

Registered number: 575108

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

COMPANY INFORMATION

DIRECTORS	M Cockcroft N Henfrey M Izzard N Stocks R Wheeler
COMPANY SECRETARY	R Fagan
REGISTERED NUMBER	575108
REGISTERED OFFICE	Broadwater Park Denham Buckinghamshire UB9 5HR
INDEPENDENT AUDITOR	Ernst & Young LLP One Colmore Square Birmingham B4 6HQ

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

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INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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.

Most of the Company's activities take place within the the United Kingdom. During the year, the Company also operated a branch in Switzerland.

BUSINESS REVIEW

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 22.

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 decreased from £133,231,000 in 2014 to £122,081,000 in 2015. This reflects the reduction in the cost of services incurred by the Company which were subsequently recharged to other Group undertakings. Despite the fall in turnover, operating profit increased from £6,838,000 in 2014 to £7,498,000 in 2015. This improvement is predominantly due to increased foreign exchange gains in the year.

The Company incurred charges from Group undertakings of £23,539,000 (2014: £29,295,000) 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 the 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.

This report was approved by the Board and signed on its behalf by:

Director/~~Secretary~~
Date:



Nicolette Henfrey
19 APR 2016

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £5,236,000 (2014: £4,603,000).

The directors do not propose a dividend for the year ended 31 December 2015 (2014: £nil).

DIRECTORS

The directors who served during the year and since the year end were:

M Cockcroft
N Henfrey
M Izzard
N Stocks
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 2015. 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 liquidity risk and credit risk is also given in the Annual Report and Form 20-F 2015. The Group refinanced its bank debt in March 2015 and put in place a new five-year \$1.275bn facility with an optional two-year extension and in August 2015 the Group issued a 10-year £300m sterling bond.

At the end of 2015, the Group was trading significantly within its banking covenants and debt facilities.

The Group's fee-based model and wide geographic spread mean that it is well placed to manage through uncertain times, and our 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 2015

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.

DISCLOSURE OF INFORMATION TO AUDITOR

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


- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

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

In accordance with the Companies Act 2006 Section 414C(11), the disclosure of principal risks and uncertainties has been included in the Strategic Report.

This report was approved by the Board and signed on its behalf by:


~~Secretary~~/Director
Date:

Nicolette Henfrey

19 APR 2016

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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 judgements 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 AUDITOR'S 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 2015, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 22. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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: *21 April 2016*

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>Note</i>	<i>2015 £000</i>	<i>2014 £000</i>
Turnover	2	122,081	133,231
Administrative expenses		(114,583)	(126,393)
		<hr/>	<hr/>
Operating profit	3	7,498	6,838
Interest receivable	7	264	218
		<hr/>	<hr/>
Profit on ordinary activities before taxation		7,762	7,056
Taxation on profit on ordinary activities	8	(2,526)	(2,453)
		<hr/>	<hr/>
Profit for the year		<u>5,236</u>	<u>4,603</u>

There were no recognised gains and losses for the current or prior year other than those included in the Income Statement.

The notes on pages 9 to 25 form part of these financial statements.


All amounts relate to continuing operations.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY
REGISTERED NUMBER:575108

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	<i>Note</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Fixed assets			
Intangible assets	9	603	791
Tangible assets	10	6,663	7,247
		<u>7,266</u>	<u>8,038</u>
Current assets			
Debtors	11	91,843	96,078
Cash at bank		421	106
		<u>92,264</u>	<u>96,184</u>
Creditors: Amounts falling due within one year	12	(23,718)	(34,438)
Net current assets		<u>68,546</u>	<u>61,746</u>
Net assets		<u>75,812</u>	<u>69,784</u>
Capital and reserves			
Called up share capital	15	482	482
Share premium account	16	81,469	81,469
Profit and loss account		(6,139)	(12,167)
Total equity		<u>75,812</u>	<u>69,784</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:


Nicolette Henfrey
 Director
19 APR 2016

The notes on pages 9 to 25 form part of these financial statements.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2015	482	81,469	(12,167)	69,784
Profit for the year	-	-	5,236	5,236
Equity-settled share-based payments credit	-	-	508	508
Tax related to share schemes	-	-	284	284
At 31 December 2015	482	81,469	(6,139)	75,812

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014**

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2014	482	81,469	(17,664)	64,287
Profit for the year	-	-	4,603	4,603
Equity-settled share-based payments credit	-	-	510	510
Tax related to share schemes	-	-	384	384
At 31 December 2014	482	81,469	(12,167)	69,784

The notes on pages 9 to 25 form part of these financial statements.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 STATEMENT OF COMPLIANCE WITH FRS 101

The Company is incorporated and domiciled in England and Wales.

