Registered number 3130330

IHG HOTELS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

IHG HOTELS LIMITED

COMPANY INFORMATION

DIRECTORS	P Edgecliffe-Johnson N Henfrey N Stocks G Turner L Werner R Wheeler
COMPANY SECRETARY	E Percival
REGISTERED NUMBER	3130330
REGISTERED OFFICE	Broadwater Park Denham Buckinghamshire UB9 5HR
INDEPENDENT AUDITORS	Ernst & Young LLP One Colmore Square Birmingham B4 6HQ
BANKERS	Lloyds TSB Bank plc PO Box 72 Bailey Drive Gillingham Business Park Kent ME8 0LS

IHG HOTELS LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITIES

IHG Hotels Limited (the "Company") is the regional franchisor for hotels operating under the InterContinental Hotels group's (consisting of InterContinental Hotels Group PLC and its subsidiaries) (the "Group") brand names (InterContinental® Hotels & Resorts, Crowne Plaza® Hotels & Resorts, Hotel Indigo® Holiday Inn® Holiday Inn Express® and Staybridge Suites®) in Europe and Africa In addition, the Company is engaged in the management of a number of hotels operating under these brands in the United Kingdom The Company also acts as an investment holding company. It is the intention of the directors that the Company will continue operating in these capacities

BUSINESS REVIEW

	2012	*2011*
	£000	£000
Turnover	92,923	89,894
Operating profit	21,696	18,258
Profit after tax	21,447	8,506
Shareholders' funds	387,991	366.544

The Company's key financial performance indicators during the year are shown above The directors view the results as satisfactory, as are future prospects of the Company

During 2012, the Company incurred an exceptional expense of £1,602,000 (2011 £nil) relating to the impairment of its investment in IHG Szalloda Budapest Szolgaltato Kft

During 2012, the Company incurred an exceptional expense of £2,945,000 (2011 £nil) relating to the impairment of its investment in InterContinental Hotels Italia S r L

On 10 December 2012, the Company received a dividend of £1,056 000 from Inthotel Holdings S A

On 12 December 2012, the Company sold its shareholding in Inthotel Holdings S A with a carrying value of £6,272,000 for a net consideration of £2,956,000 This resulted in an exceptional loss on disposal of £3,316,000

On 13 December 2012, Holiday Inns Holdings (Australia) Pty bought back 58% of the shares held by IHG Hotels Limited, with a carrying value of £27,480,000, for consideration of £31,672 000 This resulted in an exceptional profit on disposal of £4,192 000

On 17 December 2012, the Company received a dividend of £7,196,000 from Holiday Inns Holdings (Australia) Pty Limited

RESULTS

The profit for the year, after taxation, amounted to £21,447,000 (2011 £8,506,000)

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is reliant on the reputation of its brands and the protection of its intellectual property rights Any event that materially damages the reputation of one or more of the Company's brands and/or failure to sustain the appeal of the Company's brands to its customers may have an adverse impact on the value of that brand and subsequent revenues from that brand or operation

The Company is exposed to a variety of risks related to identifying, securing and retaining franchise and management agreements

The Company is exposed to the risks of political and economic developments

The Company is exposed to the risks of events that adversely impact domestic and/or international travel

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

DIRECTORS

The directors during 2012 and since the year end were as follows

P Edgecliffe-Johnson
N Henfrey
R Kennedy (appointed 13 March 2012 and resigned 30 April 2013)
N Stocks
G Turner
L Werner (appointed 19 July 2013)
R Wheeler

GOING CONCERN

The Company operates its activities in conjunction with other companies within the Group and therefore relies on the Group for its continued existence At the end of 2012, the Group was trading significantly within its banking covenants and debt facilities Furthermore the Group's fee based model and wide geographic spread means that it is well placed to manage through uncertain times and forecasts and sensitivity projections, based on a range of reasonably possible changes in trading performance show that the Group should be able to operate within the level of its current facilities

Information on the Group's banking covenants and debt facilities, processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk 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 intend to make funds available to the Company to enable it to meet its debts as they fall due

IHG HOTELS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

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 39 (2011 44) 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

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 EPercival

Signed by Erika Percival , Secretary/~~Director~~

Date 11 SEP 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2012

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 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 IHG HOTELS LIMITED

