

Registered number: 00575108

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

COMPANY INFORMATION

DIRECTORS	A S McEwan C Springett N Stocks R Wheeler
COMPANY SECRETARY	H J Martin
COMPANY NUMBER	00575108
REGISTERED OFFICE	Broadwater Park Denham Buckinghamshire UB9 5HR
AUDITORS	Ernst & Young LLP No 1 Colmore Square Birmingham B4 6HQ
BANKERS	HSBC Bank plc 22 Victoria Street Westminster London SW1H 0NJ

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

CONTENTS

	Page
Directors' report	1 - 3
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 24

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and the financial statements for the year ended 31 December 2009

PRINCIPAL ACTIVITIES

The Company's 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") The Company also holds the management contracts for certain hotels It is the intention of the directors that the Company will continue operating in the above capacities

BUSINESS REVIEW

The Company makes charges in respect of the services provided by its employees to certain subsidiary undertakings of the Group 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 2009 the trading performance has declined due to a reduction in the cost base of the Company which has had a significant impact on the mark up income received During the year turnover decreased by 24% from £72,020,000 in 2008 to £54,698,000 in 2009 and operating profit decreased from £531,000 in 2008 to a loss of £3,462,000 in 2009 Special pension contributions paid of £7,010,000 (2008 £6,540,000) were not recharged to fellow subsidiary undertakings

On 3 December 2009 the Company issued 20,000 ordinary shares of £1 each at a premium of £3,499 per share The shares were issued in connection with a group reorganisation

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 at this level to monitor business performance

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 to the Group and ensures IHG has sufficient liquidity to meet all of its 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

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £2,873,000 (2008 profit £591,000)

The directors do not propose a dividend for the year to 31 December 2009 (2008 £nil)

DIRECTORS

The directors during 2009 and since the year end were as follows

A S McEwan
C Springett
N Stocks
R Wheeler

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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. At the end of 2009, the Group was trading significantly within its banking covenants and debt facility. Furthermore, the Group's fee-based model and wide geographic spread means that it is well placed to manage through the current downturn, 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 facility.

Information on the Group's banking covenants and debt facility, processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk are disclosed in the Annual Report and Financial Statements of the Group.

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. Accordingly, they continue to adopt the going concern basis in preparing the Directors' Report and financial statements as the ultimate parent company, InterContinental Hotels Group PLC and its subsidiaries, intends to make funds available to InterContinental Hotels Group Services Company to enable it to meet its debts as they fall due.

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

It is the Company's policy to adhere to the payment terms agreed with suppliers. Payments are contingent on the suppliers 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 44 (2008: 33) at the year end.

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, at least twice a year 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.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

DISCLOSURE OF INFORMATION TO AUDITORS

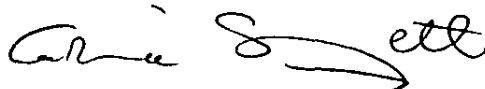
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- 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 CATHERINE SPRINGETT

, Secretary/Director

Date 26/04/10

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2009

The directors are responsible for preparing 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 of 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 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 a 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.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

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 2009, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 25. 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 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 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 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.

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 2009 and of its loss 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 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

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

Date *26 April 2010*

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £000	2008 <i>Re-presented*</i> £000
TURNOVER	1,3	54,698	72,020
Administrative expenses		(58,160)	(65,690)
Exceptional administrative income/(expense)	4	-	(5,799)
Total administrative expenses		(58,160)	(71,489)
OPERATING (LOSS)/PROFIT	4	(3,462)	531
Interest receivable	7	671	1,662
Interest payable	8	(804)	(712)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,595)	1,481
Tax on (loss)/profit on ordinary activities	9	722	(890)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	17,18	(2,873)	591

All amounts relate to continuing operations

There were no recognised gains and losses for 2009 or 2008 other than those included in the profit and loss account

The notes on pages 8 to 24 form part of these financial statements

* Re-presented as explained in note 2

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY
REGISTERED NUMBER. 00575108

BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	£000	2009 £000	2008 Re-presented* £000
FIXED ASSETS				
Tangible fixed assets	10		10,279	12,496
CURRENT ASSETS				
Debtors	11	92,236		44,181
Cash at bank and in hand		4,812		3,568
		<u>97,048</u>		<u>47,749</u>
CREDITORS: amounts falling due within one year	14	<u>(13,341)</u>		<u>(32,559)</u>
NET CURRENT ASSETS			83,707	15,190
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>93,986</u>	<u>27,686</u>
CREDITORS: amounts falling due after more than one year	15		(113)	(414)
PROVISIONS FOR LIABILITIES				
Other provisions	13		-	(609)
NET ASSETS			<u>93,873</u>	<u>26,663</u>
CAPITAL AND RESERVES				
Called up share capital	16		482	462
Share premium account	17		81,469	11,489
Profit and loss account	17		<u>11,922</u>	<u>14,712</u>
SHAREHOLDERS' FUNDS	18		<u>93,873</u>	<u>26,663</u>

* Re-presented as explained in note 1

Approved by the Board


 Signed by CATHERINE SPRINGETT

, Director

Date 26/04/10

The notes on pages 8 to 24 form part of these financial statements

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 a going concern basis as the ultimate parent company, InterContinental Hotels Group PLC and its subsidiaries, intends to make funds available to InterContinental Hotels Group Services Company (the "Company") to enable it to meet its debts as they fall due

Following a change in the accounting treatment of certain provision balances, amounts totalling £2,007,000 have been re-presented from creditors amounts falling due within one year to debtors in the comparative numbers

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

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

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

Plant & machinery	-	between 10 and 15 years
Furniture and equipment	-	between 3 and 10 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

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 benefits arising from group relief 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 2009

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, 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 member 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 20.

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 are 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 FRS 20 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 2009

1. ACCOUNTING POLICIES (continued)

1.9 LEASING COMMITMENTS

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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. RE-PRESENTATION OF 2008 RESULTS

The 2008 results have been re-presented to show turnover of £10,221,000 and administration expenses of £8,489,000 representing services recharged (including the related mark-up) to fellow Group undertakings. Previously, the net profit of £1,732,000 was presented as other income.

This re-presentation has been made to provide consistency of treatment with similar items in 2009 and with other subsidiaries of the Group. There has been no change to previously reported operating profit of £531,000 or profit on ordinary activities before taxation of £1,481,000 for the year ended 31 December 2008.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

3. TURNOVER

Turnover comprises fees arising from the provision of administrative services to a number of Group and third party hotels (excluding VAT and similar taxes and trade discounts) and the recharge of goods and services in the normal course of business

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

A geographical analysis of turnover is as follows

	2009 £000	2008 £000
United Kingdom	54,509	71,843
Rest of World	189	177
	<u>54,698</u>	<u>72,020</u>

4. OPERATING (LOSS)/PROFIT

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

	2009 £000	2008 £000
Depreciation of tangible fixed assets		
- owned by the company	2,337	2,907
Auditors' remuneration	140	137
Operating lease rentals		
- plant and machinery	307	349
- other operating leases	2,973	2,961
Difference on foreign exchange	(76)	(221)
Exceptional administrative (income)/expense	-	5,799
	<u></u>	<u></u>

The Company incurred additional auditors' remuneration of £10,000 (2008 £10,000) which has been borne by a fellow Group undertaking in the current and preceding year

The Company is exempt from providing details of non-audit fees as the details are disclosed within the consolidated financial statements of the ultimate parent company

In 2008 the Company incurred exceptional operating costs of £5,799,000 relating to the relocation of the head office and severance costs arising from a review of the Company's cost base in light of the economic climate

5. DIRECTORS' REMUNERATION

The directors are also directors of other subsidiary undertakings within the InterContinental Hotels group and their remuneration, including share-based payment charges, for the year was paid by other undertakings

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

6. STAFF COSTS

Staff costs were as follows

	2009 £000	2008 £000
Wages and salaries	19,603	24,832
Social security costs	2,799	4,504
Other pension costs	9,446	9,767
	<u>31,848</u>	<u>39,103</u>

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

	2009 No	2008 No
Administration	<u>458</u>	<u>453</u>

7. INTEREST RECEIVABLE

	2009 £000	2008 £000
Interest receivable from fellow subsidiary undertakings	621	1,080
Sundry interest receivable	50	582
	<u>671</u>	<u>1,662</u>

8. INTEREST PAYABLE

	2009 £000	2008 £000
Sundry interest payable and other charges	44	74
Interest payable to fellow subsidiary undertakings	760	638
	<u>804</u>	<u>712</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £000	2008 £000
ANALYSIS OF TAX CREDIT IN THE YEAR		
CURRENT TAX		
UK corporation tax credit on (loss)/profit for the year	(1,548)	(2,304)
Adjustments in respect of prior periods	685	768
TOTAL CURRENT TAX	(863)	(1,536)
DEFERRED TAX		
Origination and reversal of timing differences	295	2,526
Adjustments in respect of prior periods	(154)	(100)
TOTAL DEFERRED TAX (see note 12)	141	2,426
TAX (CREDIT)/CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	(722)	890

