

Registered number 575108

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

COMPANY INFORMATION

DIRECTORS

N Gallagher
N Hentrey
N Stocks
L Werner
R Wheeler

COMPANY SECRETARY

E Percival

REGISTERED NUMBER

575108

REGISTERED OFFICE

Broadwater Park
Denham
Buckinghamshire
UB9 5HR

INDEPENDENT AUDITORS

Ernst & Young LLP
One Colmore Square
Birmingham
B4 6HQ

BANKERS

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

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

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INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

PRINCIPAL ACTIVITIES

InterContinental Hotels Group Services Company's (the "Company") principal activity is the provision of an administrative support function to fellow revenue generating subsidiary undertakings of the InterContinental Hotels Group (consisting of InterContinental Hotels Group PLC and its subsidiaries) (the "Group"). It is the intention of the directors that the Company will continue operating in this capacity.

Whilst most of its activities take place within the the United Kingdom, the Company also operates branches in Switzerland and Sweden.

REVIEW OF 2013

The Company makes charges in respect of the services provided by its employees to certain Group undertakings at a price equal to its cost base plus a mark up, and accordingly the results of the Company largely depend upon the level of its cost base. During the year, turnover increased from £119,376,000 in 2012 to £127,491,000 in 2013, reflecting the increase in the value of services provided. The Company reported an operating profit of £1,957,000 in 2013, which compared with an operating loss of £32,899,000 in 2012. This improvement in results was mainly due to a reduction in costs that are not recharged to Group undertakings, in particular special pension scheme contributions paid, which fell from £38,562,000 in 2012 to £4,474,000 in 2013.

The Company incurred charges from Group undertakings of £25,714,000 (2012: £26,756,000) that were subsequently charged on to fellow Group undertakings with no markup. This income and expense are shown net within administrative expenses.

The directors view the results as satisfactory, as are future prospects of the Company. The cost base of the administrative support function is not monitored on an individual legal entity basis but is measured on a Group-wide basis as part of the overall overhead structure of the Group. As a consequence, key performance indicators are not used by the Company to monitor business performance.

PRINCIPAL RISKS AND UNCERTAINTIES

Primarily the Company's revenues are generated from fellow Group undertakings and as such there are not considered to be any significant risks and uncertainties impacting the Company. Any uncertainties impacting the Company would arise from internal decisions taken within the Group.

The Group's treasury function seeks to reduce the financial risk of the Group and manages liquidity to meet all foreseeable cash needs. The primary financial risks that are managed by treasury are exchange rate risk, interest rate risk, liquidity risk and credit risk. Full disclosure of the Group's treasury management policies and the risk profile of the Group are set out in the consolidated financial statements of InterContinental Hotels Group PLC which are prepared under International Financial Reporting Standards.

By order of the Board



Signed by

Erika Percival

, Secretary/~~Director~~

Date

17 APR 2014

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements for the year ended 31 December 2013

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £781,000 (2012 loss £26,344,000)

The directors do not propose a dividend for the year ended 31 December 2013 (2012 £nil)

DIRECTORS

The directors during 2013 and since the year end were as follows

P Edgecliffe-Johnson (resigned 1 January 2014)

N Gallagher (appointed 30 January 2014)

N Henfrey

R Kennedy (resigned 30 April 2013)

N Stocks

L Werner (appointed 19 July 2013)

R Wheeler

GOING CONCERN

The Company operates its activities in conjunction with other companies within the Group and therefore relies on the Group for its continued existence

An overview of the business activities of the Group, including a review of the key business risks that the Group faces is given in the Strategic Report in the InterContinental Hotels Group PLC Annual Report and Form 20-F 2013. Information on the Group's treasury management policies, including information on covenants and debt facilities, processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk is also given in the Annual Report and Form 20-F 2013. The Group refinanced its bank debt in November 2011 and put in place a five-year \$1.07bn facility. In November 2009 the Group issued a seven-year £250m sterling bond and, in November 2012 a 10-year £400m sterling bond. At the end of 2013 the Group was trading significantly within its banking covenants and debt facilities.