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). FRS 101 has been applied for the first time.

1.2 BASIS OF PREPARATION

In the transition to FRS 101 from extant UK GAAP, the Company has applied IFRS 1 'First-time Adoption of International Financial Reporting Standards' whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 22.

The Company's ultimate parent undertaking, InterContinental Hotels Group PLC includes the Company in its consolidated financial statements. The consolidated financial statements of InterContinental Hotels Group PLC are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are publicly available and may be obtained from the address given in note 21.

The following disclosures have not been provided as permitted by FRS 101:

- a Cash Flow Statement and related notes as required by IAS 7 'Statement of Cash Flows';
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets as required by IAS 1 'Presentation of Financial Statements';
- disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- the effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- an additional Statement of Financial Position for the beginning of the earliest comparative period as required by paragraphs 6 and 21 of IFRS 1 'First-time Adoption of International Financial Reporting Standards'; and
- disclosures in respect of the compensation of Key Management Personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

As the consolidated financial statements of InterContinental Hotels Group PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' in respect of group settled share based payments; and
- the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.3 GOING CONCERN

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.

1.4 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. The related income and expenses are reported net within operating profit.

1.5 INTANGIBLE ASSETS

Software acquired by the Company is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of software, which are estimated to be between three and five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date.

1.6 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of tangible fixed assets, which comprises fixtures, fittings and equipment, with estimated useful lives of between three and fifteen years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.7 OPERATING LEASES

Operating lease rentals are charged to the Income Statement on a straight-line basis over the term of the lease.

1.8 NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise trade and other debtors, trade and other creditors and amounts due from and amounts due to Group undertakings.

Trade and other debtors

Trade and other debtors are recorded at their original amount less provision for impairment. It is the Company's policy to provide for 100% of the previous month's aged receivables balances which are more than 180 days past due. Adjustments to the policy may be made due to specific or exceptional circumstances.

Trade and other creditors

Trade and other creditors are non-interest bearing and are stated at their nominal value.

Amounts due from and amounts due to Group undertakings

Amounts due from and amounts due to Group undertakings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The carrying value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

1.9 FOREIGN CURRENCY

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the relevant rates of exchange ruling on the last day of the period. Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.10 SHARE BASED PAYMENTS

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

Where the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated financial statements of the parent, the Company also accounts for these share-based payments as equity-settled.

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 Income Statement 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.

1.11 PENSIONS - DEFINED CONTRIBUTION PLAN

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and for which it has no legal or constructive obligation to pay further amounts. Payments to defined contribution schemes are charged to the Income Statement as they fall due.

1.12 INTEREST RECEIVABLE

Interest receivable is recognised in the Income Statement as it accrues, using the effective interest rate method.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.13 TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities including interest. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at the end of the reporting period.

The taxation liabilities of certain Group entities are reduced wholly or in part by the surrender of losses by fellow Group undertakings, with these losses normally being paid for at the effective standard UK tax rate applying for the period in question. The impacts of such surrenders are recognised in the financial statements of both the surrendering and recipient companies.

Deferred tax

Deferred tax assets and liabilities are recognised in respect of temporary differences between the tax base and carrying value of assets and liabilities.

Deferred tax assets are recognised to the extent that it is regarded as probable that the deductible temporary differences can be realised. The recovery of all deferred tax assets is re-assessed at the end of each reporting period.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which the asset or liability will be settled, based upon rates enacted or substantively enacted at the end of the reporting period.