We have audited the financial statements of IHG Hotels Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account the Balance Sheet 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)

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 Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the 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 16 September 2013

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	*2012* *£000*	*2011* *£000*
TURNOVER	1,2	92,923	89,894
Administrative expenses		(71,227)	(71,636)
OPERATING PROFIT	3	21,696	18,258
EXCEPTIONAL ITEMS			
Net profit on sale of fixed asset investments	4	876	-
Impairment of fixed asset investment and intangible fixed asset	4	(4,547)	(4 975)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		18 025	13 283
Income from shares in group undertakings		8,252	-
Interest receivable	7	194	104
Interest payable	8	(74)	(25)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		26 397	13 362
Tax on profit on ordinary activities	9	(4,950)	(4 856)
PROFIT FOR THE FINANCIAL YEAR	18, 19	21,447	8,506

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 8 to 20 form part of these financial statements

IHG HOTELS LIMITED
REGISTERED NUMBER 3130330

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	£000	2012 £000	£000	2011 £000
FIXED ASSETS					
Intangible fixed assets	10		280,045		277,259
Investments	11		30,167		68,466
			310,212		345,725
CURRENT ASSETS					
Stocks	12	1		2	
Debtors	13	85,074		38,495	
Cash at bank		26,569		11,735	
		111,644		50,232	
CREDITORS amounts falling due within one year	14	(26 228)		(25,318)	
NET CURRENT ASSETS			85,416		24,914
TOTAL ASSETS LESS CURRENT LIABILITIES			395,628		370,639
PROVISIONS FOR LIABILITIES					
Deferred tax	15	(4,733)		-	
Other provisions	16	(2,904)		(4 095)	
			(7,637)		(4 095)
NET ASSETS			387,991		366,544
CAPITAL AND RESERVES					
Called up share capital	17		50,797		50,797
Share premium account	18		306,752		306 752
Profit and loss account	18		30 442		8 995
SHAREHOLDERS' FUNDS	19		387,991		366 544

Approved by the Board

Signed by **Nicolette Henfrey** , Director

Date 11 SEP 2013

The notes on pages 8 to 20 form part of these financial statements

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

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

The financial statements present information about the Company as an individual undertaking and not as a group The Company is exempt from preparing consolidated financial statements under Section 400 of the Companies Act 2006 as it is a wholly owned subsidiary of InterContinental Hotels Group PLC, incorporated in the UK, which prepares consolidated financial statements

1 2 INTANGIBLE FIXED ASSETS AND AMORTISATION

Intellectual property
Acquired brand licences are capitalised at cost and in the absence of any evidence to the contrary deemed to have an indefinite life Such assets are not amortised but are reviewed for impairment on an annual basis Internally developed brand licences are expensed to the profit and loss account as incurred Costs incurred in the maintenance or re-branding of existing licences are expensed to the profit and loss account as incurred

Management contracts
When assets are sold and a purchaser enters into a management contract with the Company, the Company capitalises as part of the gain or loss on disposal an estimate of the fair value of the contract entered into This value is amortised over the life of the contract which ranges from 3 to 18 years

Other intangible assets
Amounts paid to hotel owners to secure management contracts and franchise agreements are capitalised and amortised over the shorter of the contracted period and 10 years on a straight-line basis

Management contracts and other intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

The useful economic lives of intangible assets are reviewed at the end of each reporting period and revised if necessary

1 3 FIXED ASSET INVESTMENTS AND INVESTMENT INCOME

Fixed asset investments are stated at cost less any provision for impairment

Dividend income is recognised when the right to receive payment is established

1.4 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

1 ACCOUNTING POLICIES (continued)

1 5 TRADE DEBTORS

Trade debtors are recognised and carried at original amount earned less an allowance for any doubtful accounts An allowance for doubtful accounts is made when collection of the full amount is no longer probable

1 6 PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a payment will be made and a reliable estimate of the amount payable can be made If the effect of the time value of money is material the provision is discounted

1.7 ONEROUS CONTRACTS

An onerous contract provision is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it

1 8 TURNOVER

Turnover comprises revenue earned by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts Turnover is derived from the following sources franchise fees, management fees, and other turnover which is ancillary to the Company's operations The following is a description of the main components of the turnover of the Company