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

The tax assessed for the year is higher than (2008 lower than) the effective standard rate of corporation tax in the UK (28%) for the year to 31 December 2009. The differences are explained below:

	2009 £000	2008 £000
(Loss)/profit on ordinary activities before tax	(3,595)	1,481
(Loss)/profit on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 28% (2008 28.5%)	(1,007)	422
EFFECTS OF:		
Expenses not deductible for tax purposes	111	174
Capital allowances for year in excess of depreciation	374	(508)
Other timing differences	(1,026)	(1,668)
Non taxable income	-	(724)
Adjustments to tax charge in respect of prior periods	685	768
CURRENT TAX CREDIT FOR THE YEAR	(863)	(1,536)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Based on current capital investment plans, the Company expects to be able to claim capital allowances in excess of depreciation in future years, although as stated in Note 12, the Company does not provide for deferred tax on this timing difference.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

10. TANGIBLE FIXED ASSETS

	Plant and machinery £000	Furniture and equipment £000	Total £000
COST			
At 1 January 2009	5,934	14,053	19,987
Additions	-	92	92
Disposals	-	(89)	(89)
At 31 December 2009	<u>5,934</u>	<u>14,056</u>	<u>19,990</u>
DEPRECIATION			
At 1 January 2009	2	7,489	7,491
Charge for the year	475	1,862	2,337
On disposals	-	(117)	(117)
At 31 December 2009	<u>477</u>	<u>9,234</u>	<u>9,711</u>
NET BOOK VALUE			
At 31 December 2009	<u>5,457</u>	<u>4,822</u>	<u>10,279</u>
At 31 December 2008	<u>5,932</u>	<u>6,564</u>	<u>12,496</u>

The net book value of assets held under finance leases, included above, is £402,000 (2008 £605,000)

11. DEBTORS

	2009 £000	2008 Re-presented £000
DUE AFTER MORE THAN ONE YEAR		
Deferred tax asset (see note 12)	1,059	1,200
DUE WITHIN ONE YEAR		
Trade debtors	431	486
Amounts owed by group undertakings	86,517	36,401
Corporation tax	1,548	2,334
Other tax and social security	1,207	2,190
Other debtors	33	93
Prepayments and accrued income	1,441	1,477
	<u>92,236</u>	<u>44,181</u>

Following a change in accounting treatment, provisions relating to doubtful debtors of £2,007,000 in 2008 have been re-presented from accruals and deferred income to trade debtors in the comparative numbers

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

12. DEFERRED TAX ASSET

	2009 £000	2008 £000
At beginning of year	1,200	3,626
Charged for year	(141)	(2,426)
At end of year	<u>1,059</u>	<u>1,200</u>

The deferred tax asset is made up as follows

	2009 £000	2008 £000
Pension costs	788	788
Share based payments	189	245
Other timing differences	82	167
	<u>1,059</u>	<u>1,200</u>

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

A deferred tax asset of £3,586,000 (2008 £2,238,000) relating to timing differences on fixed assets and other amounts of £50,000 (2008 £951,000) have not been recognised as their use is uncertain or not currently anticipated

13. PROVISIONS

	Reorganisation Provisions £000
At 1 January 2009	609
Amounts used	(381)
Amounts reversed	(228)
At 31 December 2009	<u>-</u>

The reorganisation provision relates to property exit costs. It is expected that all of these costs will be incurred in the next financial year

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

	2009	2008
	£000	<i>Re-presented</i> £000
Net obligations under finance leases	328	199
Trade creditors	5,844	5,349
Amounts owed to fellow subsidiary undertakings	859	10,320
Social security and other taxes	110	204
Other creditors	577	482
Accruals and deferred income	5,623	16,005
	<u>13,341</u>	<u>32,559</u>

Following a change in accounting treatment, provisions relating to doubtful debtors of £2,007,000 in 2008 have been reclassified from accruals and deferred income to trade debtors in the comparative numbers

**15. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2009	2008
	£000	£000
Net obligations under finance leases	<u>113</u>	<u>414</u>

Obligations under finance leases, included above, are payable as follows

	2009	2008
	£000	£000
Between one and five years	<u>113</u>	<u>414</u>

Commitments under non-cancellable finance leases relate to company cars and are secured against the assets to which they relate