Judgement

Management judgement is required to determine the level of deferred tax asset that can be recognised, based upon the expectation of future profit against which the deferred tax asset is capable of being offset. Further details can be found in note 13.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. ANALYSIS OF 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:

	2015 £000	2014 £000
United Kingdom	121,191	132,518
Rest of the world	890	713
	<u>122,081</u>	<u>133,231</u>

3. OPERATING PROFIT

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

	2015 £000	2014 £000
Loss on disposal of tangible fixed assets	121	-
Loss on disposal of intangible assets	10	-
Depreciation of tangible fixed assets	1,828	1,656
Amortisation of intangible assets	369	166
Operating lease rentals - plant and machinery	509	744
Operating lease rentals - other	2,707	2,825
Exchange differences	(967)	(233)
Recharges from other Group undertakings - expense	23,539	29,295
Recharge of above to other Group undertakings - income	<u>(23,539)</u>	<u>(29,295)</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

4. AUDITORS' REMUNERATION

The Company incurred auditor's remuneration of £11,000 (2014: £10,000) which has been borne by a fellow Group undertaking in the current and preceding year.

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

5. EMPLOYEES

Staff costs were as follows:

	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Wages and salaries	39,539	39,719
Social security costs	3,557	3,753
Other pension costs	3,144	3,822
	<u>46,240</u>	<u>47,294</u>

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

	<i>2015</i> <i>No.</i>	<i>2014</i> <i>No.</i>
Administrative support	<u>577</u>	<u>591</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

6. DIRECTORS' REMUNERATION

	2015 £000	2014 £000
Directors' emoluments	1,597	1,468
Company contributions to defined contribution pension schemes	72	57
	<u>1,669</u>	<u>1,525</u>

During the year, retirement benefits were accruing to 3 directors (2014: 7) in respect of defined contribution pension schemes.

No directors exercised share options during the current or prior year.

The number of directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes was 5 (2014: 6).

The highest paid director received basic salary, performance payment and benefits of £458,000 (2014: £442,000) and company contributions to defined contribution pension schemes of £nil (2014: £nil). The highest paid director received shares under the Group's long-term incentive schemes and did not exercise any share options during the year.

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.

7. INTEREST RECEIVABLE

	2015 £000	2014 £000
Interest receivable from Group undertakings	<u>264</u>	<u>218</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

8. TAXATION

	2015 £000	2014 £000
Corporation tax		
Current tax on profit for the year	413	306
Adjustments in respect of prior periods	108	3,209
Total current tax	<u>521</u>	<u>3,515</u>
Deferred tax		
Origination and reversal of temporary differences	2,131	1,637
Changes in tax rates	(14)	(93)
Adjustment in respect of prior periods	(112)	(2,606)
Total deferred tax	<u>2,005</u>	<u>(1,062)</u>
Taxation on profit on ordinary activities	<u>2,526</u>	<u>2,453</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

8. TAXATION (continued)**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2014: higher than) the effective standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	7,762	7,056
Profit on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	1,572	1,517
Effects of:		
Expenses not deductible for tax purposes	527	283
Changes in deferred tax asset not recognised	445	143
Change of tax rate	(14)	(93)
Adjustments in respect of prior periods	(4)	603
Total tax charge for the year	2,526	2,453

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In 2015, reductions to the rate of corporation tax to 19% (effective 1 April 2017) and 18% (effective 1 April 2020) were enacted. The impact of any resulting changes to the valuation of any deferred tax assets and liabilities is reflected within the Financial Statements.

In his budget of 2016, the Chancellor of the Exchequer proposed a further reduction to the rate of corporation tax to 17%, effective 1 April 2020. This reduction has not yet been substantively enacted and therefore does not impact the carrying value of deferred tax assets and liabilities in the Financial Statements.