Franchise fees - received in connection with the Company's brand names, usually under long-term contracts with the hotel owner The Company charges franchise royalty fees as a percentage of room revenue Turnover is recognised when earned and realised or realisable under the terms of the agreement

Management fees - earned from hotels managed by the Company, usually under long-term contracts with the hotel owner Management fees include a base fee which is generally a percentage of hotel turnover and an incentive fee, which is generally based on the hotel's profitability or cash flows Turnover is recognised when earned and realised or realisable under the terms of the contract

1.9 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of transaction 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 10 TAXATION

Corporation tax payable is provided on taxable profits at the current rate

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

1. ACCOUNTING POLICIES (continued)

1 11 DEFERRED TAXATION

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes Those timing differences recognised include accelerated capital allowances, unrelieved tax losses and short term timing differences Timing differences not recognised include those relating to the revaluation of fixed assets in the absence of a commitment to sell the assets and the gain on sale of assets rolled into replacement assets

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

1 12 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

1.13 CASH FLOW

Under the provisions of Financial Reporting Standard ("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

2 TURNOVER

Turnover represents the amounts earned from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax

The Company has two principal areas of activity, the management of hotels and the franchising of hotels, and operates within three geographical markets, United Kingdom and Ireland ("UK&I"), Rest of Europe and Africa

Turnover by origin is analysed as follows

Geographical market

	2012	*2011*
	£000	*£000*
UK&I	44,395	41 218
Rest of Europe	45,574	45,903
Rest of world	2,954	2,773
Total	92,923	89,894

Class of business

	2012	*2011*
	£000	*£000*
Managed hotels	18,922	19,765
Franchised hotels	74,001	70,129
Total	92,923	89,894

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2012	*2011*
	£000	*£000*
Amortisation - intangible fixed assets	1,623	1,253
Foreign exchange loss	209	1,269
Reversal of provisions	-	(249)
Write off of intellectual property	706	-

The Company incurred auditors' remuneration of £10,000 (2011 £10,000) which was 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

4 EXCEPTIONAL ITEMS

	2012 *£000*	*2011* *£000*
Loss on disposal of shareholding in Inthotel Holdings S A	3,316	-
Profit on disposal of shareholding in Holiday Inns Holdings (Australia) Pty	(4,192)	-
Impairment of investment in IHG Szalloda Budapest Szolgaltato Kft	1,602	-
Impairment of investment in InterContinental Hotels Italia S r L	2,945	-
Impairment of investment in Inthotel Holdings S A	-	4,975
	3,671	4,975

On 12 December 2012, the Company sold its shareholding in Inthotel Holdings S A with a carrying value of £6,272,000 for a net consideration of £2 956,000 This resulted in a loss on disposal of £3,316 000

On 13 December 2012, Holiday Inns Holdings (Australia) Pty bought back 58% of the shares held by IHG Hotels Limited, with a carrying value of £27,480,000, for consideration of £31,672,000 This resulted in a profit on disposal of £4,192,000

5 STAFF COSTS

Staff costs were as follows

	2012 *£000*	*2011* *£000*
Wages and salaries	408	477
Social security costs	10	10
	418	487

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

	2012 *No*	*2011* *No*
Managed hotel operations	12	11

6 DIRECTORS' REMUNERATION

	2012	*2011*
	£000	£000
Basic salaries, fees, performance payments and benefits	2,214	1,850
Company pension contributions to defined contribution pension schemes	108	86

During the year retirement benefits accrued to 4 directors (2011 4) in respect of defined contribution pension schemes

During the year, defined benefits accrued to 2 directors (2011 3) in respect of defined benefit pension schemes

During the year, no directors (2011 0) exercised share options

The highest paid director received basic salary, performance payments and benefits of 489,000 (2011 £478,000) and did not exercise any share options during the year The amount of the directors' accrued pension under the defined benefit pension scheme was £nil (2011 £102,000)

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

	2012	*2011*
	£000	*£000*
Interest receivable from Group undertakings	100	46
Other interest receivable	94	58
	194	104