The Group's fee-based model and wide geographic spread means that it is well placed to manage through uncertain times and forecasts and sensitivity projections, based on a range of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the financial statements.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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 Company 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 Company 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 Company's policy to communicate information on corporate issues, including financial information, periodically via the management of the Company and through employee reports and the corporate intranet site which provides continuous access to information about people, policies and news across all hotels, corporate offices and reservations centres in the Group.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

A qualifying third party indemnity provision has been granted in favour of existing and former directors of the Company by InterContinental Hotels Limited, in accordance with Section 232 of the Companies Act 2006. A copy of this indemnity provision is available for inspection by the members of the Company at the Company's registered office at Broadwater Park, Denham, Buckinghamshire, UB9 5HR.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he or she has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

By order of the Board

Signed by

E. Percival
Erika Percival

, Secretary/~~Director~~

Date

17 APR 2014

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

We have audited the financial statements of InterContinental Hotels Group Services Company for the year ended 31 December 2013, which comprise the Profit and Loss Account and the Balance Sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 an auditor's 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 explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Lorna McNeil (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

Date 22 April 2014

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
TURNOVER	1,2	127,491	119,376
Administrative expenses		(125,534)	(152,275)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)	3	1,957	(32,899)
Interest receivable	7	384	1,077
Interest payable	8	-	(905)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,341	(32,727)
Tax on profit/(loss) on ordinary activities	9	(1,560)	6,383
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	15,16	<u>781</u>	<u>(26,344)</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account

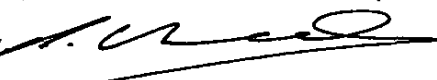
The notes on pages 8 to 22 form part of these financial statements

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY
REGISTERED NUMBER: 575108

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£000	2013 £000	2012 £000
FIXED ASSETS				
Tangible fixed assets	10		8,658	8,430
CURRENT ASSETS				
Debtors	11	101,181		82,873
Cash at bank		987		40
		<u>102,168</u>		<u>82,913</u>
CREDITORS. amounts falling due within one year	13	<u>(46,979)</u>		<u>(28,999)</u>
NET CURRENT ASSETS			<u>55,189</u>	<u>53,914</u>
NET ASSETS			<u>63,847</u>	<u>62,344</u>
CAPITAL AND RESERVES				
Called up share capital	14		482	482
Share premium account	15		81,469	81,469
Profit and loss account	15		<u>(18,104)</u>	<u>(19,607)</u>
SHAREHOLDERS' FUNDS	16		<u>63,847</u>	<u>62,344</u>

Approved by the Board

Signed by  , Director

Date **17 APR 2014**

The notes on pages 8 to 22 form part of these financial statements

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

The financial statements have been prepared on the going concern basis as the ultimate parent company, InterContinental Hotels Group PLC, and its subsidiaries intend to make funds available to the Company to enable it to meet its debts as they fall due

1.2 TURNOVER

Turnover comprises revenue recognised by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts, provided in the normal course of business and recognised when services have been rendered

Turnover also comprises amounts charged to fellow Group undertakings for the provision of management services and is recorded exclusive of Value Added Tax. The amount charged is equal to the cost of the goods and services transacted by the Company plus a mark-up

The Company also acts as an agent for the recharge of other management services incurred by other Group undertakings. No mark-up is applied by the Company on these transactions and the related income and expenses are reported net within operating profit

1.3 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Fixtures, fittings & equipment	-	between 3 and 15 years
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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

1.4 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of transactions, adjusted for the effects of any hedging arrangements. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account

1.5 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 impacts arising from the surrender of tax losses are recognised in the financial statements of both the surrendering and recipient companies, being paid normally at the effective standard UK rate of the losses surrendered for the period in question

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.6 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 and the gain on sale of assets rolled into replacement assets.

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.

1.7 PENSIONS

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

Further information is given in note 18.

For the Company's defined contribution arrangements, the charge against profit is equal to the amount of contributions payable.

1.8 SHARE-BASED PAYMENT CHARGES

The Company rewards certain employees of the Company by awarding InterContinental Hotels Group PLC shares as part of their remuneration.

The cost of equity-settled transactions with employees is measured by reference to fair value at the date at which the right to the shares is granted. Fair value is determined by an external valuer using option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The profit and loss account charge for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The Company has taken advantage of the transitional provisions of Financial Reporting Standard ("FRS") 20 "Share-based Payment" in respect of equity-settled awards and has applied FRS 20 only to equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2005.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 ACCOUNTING POLICIES (continued)

1.9 LEASING COMMITMENTS

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

1.10 CASH FLOW

Under the provisions of FRS 1 "Cash Flow Statements" (Revised 1996) 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

1.11 USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period

On an ongoing basis, management evaluates its estimates and judgments, including those relating to income taxes, employee benefits and contingencies and litigation

Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions and conditions

2. TURNOVER

Turnover primarily comprises fees arising from the provision of administrative services to a number of Group undertakings and third party hotels (excluding VAT and similar taxes and trade discounts)

Turnover and the result before taxation is mainly attributable to the principal activity of the Company and primarily arose in the United Kingdom, except for certain management fees which arose from outside the United Kingdom

A geographical analysis of turnover by origin is as follows

	2013 £000	2012 £000
United Kingdom	126,927	119,274
Rest of World	564	102
	<u>127,491</u>	<u>119,376</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging/(crediting)

	2013 £000	2012 £000
Depreciation of tangible fixed assets		
- owned by the Company	1,679	1,525
Operating lease rentals		
- plant and machinery	861	757
- other operating leases	2,867	2,898
Foreign exchange losses/(gains)	629	(14)
Recharges from other Group undertakings - expense	25,714	26,756
Recharge of above to other Group undertakings - income	(25,714)	(26,756)
Loss on disposal of tangible fixed assets	4	42
	<u> </u>	<u> </u>

4. AUDITORS' REMUNERATION

	2013 £000	2012 £000
Fees payable to the Company's auditor and its associates in respect of		
Fees for the statutory audit of the Company	10	10
	<u> </u>	<u> </u>

Fees paid to the Company's auditor, Ernst & Young LLP for services other than the statutory audit of the Company are not disclosed in the Company's accounts since the consolidated accounts of the Company's ultimate parent, InterContinental Hotels Group PLC, are required to disclose non-audit fees on a consolidated basis

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5 DIRECTORS' REMUNERATION

	2013 £000	2012 £000
Basic salaries, fees, performance payments and benefits	1,889	1,725
Company pension contributions to defined contribution pension schemes	100	71

During the year defined benefits were accruing to 2 directors (2012: 2) in respect of defined benefit pension schemes, until 1 July 2013 when the defined benefit section of the plan was closed to future accrual.

During the year retirement benefits were accruing to 5 directors (2012: 3), (including directors who transferred in from the defined benefit scheme following its closure, as noted above) in respect of defined contribution pension schemes.

During the year no directors (2012: nil) exercised share options.

The highest paid director received basic salary, performance payment and benefits of £465,000 (2012: £425,000) and did not exercise any share options during the year. The amount of the director's accrued pension under the defined benefit scheme was £nil (2012: £nil).

The directors of the Company are also directors of other subsidiary undertakings within the Group. The directors received total remuneration as noted above, all of which was paid by another Group company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of other Group undertakings.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

6. STAFF COSTS

Staff costs were as follows

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	37,272	33,285
Social security costs	4,167	4,974
Other pension costs	7,791	41,515
	<u>49,230</u>	<u>79,774</u>

Included in Other pension costs are payments of £4,474,000 (2012 £38,562,000) being the Company's share of additional pension scheme contributions payable by the Group under the recovery plan agreed with the trustees of the InterContinental Hotels UK Pension Plan. See note 18 for further details.

The average monthly number of employees, including the directors, during the year was as follows

	<i>2013</i>	<i>2012</i>
	<i>No</i>	<i>No</i>
Administrative support	<u>583</u>	<u>562</u>

7. INTEREST RECEIVABLE

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Interest receivable from Group undertakings	383	1,077
Sundry interest receivable	1	-
	<u>384</u>	<u>1,077</u>

8. INTEREST PAYABLE

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Sundry interest payable	<u>-</u>	<u>905</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2013 £000	2012 £000
ANALYSIS OF TAX CREDIT IN THE YEAR		
CURRENT TAX		
UK corporation tax credit on profit/(loss) for the year	(920)	(2,927)
Adjustments in respect of prior periods	218	353
	<u>(702)</u>	<u>(2,574)</u>
Foreign tax on income for the year	29	-
TOTAL CURRENT TAX	<u>(673)</u>	<u>(2 574)</u>
DEFERRED TAX		
Origination and reversal of timing differences	1,762	(4,122)
Adjustments in respect of prior periods	90	(29)
Changes in tax rates	381	342
TOTAL DEFERRED TAX (see note 12)	<u>2,233</u>	<u>(3,809)</u>
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	<u><u>1,560</u></u>	<u><u>(6,383)</u></u>

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

The tax assessed for the year is lower than (2012 higher than) the effective standard rate of corporation tax in the UK of 23.25% (2012 24.5%) for the year to 31 December 2013. The differences are explained below:

	2013 £000	2012 £000
Profit/(loss) on ordinary activities before tax	<u>2,341</u>	<u>(32,727)</u>
Profit/(loss) on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 23.25% (2012 24.5%)	544	(8,018)
EFFECTS OF:		
Expenses not deductible for tax purposes	287	746
Depreciation in excess of capital allowances	261	284
Other timing differences	(1,762)	4,121
Tax deductions in excess of accounting charges	(224)	(60)
Difference in overseas tax rates	3	-
Adjustments to tax charge in respect of prior periods	218	353
CURRENT TAX CREDIT FOR THE YEAR	<u>(673)</u>	<u>(2 574)</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Decreases in the rate of UK corporation tax to 21%, effective from 1 April 2014, and to 20%, effective from 1 April 2015, were substantively enacted during 2013 and have been reflected in the Company's financial statements.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

10 TANGIBLE FIXED ASSETS

	Fixtures, fittings & equipment £000
COST	
At 1 January 2013	17,977
Additions	1,911
Disposals	(45)
At 31 December 2013	<u>19,843</u>
DEPRECIATION	
At 1 January 2013	9,547
Charge for the year	1,679
On disposals	(41)
At 31 December 2013	<u>11,185</u>
NET BOOK VALUE	
At 31 December 2013	<u>8,658</u>
At 31 December 2012	<u>8,430</u>

11. DEBTORS

	2013 £000	2012 £000
DUE AFTER MORE THAN ONE YEAR		
Deferred tax asset (see note 12)	2,665	4,898
DUE WITHIN ONE YEAR		
Trade debtors	1,385	815
Amounts owed by Group undertakings	90,908	68,005
Corporation tax	920	2,927
Other tax and social security	3,775	3,185
Other debtors	189	806
Prepayments and accrued income	1,339	2,237
	<u>101,181</u>	<u>82,873</u>

Corporation tax includes amounts due in respect of group relief

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

12. DEFERRED TAX ASSET

	2013 £000	2012 £000
At 1 January	4,898	1,089
(Charge)/credit for the period	(2,233)	3,809
At 31 December	<u>2,665</u>	<u>4,898</u>

The deferred tax asset is comprised as follows

	2013 £000	2012 £000
Pension costs	2,384	4,559
Share based payments	281	339
	<u>2,665</u>	<u>4,898</u>

The deferred tax asset relating to pension costs and share based payments is recognised on the basis of an expectation of sufficient future profits within the Group against which the future reversal of the timing differences may be deducted

Deferred tax assets of £3,169,000 (2012 £3,256,000) relating to timing differences on fixed assets and £75,000 (2012 £76,000) in respect of share based payments have not been recognised as they are not expected to reverse in the near future

**13. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2013 £000	2012 £000
Trade creditors	10,196	8,936
Amounts owed to Group undertakings	24,222	5,338
Other taxation and social security costs	148	402
Other creditors	349	1
Accruals and deferred income	12,064	14,322
	<u>46,979</u>	<u>28,999</u>

14. SHARE CAPITAL

	2013 £000	2012 £000
ALLOTTED, CALLED UP AND FULLY PAID		
481,601 ordinary shares of £1 each	<u>482</u>	<u>482</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

15. RECONCILIATION OF MOVEMENT IN RESERVES

	Share premium account £000	Profit and loss account £000
At 1 January 2013	81,469	(19,607)
Profit for the year	-	781
Equity-settled share-based payments cost	-	722
	<hr/>	<hr/>
At 31 December 2013	81,469	(18,104)
	<hr/>	<hr/>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Opening shareholders' funds	62,344	88 053
Profit/(loss) for the financial year	781	(26,344)
Equity-settled share-based payments cost	722	635
	<hr/>	<hr/>
Closing shareholders' funds	63,847	62,344
	<hr/>	<hr/>

17. CAPITAL COMMITMENTS

At 31 December 2013 the Company had capital commitments as follows

	2013 £000	2012 £000
Contracted for but not provided in these financial statements	341	968
	<hr/>	<hr/>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

18 PENSION COMMITMENTS

Pension benefits are provided by the InterContinental Hotels UK Pension Plan which includes both defined benefit and defined contribution sections. The defined benefit section of the plan, which provides benefits based on final salary and is funded, closed to new entrants in 2002 and closed to future accrual for current members with effect from 1 July 2013. New members, including those who have been auto-enrolled since 1 September 2013, are provided with defined contribution arrangements as are members of the defined benefit section since 1 July 2013. The assets of the plan are held in a self-administered trust fund which is governed by a Trustee Board who are responsible for the administration and investment strategy of the plan. The Trustee Board comprises a combination of independent, company nominated and member nominated trustees, and is assisted by professional advisers as and when required. As required by the Pensions Act 2004, the plan is required to meet a Statutory Funding Objective in respect of its defined benefit obligations and a formal recovery plan is required to meet a funding shortfall. The overall operation of the plan is subject to the oversight of The Pensions Regulator.

