

EDINBURGH GEORGE HOTEL LIMITED

Report and Financial Statements

31 December 2003

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Edinburgh George Hotel Limited

Registered No. SCO24663

DIRECTORS

AS McEwan
NP Stocks
C Springett
RT Winter

SECRETARY

C Engmann

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

21 George Street
Edinburgh EH2 6WN

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 Company owns and operates a hotel in George Street, Edinburgh. It is the intention of the directors that the Company will continue operating in this capacity.

CHANGE OF ACCOUNTING REFERENCE DATE

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

RESULTS AND DIVIDENDS

The loss after taxation for the period ended 31 December 2003 was £615,000 (year ended 30 September 2002 – loss of £345,000).

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:

AS McEwan	(appointed 14 April 2003)
NP Stocks	(appointed 6 October 2003)
C Springett	(appointed 14 April 2003)
RT Winter	(appointed 14 April 2003)
GM Cowie	(resigned 14 April 2003)
FJ Croston	(resigned 14 April 2003)
CD Glanville	(resigned 6 October 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 shares of InterContinental Hotels Group PLC ("IHG PLC") or any other group undertaking. Please refer to Note 20 for information regarding the ultimate parent undertaking.

	<i>At 01.10.02 or date of appointment (if later)</i>	<i>At 31.12.03</i>
	<i>Six Continents PLC Ordinary shares of 28p*</i>	<i>InterContinental Hotels Group PLC Ordinary shares £1</i>
AS McEwan	-	3,869
C Springett	365	620
NP Stocks	-	582
RT Winter	6,563	8,244

* 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.

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
C Springett	-	-	21,689	-	-	21,689	438.00p	May 2006
NP Stocks	-	9,233**	-	-	-	9,233	466.68p	Exercisable
	-	35,053**	-	-	-	35,053	349.13p	Exercisable
	-	18,125**	-	-	-	18,125	422.81p	Exercisable
	-	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

* 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.

** Represents options over IHG PLC shares at date of appointment.

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 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	-

* 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 lapse 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 SAYE Scheme

Options under the IHG PLC SAYE Scheme 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

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.

Edinburgh George Hotel Limited

DIRECTORS' REPORT

Entitlements to directors of the Company under the Profit Share Scheme are as follows:

	<i>Award Date</i>	<i>Six Continents PLC Ordinary shares of 28p held in trust 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 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 each at 01.10.02 (or date of appointment if later)</i>	<i>Awarded during the period Ordinary shares</i>	<i>Exercised 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	-	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.

CREDITOR PAYMENT POLICY

It is the Company's policy to adhere to the payment terms agreed with the supplier. Payments are contingent on the supplier providing goods or services to the required standard. The Company co-ordinates its purchasing with certain other group undertakings. Collectively these undertakings have creditor days outstanding of 10 (year ended 30 September 2002 – 9) at the period end.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that all employees be given equal opportunities in respect of training, career development and promotion.

DIRECTORS' REPORT

EMPLOYMENT POLICIES

The employment policies of the Company embody the principles of equal opportunity and are tailored to meet the needs of the Company and the areas in which it operates. This includes suitable procedures to support the Company's policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

The Group recognises the value of employee involvement in effective communications and the need for their contribution to decision making on matters affecting their jobs. To achieve employee involvement at the most relevant level, the Group has its own framework for consultation and information, having regard to the mix and location of its employee population. Management and employees have a joint responsibility for maintaining a regular dialogue on matters of local significance and on those issues that affect them. It is the Group's policy to communicate information on corporate issues, including financial information, at least twice a year via the management of the Group and through employee reports and periodic company newsletters.

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



Secretary
16 June 2004

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 EDINBURGH GEORGE HOTEL LIMITED

We have audited the Company's financial statements for the period ended 31 December 2003 which comprise the Profit and loss account, Statement of total recognised gains and losses, Balance sheet and related notes 1 to 20. 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 loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young UK

Ernst & Young LLP
Registered Auditor
Birmingham
16 June 2004

Edinburgh George Hotel Limited

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>
TURNOVER	2	8,575	6,947
Costs and overheads	3	(8,014)	(6,112)
OPERATING PROFIT		561	835
Profit on disposal of fixed assets	6	321	343
PROFIT BEFORE INTEREST AND TAXATION		882	1,178
Interest payable and similar charges	7	(1,769)	(1,822)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(887)	(644)
Tax on loss on ordinary activities	8	272	299
RETAINED LOSS FOR THE FINANCIAL PERIOD		(615)	(345)