8. INTEREST PAYABLE

	2012	*2011*
	£000	*£000*
Sundry interest payable	74	25

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 *£000*	*2011* *£000*
ANALYSIS OF TAX (CREDIT)/CHARGE IN THE YEAR		
CURRENT TAX		
UK corporation tax charge on profit for the year	3,029	5,099
Adjustments in respect of prior periods	(3,574)	(56)
	(545)	5,043
Foreign tax on income for the year	337	158
TOTAL CURRENT TAX	(208)	5,201
DEFERRED TAX		
Origination and reversal of timing differences	1,869	(280)
Adjustments in respect of prior years	3,983	(94)
Effect of changes in tax rate	(694)	29
TOTAL DEFERRED TAX (see note 15)	5,158	(345)
TAX ON PROFIT ON ORDINARY ACTIVITIES	4,950	4 856

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2011 higher than) the effective standard rate of corporation tax in the UK of 24 5% (2011 26 5%) for the year ended 31 December 2012 The differences are explained below

	2012 *£000*	*2011* *£000*
Profit on ordinary activities before tax	26 397	13,362
Profit on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 24 5% (2011 26 5%)	6,467	3,541
EFFECTS OF		
Impairment and disposal of investments	898	1,318
Expenses not deductible for tax purposes	278	118
Tax amortisation of intangible assets	(1,740)	-
Other timing differences	(130)	280
Prior period adjustments	(3,574)	(56)
Non-taxable income	(2,407)	-
CURRENT TAX (CREDIT)/CHARGE FOR THE YEAR	(208)	5,201

9 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Chancellor of the Exchequer has proposed a decrease in the rate of UK corporation tax to 20% by 2015 The reduction to 23%, effective from 1 April 2013, was substantively enacted during 2012 and has been reflected in the Company's financial statements The further 2%pt reduction to 21% for 2014 and 1%pt reduction to 20% for 2015 were substantively enacted during 2013 and, in accordance with accounting standards, will be reflected in the Company's financial statements in respect of the year ended 31 December 2013

New Controlled Foreign Company legislation will apply to companies with accounting periods commencing on or after 1 January 2013, following enactment of the 2012 Finance Act As such, to the extent that the Company is impacted by the new legislation, an initial assessment of the effects has been made in assessing the recoverability of deferred tax assets based on current understanding of the legislation

10. INTANGIBLE FIXED ASSETS

	Intellectual property £000	*Management contracts £000*	*Other £000*	*Total £000*
COST				
At 1 January 2012	269 214	3 711	7,289	280 214
Additions	-	-	5,115	5,115
Write off	(706)	-	-	(706)
At 31 December 2012	268,508	3,711	12,404	284,623
AMORTISATION				
At 1 January 2012	-	1,580	1,375	2,955
Charge for the year	-	202	1 421	1,623
At 31 December 2012	-	1,782	2,796	4,578
NET BOOK VALUE				
At 31 December 2012	268,508	1,929	9,608	280,045
At 31 December 2011	269 214	2,131	5,914	277 259

Intellectual property is not amortised It is reviewed for impairment on an annual basis at the end of each reporting period

11. INVESTMENTS

	Investments in subsidiary undertakings £000
COST	
At 1 January 2012	73 441
Disposals	(38.727)
At 31 December 2012	34.714
IMPAIRMENT	
At 1 January 2012	4,975
Charge for the year	4,547
Impairment on disposals	(4 975)
At 31 December 2012	4,547
NET BOOK VALUE	
At 31 December 2012	30.167
At 31 December 2011	68,466

SUBSIDIARY UNDERTAKINGS

At 31 December 2012, the Company was the beneficial owner of all (unless specified) of the ordinary share capital of the following companies

Directly held
InterContinental Hotels Group Services Company
(incorporated in Great Britain and registered in England and Wales)
Holiday Inns Holdings (Australia) Pty Limited
(incorporated in Australia)
InterContinental Hotels Italia S r L
(incorporated in Italy)
IHG Szalloda Budapest Szolgaltato Kft
(incorporated in Hungary)
IHG Japan (Management) LLC
(incorporated in Japan)
IC Hotels Management Portugal Unipessoal Limited
(incorporated in Portugal)
IHG Istanbul Otel Yonetim Limited Sirketi (incorporated in Turkey) - the Company directly owns 99% of the ordinary share capital with 1% owned by another subsidiary undertaking
IHG Hotels Nigeria Limited (incorporated in Nigeria) - the Company directly owns 99 99% of the ordinary share capital with the remaining share capital held by another subsidiary undertaking

The nature of the business of all of the above subsidiary undertakings is in the hotel and resort industry

