the pounds sterling price of the ordinary shares on the London Stock Exchange and, as a result, are likely to affect the market price of the ADSs which are evidenced by ADRs in the United States.

Exchange Rates

The following tables show, for the periods and dates indicated, certain information regarding the exchange rate for pounds sterling, based on the Noon Buying Rate for pounds sterling expressed in US dollars per £1.00. The exchange rate on February 10, 2003 was £1.00 = US$1.63.

Month	Month’s Highest Exchange Rate	Month’s Lowest Exchange Rate
February 2003 (through February 10, 2003)	1.65	1.63
January 2003	1.65	1.60
December 2002	1.61	1.56
November 2002	1.59	1.54
October 2002	1.57	1.54
September 2002	1.57	1.53
August 2002	1.57	1.52

Year ended September 30	Period End	Average Rate (1)	High	Low
1998	1.70	1.66	1.71	1.61
1999	1.65	1.63	1.72	1.55
2000	1.48	1.55	1.68	1.40
2001	1.47	1.44	1.50	1.37
2002	1.57	1.48	1.58	1.41

(1) The average of the Noon Buying Rate on the last day of each full month during the period.

A significant portion of the Group’s assets, liabilities and revenues are denominated in currencies other than pounds sterling, principally the US dollar and euro. For a discussion of the impact of exchange rate movements, see “Item 5. Operating and Financial Review and Prospects — Liquidity and Capital Resources”.

RISK FACTORS

This section describes some of the risks that could materially affect the Group’s businesses. The factors below should be considered in connection with any forward-looking statements in this Form 20-F and the cautionary statements contained on page 6.

The risks below are not the only ones that the Group faces. Some risks are not yet known to Six Continents and some that Six Continents does not currently believe to be material could later turn out to be material. In particular, consideration should be given to the ongoing global political uncertainties and specifically the threat of conflict in the Middle East which could adversely effect the financial condition of the Group’s businesses. All of these risks could materially affect the Group’s businesses, turnover, operating profit, earnings, net assets and liquidity and capital resources.

As a consequence of the proposed Separation, additional risk factors have been identified to reflect the lower materiality threshold which would relate to Six Continents Hotels and Soft Drinks and to Six Continents Retail as separate businesses after Separation.

General Risks

The Group is exposed to the risks of economic recession

The Group is exposed to the risks of either a global recession or a recession in one or more of its key markets. The effect would be to lower revenues and reduce income. For SCH, a recession would adversely affect room rates and/or occupancy levels and other income generating activities resulting in deterioration of results of operations and limiting its ability to sell its properties in affected economies.

SCR is exposed to the risks of a recession in the United Kingdom and to a lesser extent in Germany. A recession in either market could result in lower consumer expenditure and therefore lower revenues and reduced net income, particularly in SCR's restaurant business. SCR's Alex sites in Germany have already experienced lower revenues as a result of the current economic climate in Germany. SCR's sites in London have experienced lower revenues as a result of economic downturn from decreased activity in the financial markets and from reduced tourist visits as a result of the terrorist attacks on September 11, 2001 and the possible threat of conflict in the Middle East.

The Group is exposed to political and economic developments and currency exchange rate fluctuations

As the Group has worldwide operations, global political and economic developments and currency exchange rate fluctuations may impact results of operations. In addition, other local economic factors such as local interest rates, risks of hyper-inflation or deflation and political developments in some countries could adversely impact the Group's results of operations. Political or economic factors could effectively prevent the Group from receiving profits from, or from selling its investments in, these countries. These factors could affect the operation or creditworthiness of banks or other counterparties with which the Group has dealings. In addition, fluctuations in currency exchange rates between the UK pound sterling and the US dollar and the currencies in which the Group's international operations or investments operate could adversely affect the Group's reported earnings and the value of its businesses.

As the Group operates in many countries, the functional currency of its operations is generally the currency of the local operating environment. As a result, foreign exchange rate fluctuations between currencies could have a material adverse effect on the Group's reported operating results, which are stated in pounds sterling.