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>15 months ended 31 December 2003</i>	<i>Year ended 30 September 2002</i>
	<i>£000</i>	<i>£000</i>
Loss for financial period	(615)	(345)
Prior year adjustment on adoption of FRS 19	-	(473)
Total recognised gains since previous year end	(615)	(818)

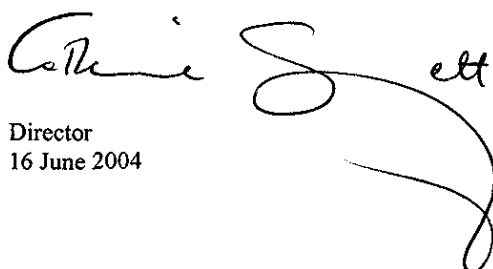
Edinburgh George Hotel Limited

BALANCE SHEET

As at 31 December 2003

		31 December 2003	30 September 2002
	Notes	£000	£000
FIXED ASSETS			
Tangible assets	9	16,650	17,540
CURRENT ASSETS			
Stock	10	138	129
Debtors	11	7,772	765
Cash at bank and in hand		9	5,384
		7,919	6,278
CREDITORS: amounts falling due within one year	12	(25,772)	(1,547)
NET CURRENT (LIABILITIES)/ASSETS		(17,853)	4,731
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,203)	22,271
CREDITORS: amounts falling due after more than one year	13	-	(22,727)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	(257)	(389)
NET LIABILITIES		(1,460)	(845)
CAPITAL AND RESERVES			
Share capital	15	547	547
Share premium	16	145	145
Revaluation reserve	16	10	10
Profit and loss account	16	(2,162)	(1,547)
EQUITY SHAREHOLDERS' DEFICIT	16	(1,460)	(845)

Signed on behalf of the Board



Director
16 June 2004

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

1. ACCOUNTING POLICIES

Fundamental accounting concept

The financial statements have been prepared on the going concern basis of continuing financial support from the ultimate parent undertaking, InterContinental Hotels Group PLC, which has confirmed that it will continue to make funds available to the Company to enable it to meet its debts as they fall due for as long as it remains the ultimate parent undertaking.

Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets. They have been drawn up to comply with applicable accounting standards.

Fixed assets

Freehold and leasehold land and buildings are stated at cost, or valuation, less depreciation. All other fixed assets are stated at cost less depreciation.

When implementing FRS 15 "Tangible Fixed Assets" in the year to 30 September 2000, the Company did not adopt a policy of revaluing properties. The transitional rules of FRS 15 were applied so that the carrying values of properties include an element resulting from previous valuations.

Expenditure on additions and improvements to tangible fixed assets is capitalised for major projects on the basis of measured work completed, and for all other projects as the expenditure is incurred.

Borrowing costs in respect of certain major construction and improvement projects are included in the cost of properties. Such costs relate to expenditure incurred prior to the project becoming operationally viable.

Revaluation

Surpluses or deficits arising from previous professional valuations of properties, realised on the disposal of an asset, are transferred from the revaluation reserve to the profit and loss account reserve.

Impairment

Any impairment arising on an income-generating unit, other than an impairment which represents a consumption of economic benefits, is eliminated against any specific revaluation reserve relating to the impaired assets in that income-generating unit with any excess being charged to the profit and loss account.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold and long lease land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	- periods up to 50 years
Fixtures, fittings and equipment	- between 3 and 12 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

1. ACCOUNTING POLICIES (CONTINUED)

Stocks

The basis of valuation for bought in goods, bottles, cases and consumable stores is the lower of cost and net realisable value on a first in, first out basis.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of each transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

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.

Pensions

The company is a member of a group defined benefit scheme. This is a multi-employer scheme that in the Company is accounted for as a defined contribution scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Further information is given in note 17

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

1. ACCOUNTING POLICIES (CONTINUED)

Operating Leases

Rentals under operating leases are charged to profit on a straight-line basis over the lease term.

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. TURNOVER

Turnover comprises the value of sales (excluding value added tax and similar sales taxes, trade discounts and intra-group transactions) of goods and services in the normal course of business.

Turnover is wholly attributable to hotel and catering operations within the United Kingdom.