16. SHARE CAPITAL

	2009	2008
	£000	£000
ALLOTTED, CALLED UP AND FULLY PAID		
481,601 (2008 461,601) Ordinary shares of £1 each	<u>482</u>	<u>462</u>

On 3 December 2009 the Company issued 20,000 ordinary shares of £1 each at a premium of £3,499 per share. The shares were issued in connection with a group reorganisation.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

17. RECONCILIATION OF MOVEMENT IN RESERVES

	Share premium account £000	Profit and loss account £000
At 1 January 2009	11,489	14,712
Loss for the year	-	(2,873)
Premium on shares issued during the year	69,980	-
Equity settled share based payment cost	-	83
	<u>81,469</u>	<u>11,922</u>
At 31 December 2009		

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £000	2008 £000
Opening shareholders' funds	26,663	25,243
(Loss)/profit for the year	(2,873)	591
Shares issued during the year	20	-
Share premium on shares issued	69,980	-
Equity settled share based payment cost	83	829
	<u>93,873</u>	<u>26,663</u>
Closing shareholders' funds		

19. CAPITAL COMMITMENTS

At 31 December 2009 the Company had capital commitments as follows

	2009 £000	2008 £000
Contracted for but not provided in these financial statements	<u>896</u>	<u>891</u>

20. PENSION COMMITMENTS

Pension benefits are provided by the InterContinental Hotels UK Pension Plan which includes both defined benefit and defined contribution sections. In addition, there are unfunded pension arrangements for certain members affected by the lifetime allowance.

Contributions to the plan 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. The deficit in the Group scheme combined with unfunded liabilities as at 31 December 2009, calculated in accordance with the requirements of FRS 17, is £21,000,000 (2008 deficit of £4,000,000).

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 2009

21. SHARE-BASED PAYMENTS

The Company rewards certain employees of the Company by awarding InterContinental Hotels Group PLC shares as part of their remuneration. All references below relate to awarding InterContinental Hotels Group PLC shares to these employees of the Company.

The Company recognised a cost of £339,000 (2008: £1,163,000) in operating profit related to equity settled share-based payment transactions during the year.

During 2009, 176,378 shares (2008: 225,251) were awarded under the Long Term Incentive Plan and 19,000 (2008: 1,757) shares were awarded under the Annual Bonus Plan. No awards were granted under the Executive Share Option Plan or Sharesave Plan during the year.

Details of the relevant share-based schemes, all of which are equity-settled, are set out below.

Annual Bonus Plan

The IHG Annual Bonus Plan enables eligible employees of the Company to receive all or part of their bonus in the form of shares together with, in certain cases, a matching award of free shares up to half the deferred amount. Under the terms of the 2008 and 2009 plans, 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 Bonus Plan is at the discretion of the Group 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 rights over 19,000 (2008: 1,757) shares were awarded to participants. All of the 2009 shares were awarded to participants for one-off individual performance-related awards.

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 Group 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 annual salary for Group Directors and four times salary in the case of other eligible employees of the Company. During the year, conditional rights over 176,378 (2008: 225,251) 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 Group Remuneration Committee. The plan was not operated in 2009 and no options were granted in the year under the plan. The latest date that any options may be exercised is 1 April 2014.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 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 2009 and no options were granted during the year under the plan. All options outstanding at 31 December 2008 were either exercised or lapsed in 2009.

Former Six Continents Share Schemes

Under the terms of the separation of Six Continents PLC in 2003, holders of options under the Six Continents Executive Share Option Schemes were given the opportunity to exchange their Six Continents PLC options for equivalent value new options over IHG shares. As a result of this exchange, 493,910 shares were put under option at prices ranging from 308 5p to 593 3p. The exchanged options were immediately exercisable and are not subject to performance conditions. All options were exercised prior to 31 December 2008 and no options were outstanding at 31 December 2008 and 2009.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

21. SHARE-BASED PAYMENTS (CONTINUED)

In 2009 and 2008, the Group used separate option pricing models and assumptions for each plan. The following table sets out information about how the fair value of each option grant is calculated.