The Group is dependent upon recruiting and retaining key personnel, and developing their skills

In order to develop, support and market its products, the Group must hire and retain highly skilled employees with particular expertise. The implementation of the Group's strategic business plans could be undermined by failure to recruit or retain key personnel, the unexpected loss of key senior employees, failures in the Group's succession planning, or a failure to invest in the development of key skills. Additionally, unless skills are supported by a sufficient infrastructure to enable knowledge and skills to be passed on, the Group risks losing accumulated knowledge if key employees leave the Group.

The Group is exposed to certain risks in relation to technology

A failure by the Group to take advantage of new technology and developments could put the Group at a competitive disadvantage in the field of e-commerce and business-to-business hospitality or supplier procurement or any other aspect of the Group businesses dependent upon its technology infrastructure. The Group may have to make substantial additional investments in new technologies to remain competitive. The technologies that the Group chooses may not prove to be commercially successful or the information technology strategy employed may not be sufficiently aligned or responsive to changes in business strategy. As a result, the Group could lose customers, fail to attract new customers or incur substantial costs in order to maintain its customer base or face other losses.

Failure to develop an appropriate e-commerce strategy and select the right partners could allow the Group's market share to erode. Loss of key communications linkages or key parts of the IT infrastructure for a prolonged period or permanently may result in significant business interruption and subsequent impact on reserves.

The Group is exposed to regulatory action

Both in the United Kingdom and internationally, the Group's operations are subject to regulation, and further changes in regulation could adversely affect results of operations. Examples of such regulatory changes could include:

- Further employment legislation which could impact labor costs such as minimum wage and maximum working hours, overtime, working conditions, recruiting and terminating employees and work permits.
- The Group’s international hotel operations are exposed to governmental actions in almost 100 countries and territories. The hospitality industry is heavily regulated, including with respect to food and beverage sales, employee relations, diversity and access for the disabled, construction and environmental concerns. Compliance with these laws could reduce revenues and profits of properties owned or managed by the Group. The Group and its various properties are subject worldwide to numerous laws, including those relating to the preparation and sale of food and beverages, such as health and liquor license laws. Additionally, the success of the Group’s strategy in relation to the expansion of its existing properties may be dependent upon obtaining necessary building permits or zoning variances from local authorities. The Group is also subject to foreign and US federal, state and local laws and regulations relating to the environment and the handling of hazardous substances which may impose or create significant potential environmental liabilities, even in situations where the environmental problem or violation occurred on a property before the Group acquired it. Possible future legislation or regulation or different enforcement of current legislation or regulations, particularly in the areas of competition law, consumer protection, non-discrimination, franchise and environmental law could adversely affect the Group’s operations.

Adverse regulatory developments could limit or prevent the Group receiving profits from, or limit its ability to sell, the properties affected by the regulatory change.

The Group may face difficulties insuring its businesses

Historically, Six Continents has maintained insurance at levels determined by it to be appropriate in light of the cost of cover and the risk profiles of the businesses in which it operates. Following the effects of the September 11, 2001 terrorist attacks, companies in general are facing increased premiums for reduced cover as the insurance market has hardened. The Group will continue to explore ways of sensibly insuring risk. Generally, the Group will have to pay higher premiums or in some cases take out less, or a lower quality of, cover. This could adversely affect the Group by increasing costs or increasing the exposure of the Group to certain risks.

The M and B Group intends to be covered by Six Continents’ existing policies until September 30, 2003. From October 2003, the M and B Group and the InterContinental Group will be required to establish new insurance arrangements. This could adversely affect the M and B Group and the InterContinental Group by increasing costs or increasing their exposure to certain risks.

The Group is reliant on the reputation of its brands and the protection of its intellectual property rights

An event that materially damaged the reputation of one or more of the Group’s brands and/or failure to sustain the appeal of the Group’s brands to its customers could have an adverse impact on the value of that brand and subsequent revenues from that brand or business. Given the importance of brand recognition to the Group’s businesses, the Group has invested considerable effort in protecting its intellectual property, including by registration of trademarks and domain names. If the Group is unable to protect its intellectual property, any infringement or misappropriation could materially harm its future financial results and ability to develop its businesses.