3. COSTS AND OVERHEADS

	<i>15 months ended 31 December 2003</i>	<i>Year ended 30 September 2002</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	860	687
Change in raw materials and consumables	(9)	14
Staff costs (see note 5)	3,122	2,174
Depreciation of tangible fixed assets	970	531
Hire of plant and machinery	127	73
Other external charges	2,944	2,633
	<u>8,014</u>	<u>6,112</u>
The following amounts are included above:		
Auditors' remuneration – audit work	<u>3</u>	<u>3</u>

4. 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.

Edinburgh George Hotel Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

5. STAFF COSTS

	<i>15 months ended 31 December 2003 £000</i>	<i>Year ended 30 September 2002 £000</i>
Wages and salaries	2,711	1,901
Social security costs	267	173
Other pension costs	144	100
	<u>3,122</u>	<u>2,174</u>

The average number of staff employed by the Company during the period was:

	<i>15 months ended 31 December 2003 No.</i>	<i>Year ended 30 September 2002 No.</i>
United Kingdom: Salaried	118	117
Hourly paid	35	30
	<u>153</u>	<u>147</u>

6. EXCEPTIONAL ITEMS

The exceptional credit relates to:

	<i>15 months ended 31 December 2003 £000</i>	<i>Year ended 30 September 2002 £000</i>
<i>Non operating</i> Profit on disposal of fixed assets	321	343

The exceptional item of £321,000 relates to the profit on the sale of the flat at 25 India Street, Edinburgh.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

7. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>15 months ended 31 December 2003 £000</i>	<i>Year ended 30 September 2002 £000</i>
Interest on loans from parent undertakings	1,769	1,822

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	<i>15 months ended 31 December 2003 £000</i>	<i>Year ended 30 September 2002 £000</i>
(a) Analysis of tax charge / (credit) for the period		
UK corporation tax at 30 % (30 September 2002 – 30%)		
Current year	(150)	(215)
Prior years	10	-
Total current tax	(140)	(215)
Deferred taxation		
Origination and reversal of timing differences	(206)	(74)
Prior years	74	(10)
Total deferred tax	(132)	(84)
Tax on loss on ordinary activities	(272)	(299)

Tax chargeable in relation to operating and non-operating exceptional items (see note 6) amounts to £nil (2001 - £nil).

(b) Factors affecting current tax charge for the period

	<i>15 months ended 31 December 2003 £000</i>	<i>Year ended 30 September 2002 £000</i>
Loss on ordinary activities before tax	(887)	(644)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

8. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

(b) Factors affecting current tax charge for the period (continued)

	%	%
UK corporation tax standard rate	30.0	30.0
Permanent differences	10.3	(0.8)
Depreciation in excess of capital allowances	(23.4)	(11.4)
Other timing differences	-	15.5
Prior years	(1.1)	-
Effective current tax rate on ordinary activities	15.8	33.3
Effective current tax rate before exceptional items	11.6	21.8

(c) Factors which may affect future tax charge

The key factors which may affect future tax charges include the availability of tax depreciation and changes in tax legislation.

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost or valuation:			
At 30 September 2002	16,847	2,194	19,041
Additions	-	83	83
Disposals	(5)	(4)	(9)
At 31 December 2003	16,842	2,273	19,115
Depreciation:			
At 30 September 2002	441	1,060	1,501
Charge for the period	345	625	970
Disposals	(2)	(4)	(6)
At 31 December 2003	784	1,681	2,465
Net book value:			
At 31 December 2003	16,058	592	16,650
At 30 September 2002	16,406	1,134	17,540

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

9. TANGIBLE FIXED ASSETS (CONTINUED)

The most recent valuation of the fixed assets was undertaken in 1999 by external independent chartered surveyors Jones Lang LaSalle Hotels in accordance with the Appraisal and Valuation manual of The Royal Institute of Chartered Surveyors. The basis of valuation was existing use for all properties, and had regard to trading potential. No valuation was performed in the period to 31 December 2003.

On the historical cost basis, tangible fixed asset would have been included as follows:

	<i>31 December 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Cost	19,115	19,041
Depreciation	(2,475)	(1,511)
Historical cost net book value	<u>16,640</u>	<u>17,530</u>

10. STOCK

	<i>31 December 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	138	129

The difference between the purchase price of stock and their replacement costs is not material.