The directors are of the opinion that the aggregate value of the Company's investments is not less than the amount at which they are stated in the financial statements

The undertakings listed above include only those which principally support the carrying value above or are directly held

11. INVESTMENTS (continued)

On 12 December 2012, the Company sold its shareholding in Inthotel Holdings S A with a carrying value of £6,272 000 for a net consideration of £2,956,000 This resulted in an exceptional loss on disposal of £3,316,000

On 13 December 2012, Holiday Inns Holdings (Australia) Pty bought back 58% of the shares held by IHG Hotels Limited, with a carrying value of £27,480,000 for consideration of £31,672,000 This resulted in an exceptional profit on disposal of £4,192,000

12. STOCKS

	2012 *£000*	*2011* *£000*
Consumable stores	1	2

The difference between purchase price or production cost of stocks and their replacement cost is not material

13. DEBTORS

	2012 *£000*	*2011* *£000*
Trade debtors	30,034	18 506
Amounts owed by Group undertakings	52,293	19,491
Other debtors	2,691	22
Prepayments and accrued income	56	51
Deferred tax asset (see note 15)	-	425
	85 074	38 495

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 *£000*	*2011* *£000*
Trade creditors	204	373
Amounts owed to Group undertakings	13,862	9,980
Corporation tax	3,029	5,099
Social security and other taxes	5 417	3 267
Other creditors	458	585
Accruals and deferred income	3,258	6,014
	26,228	25 318

15 DEFERRED TAXATION

	2012 £000	2011 £000
At 1 January	425	80
(Charge)/credit for the year	(5,158)	345
At 31 December	(4,733)	425

The deferred tax (liability)/asset is comprised as follows

	2012 £000	2011 £000
Intangible assets	(4,899)	-
Accelerated capital allowances	1	2
Other timing differences	165	423
	(4,733)	425

The deferred tax liability relates to intangible fixed assets which are deemed to have an indefinite life for accounting purposes For the purposes of corporation tax the Company is entitled to tax amortisation on a proportion of these assets

A deferred tax asset of £239,000 (2011 £260,000) relating to capital losses has not been recognised as their use is uncertain as at the balance sheet date

16 PROVISIONS

	Management Contracts £000	Other £000	Total 2012 £000	Total 2011 £000
At 1 January	4,043	52	4,095	4,750
Charged during the year	-	-	-	516
Utilised	(1,191)	-	(1,191)	(922)
Released during the year	-	-	-	(249)
At 31 December	2,852	52	2,904	4 095

Management Contracts
Provision has been made for the net cash outflows expected to be incurred under performance guarantees associated with two management contracts The provision has been calculated based on net present value cash flow projections up to the end of each contract It is expected that costs will be incurred in each year up to the end of the contracts in 2020

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

17 SHARE CAPITAL

	2012 *£000*	*2011* *£000*
ALLOTTED, CALLED UP AND FULLY PAID		
50,797,204 ordinary shares of £1 each	50,797	50,797

18 RECONCILIATION OF MOVEMENTS IN RESERVES

	Share premium account *£000*	*Profit and loss account* *£000*
At 1 January 2012	306,752	8 995
Profit for the year	-	21,447
At 31 December 2012	306,752	30,442

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 *£000*	*2011* *£000*
Opening shareholders' funds	366 544	358,038
Profit for the year	21,447	8,506
Closing shareholders' funds	387,991	366 544

20. 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 2012 the maximum liability under the guarantee amounted to £23,801,200 (2011 £54,308,190)

In limited cases, the Company may provide performance guarantees to third-party owners to secure management contracts The maximum unprovided exposure under such guarantees is £22,020,000 (2011 £13 006,000)

21 RELATED PARTY TRANSACTIONS

As the Company was a wholly owned subsidiary of InterContinental Hotels Group PLC at 31 December 2012, the Company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with entities which form part of the Group, headed by InterContinental Hotels Group PLC

22 PARENT UNDERTAKING AND CONTROLLING PARTY

As at 31 December 2012, InterContinental Hotels Group PLC, a company incorporated in Great Britain and registered in England and Wales, was the ultimate parent undertaking 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 company is IHG PS Nominees Limited a company registered in England and Wales The immediate controlling company is Six Continents Holdings Limited, a company registered in England and Wales