The Group is exposed to changes in consumer perception and preference adversely affecting its brands

The Group’s range of brands and relevance to the sectors of the markets in which it operates may be adversely affected by changes in taste, commoditization, loss of distribution or other factors affecting consumers’ willingness to purchase goods or services, including any factor which adversely affects the reputation of those brands.

The Group is exposed to changes in tax legislation

Changes in tax legislation and practice may adversely affect the financial performance of the Group.

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Funding Risks

The Group's indebtedness could adversely affect its financial health

The Group has put in place borrowing facilities to meet its expected capital resource requirements. The Group's ability to borrow under these and any other additional facilities which it might seek to establish will be determined by the Group being able to comply with certain financial and other covenants contained in the relevant facility documentation. If the Group's revenues, cash flow or credit ratings do not meet expectations, the Group may lose its ability to borrow money or to do so on terms it considers to be favorable. Conditions in the capital markets will also affect the Group's ability to borrow funds or to raise equity financing, as well as the terms it may obtain. All of these factors could also make it difficult or impossible for the Group otherwise to raise capital needed to pursue its strategy.

The Company cannot assure investors that the Group will be able to arrange any additional financing or refinancing needed to fund its capital resource requirements on acceptable terms, or at all. As the Group's levels of debt increase, its business may not be able to generate sufficient cash flow to service its debt and/or continue its investment program.

Pensions risks

The Group is exposed to funding risks in relation to the defined benefits under its pension schemes

The Group is obliged by law to maintain a minimum funding level in relation to its ongoing obligation to provide current and future pensions for the members of its schemes who are entitled to defined benefits. In addition to this, if any scheme of the Group is wound up, the Group could become statutorily liable to make an immediate payment to the trustees to bring the funding of these defined benefits to a level which is higher than this minimum. Also, the trustees of the Group's schemes have a wide discretion under the scheme rules to decide the contributions payable by the Group, and these must be set with a view to making prudent provision for the benefits accruing under the schemes of the Group.

Some of the issues which could adversely affect the funding of these defined benefits (and materially affect the Group's funding obligations) are: (i) poor investment performance of pension fund investments; (ii) long life expectancy (which will make pensions payable for longer and therefore more expensive to provide, whether paid directly from the schemes or secured by the purchase of annuities); (iii) adverse annuity rates (which tend in particular to depend on prevailing interest rates and life expectancy) as these will make it more expensive to secure pensions with an insurance company; (iv) clarification of the law that might require guaranteed minimum pensions relating to service prior to April 6, 1997 to be equalized as between men and women; and (v) other events occurring which make past service benefits more expensive than predicted in the actuarial assumptions by reference to which the Group's past contributions were assessed.

An additional uncertainty is that changes to the statutory requirement regarding funding are expected, and these could in some cases prove to be more onerous for employers than those described above. It should be noted (particularly in view of a disappointing stock market performance in January 2003) that the schemes' funding positions may well prove to be weaker now than at December 31, 2003, and further adverse changes are possible in the future.

As with many other schemes throughout the United Kingdom, there is the possibility of future claims being brought against the Group alleging unlawful indirect sex discrimination contrary to Article 141 of the European Treaty on the grounds of the scheme's former exclusion of part-time employees. The chances of success for such claims are uncertain owing to issues of law that are presently unresolved.

Additional Risks Relating to Six Continents Hotels

SCH is exposed to the risk of events that adversely impact domestic or international travel

SCH's room rates and occupancy levels could be adversely impacted by events such as acts of terrorism, war, the threat of war, travel-related accidents, travel-related industrial action, increased transportation and fuel costs and natural disasters resulting in reduced worldwide travel or other local factors impacting individual hotels.