11. DEBTORS

	<i>31 December 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	356	519
Corporation tax debtor	383	159
Other debtors	2	4
Prepayments and accrued income	149	83
Amount owed by other group undertakings	6,882	-
	<u>7,772</u>	<u>765</u>

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

12. **CREDITORS:** Amounts falling due within one year

	<i>31 December 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	178	204
Amounts owed to other group undertakings	25,015	427
Other taxation and social security	246	281
Other creditors	333	635
	<u>25,772</u>	<u>1,547</u>

The amounts owed to other group undertakings include a promissory note, including rolled-up interest, together totalling £24,838,852 (30 September 2002 - £22,727,450), issued on 31 August 1994 and maturing on 15 December 2004. Interest is charged at LIBOR plus 2.0 per cent. The promissory note is now included in amounts owed to other group undertakings falling due within one year.

13. **CREDITORS:** Amounts falling due after more than one year

	<i>31 December 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Amounts owed to other group undertakings	-	22,727
	<u>-</u>	<u>22,727</u>

14. **DEFERRED TAXATION**

	<i>31 December</i>
	<i>2003</i>
	<i>£000</i>
At 30 September 2002	389
Profit and loss account	(132)
At 31 December 2003	<u>257</u>

Analysed as tax on timing differences related to:

	<i>31 December 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Fixed assets	257	389
	<u>257</u>	<u>389</u>

No provision has been made for deferred tax on the sale of properties at their revalued amounts as the Company is not committed to their disposal. The total amount unprovided is estimated at £Nil (30 September 2002 - £Nil). It is not anticipated that any such tax will be payable in the foreseeable future.

No provision has been made for deferred tax on the sale of properties where gains have been deferred against expenditure on replacement assets.

Edinburgh George Hotel Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

15. SHARE CAPITAL

	<i>31 December 30 September</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Authorised:		
3,200,000 ordinary shares of 25p each	800	800
Allotted, called up and fully paid:		
2,186,667 ordinary shares of 25p each	547	547

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders' funds £000</i>
At 30 September 2001 as previously reported	547	145	10	(729)	(27)
Prior year adjustment on adoption of FRS 19	-	-	-	(473)	(473)
At 30 September 2001 as restated	547	145	10	(1,202)	(500)
Loss for the year	-	-	-	(345)	(345)
At 30 September 2002	547	145	10	(1,547)	(845)
Loss for period	-	-	-	(615)	(615)
At 31 December 2003	547	145	10	(2,162)	(1,460)

17. PENSIONS

Pension benefits are provided by a Group defined benefit pension scheme, the InterContinental Hotels UK Pension Plan.

Contributions to this scheme are charged to the profit and loss account as they are incurred, based upon pension costs across the Group as a whole. Total annual contributions to the scheme are based on independent actuarial advice, and are gauged to the future pension liabilities (including projected increases in earnings and pensions) in respect of the service up to the balance sheet date.

All actuarial variance and differences in amounts funded are accounted for in the accounts of the immediate parent undertaking, Six Continents PLC. It is not possible to identify the Company's share of the underlying assets and liabilities of the pension scheme. The deficit in the group scheme as at 31 December 2003, calculated in accordance with the requirements of FRS 17, is £47,000,000.

Detailed disclosures relating to the groups pension scheme are included in the accounts of InterContinental Hotels Group PLC.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

18. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 December 2003 the Company had annual commitments under operating leases which expire as follows:

	<i>Other</i>	
	<i>31 December</i>	<i>30 September</i>
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Leases which expire:		
Within one year	27	27
In two to five years	1	28
In over five years	-	-
	<u>28</u>	<u>55</u>

Capital commitments

There were no capital commitments at 31 December 2003 (30 September 2002 - £nil).

Other financial commitments

The Company is registered for VAT purposes in a group of companies which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the Group and failure by any other member of the Group would give rise to additional liabilities for the Company. The directors are of the opinion that no liability is likely to arise from the failure of those companies.

The Company has entered into a composite guarantee with Lloyds TSB Bank 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.

19. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

20. 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 of Edinburgh George Hotel Limited.

The largest group in which the results of the Company are consolidated is that headed by InterContinental Hotels Group PLC, a company registered in England and Wales. 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 and controlling company is IHC Edinburgh (Holdings) Limited, a company registered in England and Wales.