The Chancellor also proposed, as part of the 2016 budget, wide-ranging reform in regard to the use of brought forward tax losses, with such measures becoming effective from 1 April 2017. The proposed changes to existing legislation have not yet been announced and a full assessment of the potential impacts will be undertaken by the Company once this information is available.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

9. INTANGIBLE ASSETS

	<i>Software</i> <i>£000</i>
Cost	
At 1 January 2015	1,029
Additions	191
Disposals	(28)
At 31 December 2015	1,192
Amortisation	
At 1 January 2015	238
Charge for the year	369
Disposals	(18)
At 31 December 2015	589
Net book value	
At 31 December 2015	603
At 31 December 2014	791

10. TANGIBLE FIXED ASSETS

	<i>Fixtures, fittings & equipment</i> <i>£000</i>
Cost	
At 1 January 2015	20,016
Additions	1,365
Disposals	(172)
At 31 December 2015	21,209
Depreciation	
At 1 January 2015	12,769
Charge for the year	1,828
Disposals	(51)
At 31 December 2015	14,546
Net book value	
At 31 December 2015	6,663
At 31 December 2014	7,247

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. DEBTORS

	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Due after more than one year		
Deferred tax asset (note 13)	2,160	4,245
Due within one year		
Trade debtors	723	1,858
Amounts owed by Group undertakings	84,029	84,736
Other debtors	3,069	4,117
Prepayments and accrued income	1,862	1,122
	<u>91,843</u>	<u>96,078</u>

12. CREDITORS: Amounts falling due within one year

	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Trade creditors	5,710	5,682
Amounts owed to Group undertakings	6,700	12,192
Corporation tax	53	-
Other taxation and social security	57	152
Other creditors	281	361
Accruals and deferred income	10,917	16,051
	<u>23,718</u>	<u>34,438</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

13. DEFERRED TAX ASSET

The deferred tax asset is comprised as follows:

	<i>Pension costs</i> £000	<i>Share based</i> <i>payments</i> £000	<i>Revenue</i> <i>losses</i> £000	<i>Other</i> <i>temporary</i> <i>differences</i> £000	<i>Total</i> £000
At 1 January 2014	2,384	721	-	-	3,105
Income Statement	(1,192)	24	2,032	198	1,062
Statement of Changes in Equity	-	78	-	-	78
At 31 December 2014	1,192	823	2,032	198	4,245
Income Statement	(1,192)	(38)	(692)	(83)	(2,005)
Statement of Changes in Equity	-	(80)	-	-	(80)
At 31 December 2015	-	705	1,340	115	2,160

The deferred tax assets are recognised on the basis of an expectation of sufficient future profits within the Group against which the future reversal of the temporary differences may be deducted.

Deferred tax assets of £4,020,000 (2014: £3,644,000) relating to temporary differences on fixed assets and £135,000 (2014: £164,000) in respect of share based payments have not been recognised as they are not expected to reverse in the near future.

14. PENSION COMMITMENTS

Since 6 August 2014, UK retirement and death in service benefits are provided for eligible members by the IHG UK Defined Contribution Pension Plan. Members, including those who have auto-enrolled since 1 September 2013, are provided with defined contribution arrangements under this plan; benefits are based on each individual member's personal account. The former defined benefit plan, the InterContinental Hotels UK Pension Plan, was wound up on 21 July 2015 following the completion of the buy-out and transfer of the defined benefit obligations to Rothesay Life on 31 October 2014.

Contributions to the IHG UK Defined Contribution Pension Plan, a defined contribution scheme, are charged to the Income Statement as they fall due. During the year the Company made contributions in respect of the scheme of £3,552,000 (2014: £3,241,000), and an amount of £nil (2014: £nil) was outstanding at the year end.

15. SHARE CAPITAL

	<i>2015</i> £000	<i>2014</i> £000
Allotted, called up and fully paid		
481,601 Ordinary shares of £1 each	482	482

The Company no longer has an authorised share capital.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

16. RESERVES

Share premium

The balance classified as share premium relates to the aggregate net proceeds less nominal value of shares on issue of the Company's equity share capital.

17. 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 £508,000 (2014: £510,000) in operating profit related to these equity-settled share-based payment transactions during the year.

The Group operates the Annual Performance Plan ("APP") and Long Term Incentive Plan ("LTIP"), details of which can be found in the consolidated financial statements of InterContinental Hotels Group PLC, which are available from the address give in note 21.

The Executive Share Option Plan was not operated during 2015 and no options were granted in the year under the plan, neither will any further options be granted under the plan. All options were exercised or lapsed before 31 December 2014.

The weighted average share price at the date of exercise of share awards vested during the year was 2,590.4p (2014: 1,977.0p).