The terrorist attacks of September 11, 2001, their immediate aftermath and other subsequent national and world events, including the bombings in Bali on October 12, 2002 and in Mombasa on November 28, 2002, have created a significant amount of uncertainty about future prospects and national and world economies. The overall long-term effect on the Group and the hotel industry is also uncertain. Domestic and international business and leisure travel, which were already adversely affected by the recent economic downturn, have been further affected and are likely to remain depressed over the near-term as potential travelers reduce or avoid discretionary air and other travel in light of increased safety concerns and anticipated travel delays. The attacks have also decreased consumer confidence, and a resulting further decline in the United States and global economies could further reduce travel. At the present time, however, it is not possible to predict either the severity or duration of such declines, but weaker hotel performance will, in turn, have an adverse impact on SCH’s business, financial condition and results of operations.

SCH is exposed to the risks of the hotel industry supply and demand cycle

SCH’s future operating results could be adversely affected by industry over-capacity (by number of rooms) and weak demand. Reductions in room rates and occupancy levels would adversely impact SCH’s results of operations.

SCH may not be able to increase or maintain the number of its properties operated by its franchisees or pursuant to its management contracts

Competition may generally reduce the number of suitable management, franchise and investment opportunities offered to SCH, and increase the bargaining power of property owners seeking to engage a manager, become a franchisee or sell a hotel property. There can be no assurance that SCH will be able to identify, retain or add franchisees to the SCH system or to secure management contracts. There are also risks that significant franchisees or groups of franchisees may have interests that conflict, or are not aligned, with those of SCH. Changes in legislation or regulatory changes may be implemented that have the effect of favoring franchisees relative to brand owners.

SCH is exposed to risks of failures within its HolidexPlus and other centralized systems

SCH is heavily reliant on (i) its HolidexPlus and other reservation systems, which receive reservation requests entered on terminals located at the vast proportion of the Group’s hotels and reservation centers as well as from a number of major corporations, travel agents and US domestic airlines; (ii) other centralized systems (for example, its IT networks); and (iii) bookings received via its website. If HolidexPlus or any other critical system were to fail, SCH’s occupancy levels and results of operations could be adversely affected.

SCH is exposed to the risk of increased use of intermediaries’ internet reservation channels

The value of SCH’s brands is partly derived from the ability to drive reservations through its proprietary HolidexPlus reservation system. In recent years there have been very rapid changes in the ability to choose and book hotel rooms, driven by the internet, with the emergence of intermediaries which market hotel rooms in such a way that there is the risk of commoditization of hotel rooms. Some of the emerging business models and intermediaries could have a significant impact on the ability of SCH to continue to drive reservations, and hence have an impact on the value of SCH’s brands. Additionally, these channels are becoming more consolidated which may lead to higher costs of distribution for SCH, for example by intermediaries being able to demand higher commissions. Although SCH is actively taking steps to adapt to the changing environment (by developing competitive internet reservation systems for its own benefit), because of the very high pace of change in this area there is a risk that SCH will not adapt quickly enough.

SCH may experience a lack of acquisition opportunities

In the event that the availability of suitable sites becomes limited, SCH may be unable to pursue its strategy of acquiring new land or locations for the potential development of new hotels, particularly in Europe, Middle East and Africa (“EMEA”) and within major gateway cities globally, which could inhibit and adversely affect its results of operations.

SCH is exposed to the risk of litigation

SCH could be at risk of litigation from its guests, customers, joint venture partners, suppliers, franchisees and/or the owners of hotels managed by it for breach of its contractual or other duties. Claims filed in the United States may include requests for punitive damages as well as compensatory damages.

Exposure to litigation may affect the Group’s reputation even though the monetary consequences are not significant.

Additional Risks relating to the Soft Drinks business

The Soft Drinks business is exposed to risks related to possible product contamination

The Soft Drinks business, like all beverage producers, has been and will continue to be vulnerable to accidental or malicious contamination of its products or base raw materials. Any such contamination could result in recall of the Soft Drinks business’ products, the Soft Drinks business being unable to sell its products, damage to brand image and/or civil or criminal liability, which could have a material adverse effect on the Soft Drinks business’s operations and financial performance.