On 15 August 2013, the Trustee Board completed a buy-in transaction whereby the assets of the plan were invested in a bulk purchase annuity policy with the insurer Rothesay Life, under which the benefits payable to defined benefit members are now fully insured. The insurance policy was purchased using the existing assets of the plan and a final Group contribution of £5m. It is the intention of the Trustee Board that the plan will move to a full buy-out as soon as practical following which the insurance company will become directly responsible for pension payments. Under the most recent recovery plan, the Group agreed to make additional contributions of £130m by 31 July 2014, in addition to the £5m referred to above, £55m was paid in 2012 and a further amount of £60m was paid into a funding trust (the IHG Funding Trust) during the year. £30m of the funding trust payments occurred on the sale of the InterContinental London Park Lane in May 2013, over which there was previously a charge for the same amount in favour of the pension plan. As the buy-in transaction has resulted in the defined benefit obligations being fully insured, the Group (and Company) has no further contributions to make and £57m has been returned to the Group from the funding trust. It is expected that the remaining £3m held in the funding trust (held by another Group company) will be returned to the Group on completion of the planned buy-out.

Contributions to the defined benefit section 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.

Actuarial gains and losses relating to the defined benefit sections are accounted for in the accounts of the sponsoring entity, Six Continents Limited, as it is not possible to identify the Company's share of the underlying assets and liabilities of the plans. The deficit in the Group scheme combined with unfunded liabilities as at 31 December 2013, calculated in accordance with the requirements of FRS 17 "Retirement benefits", is £50,000,000 (2012 deficit of £37,000,000).

During 2013 the Company made payments of £4,474,000 (2012 £38,562,000) in respect of the recovery plan and amounts associated with the Trustee Board's buy-in transaction.

Contributions to the defined contribution section are charged to the profit and loss account as they fall due.

Detailed disclosures relating to the InterContinental Hotels UK Pension Plan are included in the accounts of Six Continents Limited.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

19. SHARE-BASED PAYMENTS

The Company rewards certain of its employees by awarding InterContinental Hotels Group PLC ("IHG") shares as part of their remuneration. The Company recognised a cost of £722,325 (2012 £635,407) in operating profit related to these equity-settled share-based payment transactions during the year.

During 2013, 168,889 (2012 231,139) shares were awarded under the Long Term Incentive Plan and 5,992 (2012 7,338) shares were awarded under the Annual Performance Plan. No awards were granted under the Executive Share Option Plan or Sharesave Plan during the current or preceding year.

Details of the relevant share-based schemes, all of which are equity-settled and relate to IHG shares, are set out below.

Annual Performance Plan

The Group Annual Performance Plan, formerly the Annual Bonus Plan, enables eligible employees of the Company to receive all or part of their bonus in the form of deferred shares. The deferred shares are released on the third anniversary of the award date. Under the terms of the current plan, a fixed percentage of the bonus is awarded in the form of shares with no voluntary deferral and no matching shares. The awards in all of the plans are conditional on the participants remaining in the employment of a participating company or leaving for a qualifying reason as per the plan rules. Participation in the Annual Performance Plan is at the discretion of the IHG Remuneration Committee. The number of shares is calculated by dividing a specific percentage of the participant's annual performance-related bonus by the middle market quoted prices on the three consecutive dealing days immediately preceding the date of grant. A number of executives participated in the plan during the year and conditional rights over 5,992 shares (2012 7,338) were awarded to participants.

Long Term Incentive Plan

The Long Term Incentive Plan allows eligible employees of the Company to receive share awards, subject to the satisfaction of performance conditions, set by the IHG Remuneration Committee, which are normally measured over a three-year period. Awards are normally made annually, and, except in exceptional circumstances, will not exceed three times salary for IHG directors and four times salary in the case of other eligible employees of the Company. During the year, conditional rights over 168,889 (2012 231,139) shares were awarded to employees under the plan. The plan provides for the grant of 'nil cost options' to participants as an alternative to conditional share awards.