The share awards outstanding at the year end have a weighted average contractual life of 1.2 years (2014: 1.0 years) for the APP scheme and 1.1 years (2014: 1.1 years) for the LTIP scheme.

18. CAPITAL COMMITMENTS

At 31 December 2015 the Company had capital commitments as follows:

	2015 £000	2014 £000
Contracted for but not provided in these financial statements	182	328

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

19. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the Company had future minimum lease commitments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Not later than 1 year	2,770	2,851
Later than 1 year and not later than 5 years	10,862	10,401
Later than 5 years	4,183	6,825
Total	17,815	20,077

20. 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 2015, the maximum liability under the guarantee amounted to £1,081,683 (2014: £12,903,104).

21. CONTROLLING PARTY

As at 31 December 2015, 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.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22. FIRST TIME ADOPTION OF FRS 101

As stated in note 1, these financial statements for the year ended 31 December 2015 are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 Statement of Financial Position at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 Statements of Financial Position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition adjustments from previously extant UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

	<i>As previously stated 1 January 2014 £000</i>	<i>Effect of transition 1 January 2014 £000</i>	<i>FRS 101 (as restated) 1 January 2014 £000</i>	<i>As previously stated 31 December 2014 £000</i>	<i>Effect of transition 31 December 2014 £000</i>	<i>FRS 101 (as restated) 31 December 2014 £000</i>
Fixed assets	8,658	-	8,658	8,038	-	8,038
Current assets	102,168	(460)	101,708	95,666	518	96,184
Creditors: amounts falling due within one year	(46,979)	900	(46,079)	(34,438)	-	(34,438)
Net current assets	55,189	440	55,629	61,228	518	61,746
Net assets	63,847	440	64,287	69,266	518	69,784
Capital and reserves	63,847	440	64,287	69,266	518	69,784

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

22. FIRST TIME ADOPTION OF FRS 101 (continued)

	<i>As previously stated 31 December 2014 £000</i>	<i>Effect of transition 31 December 2014 £000</i>	<i>FRS 101 (as restated) 31 December 2014 £000</i>
Turnover	133,231	-	133,231
Administrative expenses	(126,393)	-	(126,393)
Operating profit	6,838	-	6,838
Interest receivable	504	(286)	218
Taxation	(2,433)	(20)	(2,453)
Profit on ordinary activities after taxation and for the financial year	4,909	(306)	4,603

Explanation of changes to previously reported profit and equity:

- 1 Software costs have been recognised as per IAS 38 'Intangible Assets'. The impact of this change is to re-classify the net book value of software as at 1 January 2014 of £694,000 and as at 31 December 2014 of £791,000 from tangible assets to intangible assets. Additionally the charge in the year to 31 December 2014 of £166,000 has been re-classified from depreciation to amortisation within administrative expenses. This change has no impact on net assets at 1 January 2014 or 31 December 2014, and no impact on profit for the financial year to 31 December 2014.
- 2 Under IAS 12 'Income Taxes', the Company has a choice as to whether interest on tax payments is recognised within the tax charge or interest charge. The Company has chosen to recognise this amount within the tax charge. The impact of this decision is to re-classify the tax interest accrual of £900,000 at 1 January 2014 from 'accruals and deferred income' to corporation tax receivable, and re-classify the accrual reversal of £286,000 in the year to 31 December 2014 from interest receivable to the tax charge for the year. This change has no impact on net assets at 1 January 2014 or 31 December 2014.
- 3 Deferred taxation has been recognised as per IAS 12 'Income Taxes' in relation to temporary differences between the carrying value and the tax base of share based payments granted to employees. The impact of this change is to increase the deferred tax asset recognised at 1 January 2014 by £440,000, increase the deferred tax asset recognised at 31 December 2014 by £518,000, and increase the tax effect of the equity-settled share-based payments credit recognised directly in equity by £78,000. Additionally, the adoption of IAS 12 resulted in the re-classification of current tax of £306,000 in relation to share based payments in the year to 31 December 2014 from the Income Statement to be recognised directly in equity. The overall impact of this change is to increase net assets at 1 January 2014 by £440,000, increase net assets at 31 December 2014 by £518,000, and decrease profit for the year to 31 December 2014 by £306,000.