The Soft Drinks business is reliant upon certain suppliers

The Soft Drinks business is reliant upon fruit juice concentrates, sugar and other fruit juice raw materials as necessary ingredients for many of its products. In the event the Soft Drinks business is unable to obtain an adequate supply of these raw materials or fails to negotiate the purchase of these materials on a reasonable commercial basis, this could have a significant adverse impact on the Soft Drinks business’ financial operations.

The Soft Drinks business is exposed to significant competition

The Soft Drinks business operates in a highly competitive market sector in which large competitors such as Coca-Cola Enterprises are active.

A change in the level of marketing undertaken by competitors or in their pricing policies, the growth or strengthening of existing retailers of beverage products, the introduction of new competing brands or products or increased purchasing power pressure from customers could have a material adverse effect on the Soft Drinks business’ operations and financial performance. Conversely, competition law may regulate the Company’s ability to participate in industry consolidation at a strategic level.

Adverse weather conditions could reduce demand for the Soft Drinks business’ products

Demand for the Soft Drinks business’ products may be affected by weather conditions, especially in the summer months, when unseasonably cool or wet weather can affect sales volumes and therefore the results of the Soft Drinks business’ operations for the year.

Additional Risks relating to Six Continents Retail

Certain changes to regulation may affect the cost base of the SCR business

Both in the United Kingdom and in Germany, SCR’s operations are subject to regulation and further changes in regulation could adversely affect results of operation, including through higher costs. More restrictive regulations could lead to increasing prices to consumers which in turn may adversely affect demand and therefore revenues and profitability. In particular, additional EU or UK employment legislation (in particular, the level of the national minimum wage, which is under annual review by the UK Low Pay Commission and which the Trades Union Congress in the United Kingdom is seeking to raise to between £5.00 and £5.30 in 2004, and the maximum number of hours an employee may be permitted to work and the extent to which they may voluntarily opt-out) could further increase labor costs.

SCR's sites must compete with other pubs and restaurants and consumption at home

SCR's pubs and restaurants compete for consumers with a wide variety of other branded and non-branded pubs and restaurants as well as off-licenses, supermarkets and takeaways, some of which may offer higher amenity levels or lower prices and be backed by greater financial and operational resources. SCR's pubs and restaurants may not be successful in competing against any or all of these alternatives and a sustained loss of customers and/or skilled employees to other pubs or leisure activities or increased consumption at home could have a material adverse affect on SCR's business operations and prospects.

SCR's activities are affected by a number of fiscal-related matters

SCR's activities are affected by a number of fiscal-related matters. These matters include duty on alcoholic beverages, value added tax, other business taxes and the availability of duty harmonization to travelers between EU countries. Changes in legislation which affect all or any of these matters may adversely affect the financial performance of SCR.

Certain changes in regulation may affect SCR's revenue

Some examples of regulatory changes which could affect SCR's revenue base could include:

- Licensing reform

  Licensing reform which would result in additional expense and process delays, or require re-licensing of existing license holders or permit objections to a new site after planning consent and a provisional license has been granted, and any delays and failures to obtain required licenses or permits could negatively affect SCR's operations and in particular its ability to obtain licenses for new sites in residential areas.

- Changes to drink-driving and smoking laws

  The UK Government has carried out consultation exercises concerning the legal blood alcohol limit for drivers and smoking in public places, to decide whether to introduce regulations controlling smoking in public, including in pubs and restaurants. If the UK Government introduces regulations which further discourage customers from driving to pubs or discourage smokers from frequenting pubs and restaurants, pubs and restaurants could suffer a reduction in turnover which could have a negative effect on SCR's business.

