (registered no. 5134420) are available from the following address:

Companies House, Crown way, Cardiff CF14 3UZ

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