Executive Share Option Plan

For options granted, the option price is not less than the market value of an ordinary share, or the nominal value if higher. The market value is the quoted price on the business day preceding the date of grant, or the average of the middle market quoted prices on the three consecutive dealing days immediately preceding the date of grant. A performance condition has to be met before options can be exercised. The performance condition is set by the IHG Remuneration Committee. The plan was not operated during 2013 and no options were granted in the year under the plan.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

19 SHARE-BASED PAYMENTS (CONTINUED)

Sharesave Plan

The Sharesave Plan is a savings plan whereby employees contract to save a fixed amount each month with a savings institution for three or five years. At the end of the savings term, employees are given the option to purchase shares at a price set before savings began. The Sharesave Plan, when operational, is available to all UK employees (including Directors) employed by participating Group companies provided that they have been employed for at least one year. The plan provides for the grant of options to subscribe for ordinary shares at the higher of nominal value and not less than 80% of the middle market quotations of the ordinary shares on the three dealing days immediately preceding the invitation date. The plan was not operated during 2013 and no options were granted in the year under the plan.

The Group uses separate option pricing models and assumptions depending on the plan. The following tables set forth information about options granted in 2013 and 2012.

2013

	<i>Annual Performance Plan</i>	<i>Long Term Incentive Plan</i>
		<i>Monte Carlo Simulation and</i>
Valuation model	<i>Binomial</i>	<i>Binomial</i>
Weighted average share price	1,928.0p	1,913.0p
Expected dividend yield	2.63%	2.59%
Risk-free interest rate		0.27%
Volatility *		28%
Term (years)	3.0	3.0

2012

	<i>Annual Performance Plan</i>	<i>Long Term Incentive Plan</i>
		<i>Monte Carlo Simulation and</i>
Valuation model	<i>Binomial</i>	<i>Binomial</i>
Weighted average share price	1,440.0p	1,440.0p
Expected dividend yield	2.95%	2.99%
Risk-free interest rate		0.59%
Volatility *		31%
Term (years)	3.0	3.0

* The expected volatility was determined by calculating the historical volatility of the InterContinental Hotels Group PLC share price corresponding to the expected life of the option or share award.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

19. SHARE-BASED PAYMENTS (CONTINUED)

Movements in the awards and options outstanding under the schemes are as follows

	<i>Annual Performance Plan Number of shares thousands</i>	<i>Long Term Incentive Plan Number of shares thousands</i>
Outstanding at 1 January 2012	9	449
Granted	7	231
Net transfers in from group companies	-	11
Vested	(9)	(63)
Lapsed	<u>-</u>	<u>(120)</u>
Outstanding at 31 December 2012	7	508
Granted	6	169
Net transfers out to group companies	(2)	(18)
Vested	-	(107)
Lapsed	<u>-</u>	<u>(20)</u>
Outstanding at 31 December 2013	<u>11</u>	<u>532</u>
Fair value of awards granted during the period		
2013	1,783 0p	708 9p
2012	1,318 0p	496 9p
Weighted average remaining contract life (years)		
At 31 December 2013	1.5	1.1
At 31 December 2012	2.0	1.3

The above awards do not vest until the performance conditions have been met

The weighted average share price at the date of exercise for share options vested during the year was 1,953 4p. The closing share price on 31 December 2013 was 2,013 0p and the range during the year was 1,737 0p to 2,039 0p per share.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

20 OPERATING LEASE COMMITMENTS

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2013	2012	2013	2012
	£000	£000	£000	£000
EXPIRY DATE:				
Between 2 and 5 years	-	-	794	709
After more than 5 years	2,580	2,580	-	-

21. OTHER FINANCIAL COMMITMENTS

The Company has entered into a composite guarantee with Lloyds Bank plc to guarantee amounts due on overdrafts of other companies in the Group to the extent of any credit balance of the Company held by Lloyds Bank plc. At 31 December 2013 the maximum liability under the guarantee amounted to £ 10,105,126 (2012 £23,801,300)

22. RELATED PARTY TRANSACTIONS

As the Company was a wholly owned subsidiary of InterContinental Hotels Group PLC at 31 December 2013, the Company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group, headed by InterContinental Hotels Group PLC

23 PARENT UNDERTAKING AND CONTROLLING PARTY

As at 31 December 2013, InterContinental Hotels Group PLC, a company incorporated and registered in England and Wales, was the ultimate parent undertaking and controlling party of the Company

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 from the following address

Companies House, Crown Way, Cardiff, CF14 3UZ

The immediate parent undertaking is IHG Hotels Limited, a company registered in England and Wales