- Changes to the gaming legislation

  Changes to the gaming legislation are under consideration by the UK Government, including the operation of amusement machines with prizes (or fruit machines) ("AWPs") in pubs. The main areas of the current legislation that would change are that play by those under 18 years old would be illegal (although SCR already complies with a voluntary code to this effect) and the control of numbers of AWPs would pass from licensing magistrates to local authorities. The other areas of change relate to categories of machines permitted in casinos, licensed betting offices, bingo amusement arcades, family entertainment centers and motorway service stations which may increase the competitive threat to SCR in respect of gaming. These new gaming laws could impede SCR's ability to increase income from AWPs.

SCR may be adversely affected by changes in supplier dynamics and interruptions in supply or by circumstances adversely affecting business continuity

In recent years, there has been a consolidation in the brewing and distribution industry in the United Kingdom. This consolidation could have the effect of exposing SCR to reliance on a limited number of suppliers, and those suppliers may be able to exert pressures on SCR that could have the effect of raising the prices paid by SCR for goods bought or delivered, reducing SCR's margins and adversely affecting results of operations.

SCR has entered into agreements with all of its key suppliers. Termination of these agreements, variation of their terms or the failure of a party to comply with its obligations under these agreements could have a material adverse effect on the operations and financial performance of SCR.

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The interruption or contamination of the supply of food and drink to SCR’s sites or loss of a key office or part of SCR’s IT infrastructure may affect SCR’s ability to trade.

Weather may adversely affect SCR’s business

Attendance levels at SCR’s pubs and restaurants may also be adversely affected by persistent rain or other inclement weather, especially during the summer months or over the Christmas period. This could have a negative effect on turnover generated by SCR’s pubs and restaurants and, in turn, could have a negative effect on the results of SCR’s operations.

The pub industry is subject to varying consumer perceptions and public attitudes

In the United Kingdom, consumption of alcoholic beverages has become the subject of considerable social and political attention in recent years due to increasing public concern over alcohol- related social problems including drink driving, underage drinking and adverse health consequences associated with the misuse of alcohol, including alcoholism. For example, from 1995 to 2000, sales of all beer (by volume) in the United Kingdom decreased by 3.6%. Changes in consumer tastes in both food and drink and demographic trends over time may affect the appeal of SCR’s pubs and restaurants to consumers. SCR’s success will depend in part on its ability to anticipate, identify and respond to these changing conditions in the context of the life-cycle economics of the leisure industry.

Complaints or litigation from pub customers, employees and third parties may adversely affect SCR

SCR or the licensed retailing industry could be the subject of complaints or litigation from individual or groups of pub customers and/or employees and/or class actions alleging illness or injury (e.g. passive smoking or alcohol abuse) or raising other food quality, health or operational concerns, and from other third parties in nuisance and negligence. It may also incur additional liabilities as a freehold property owner (including environmental liability). These claims may also divert SCR’s financial and management resources from more beneficial uses. If SCR were to be found liable in respect of any complaint or litigation, this could adversely affect SCR’s results of operations, and also adversely affect the reputation of SCR or its brands.

SCR is exposed to fluctuations in the property market

Around 16% of SCR’s property is short leasehold which is subject to periodic rent reviews and renegotiation of rents when leases are renewed. The property market may develop so that rents may increase such that they affect the economic viability of one or more of such properties. Equally, a downturn in the UK property market may lead to a reduction in SCR’s freehold property values over time.

Lack of acquisition opportunities for SCR

As there is a finite number of existing or potential sites in good locations, SCR’s strategy of acquiring suitable sites for development of new pubs and restaurants, particularly in residential areas, may be negatively impacted.

SCR has a high proportion of fixed overheads and variable revenues

A high proportion of SCR’s operating overheads and certain other costs remain constant even if its revenues drop. The expenses of owning and operating a managed pub or pub-restaurant are not significantly reduced when circumstances such as market and economic factors and competition cause a reduction in revenues. Owners of leased and tenanted estates generally have a lower risk to revenue exposure compared with SCR because the tenant is obliged to pay the negotiated rent. In addition, owners of leased and tenanted estates typically have lower fixed costs at both operating and head office levels than SCR.

Accordingly, a significant decline in SCR’s revenues would have a disproportionately adverse effect on its cash flow and ability to make interest and principal payments on its debt.