2009

	Annual Bonus Plan	Long Term Incentive Plan
		Monte Carlo Simulation and Binomial
Valuation model	Binomial	Binomial
Weighted average share price	903.5p	612.0p
Expected dividend yield	n/a	5.26%
Risk-free interest rate		2.11%
Volatility *		43%
Term (years)	0.0	3.0

2008

	Annual Bonus Plan	Long Term Incentive Plan
		Monte Carlo Simulation and Binomial
Valuation model	Binomial	Binomial
Weighted average share price	725.0p	865.0p
Expected dividend yield	3.33%	2.76%
Risk-free interest rate		4.78%
Volatility *		30%
Term (years)	0.8	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 2009**

21. SHARE-BASED PAYMENTS (CONTINUED)

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

	Annual Bonus Plan <i>Number of shares thousands</i>	Long Term Incentive Plan <i>Number of shares thousands</i>
Outstanding at 1 January 2008	-	485
Granted	2	225
Transfers in from inter-group companies	-	54
Exercised	-	(107)
Lapsed	-	(111)
	<hr/>	<hr/>
Outstanding at 31 December 2008	2	546
Granted	19	176
Transfers out to inter-group companies	-	(15)
Exercised	(21)	(158)
Lapsed	-	(65)
	<hr/>	<hr/>
Outstanding at 31 December 2009	-	484
	<hr/>	<hr/>
Fair value of awards granted during the period		
2009	903 5p	329 8p
2008	700 0p	693 0p
Weighted average remaining contract life (years)		
At 31 December 2009	n/a	1 1
At 31 December 2008	0 5	1 2

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

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

21. SHARE-BASED PAYMENTS (CONTINUED)

	Sharesave Plan <i>Number of shares thousands</i>	Sharesave Plan <i>Range of option prices pence</i>	Sharesave Plan <i>Weighted average option price pence</i>	Executive Share Option Plan <i>Number of shares thousands</i>	Executive Share Option Plan <i>Range of option prices pence</i>	Executive Share Option Plan <i>Weighted average option price pence</i>
Options outstanding at 1 January 2008	57	420 5	420 5	95	434 2-593 3	473 2
Transfers out to inter-group companies	-	-	-	(76)	434 2-593 3	467 9
Exercised	(3)	420 5	420 5	-	-	-
Lapsed	(5)	420 5	420 5	-	-	-
Options outstanding at 31 December 2008	49	420 5	420 5	19	494 2	494 2
Exercised	(48)	420 5	420 5	-	-	-
Lapsed	(1)	420 5	420 5	-	-	-
Options outstanding at 31 December 2009	-	-	-	19	494 2	494 2
Options exercisable At 31 December 2009	-	-	-	19	494 2	494 2
At 31 December 2008	-	-	-	19	494 2	494 2

Included within the options outstanding of the Executive Share Option Plan are options over nil (2008 nil, 2007 33,171) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

The weighted average share price at the date of exercise for share options vested during the year was 528 0p. The closing share price on 31 December 2009 was 893 0p and the range during the year was 446 0p to 903 5p per share.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

21. SHARE-BASED PAYMENTS (CONTINUED)

Summarised information about options outstanding at 31 December 2009 under the share option schemes is as follows

	Options outstanding	Options outstanding	Options outstanding	Options exercisable	Options exercisable
		Weighted average remaining contract life years	Weighted average option price pence		Weighted average option price pence
Range of exercise prices (pence)	Number outstanding thousands			Number exercisable thousands	
Executive Share Option Plan					
494 2	19	4 3	494 2	19	494 2

22. OPERATING LEASE COMMITMENTS

At 31 December 2009 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2009	2008	2009	2008
	£000	£000	£000	£000
EXPIRY DATE:				
Within 1 year	-	-	86	-
Between 2 and 5 years	-	-	260	290
After more than 5 years	2,212	2,212	-	56

23. OTHER FINANCIAL COMMITMENTS

The Company has entered into a composite guarantee with Lloyds TSB Bank plc to guarantee amounts due on overdrafts of other companies in the Group to the extent of any credit balance of the Company held by Lloyds TSB Bank plc. At 31 December 2009 the maximum liability under the guarantee amounted to £69,738,035 (2008 £58,914,637)

24. RELATED PARTY TRANSACTIONS

As the Company was a wholly owned subsidiary of InterContinental Hotels Group PLC at 31 December 2009, the Company has taken advantage of the exemption contained in FRS 8 "Related Party Transactions" 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

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

25. PARENT UNDERTAKING AND CONTROLLING PARTY

As at 31 December 2009, InterContinental Hotels Group PLC, a company incorporated in Great Britain and registered in England and Wales, was the ultimate parent undertaking of InterContinental Hotels Group Services 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 and controlling company is InterContinental Hotels Group (Management Services) Limited, a company registered in England and Wales