

Registered number: 3130330

**INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES)
LIMITED**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009



INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

COMPANY INFORMATION

DIRECTORS	A S McEwan C Springett N P Stocks G Turner R Wheeler
COMPANY SECRETARY	H J Martin
COMPANY NUMBER	3130330
REGISTERED OFFICE	Broadwater Park Denham Buckinghamshire UB9 5HR
AUDITORS	Ernst & Young LLP No 1 Colmore Square Birmingham B4 6HQ
BANKERS	Lloyds TSB Bank plc PO Box 72 Bailey Drive Gillingham Business Park Kent ME8 0LS

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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 ACTIVITY

The Company's principal activity is the operation of hotels under management contracts. 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	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
Turnover	19,270	23,629
Operating (loss)/profit	(978)	2,504
(Loss)/profit after tax	(660)	2,222
Shareholders' Funds	13,647	14,307

The Company's key financial performance indicators during the year are shown above.

The directors view the results as satisfactory taking into account the current economic climate.

During the year, the Company acquired all of the ordinary share capital of InterContinental Hotels Group Services Company and Holiday Inns Holdings (Australia) Pty Limited from fellow InterContinental Hotels group (consisting of InterContinental Hotels Group PLC and its subsidiaries) (the "Group") undertakings for a total consideration of £52,126,000.

The principal risks and uncertainties faced by the Company include the termination of management contracts and a continuing downturn in the economic climate.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £660,000 (2008: profit £2,222,000).

The directors do not propose a dividend for the year (2008: £14,500,000).

DIRECTORS

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

A S McEwan
C Springett
N P Stocks
G Turner
R Wheeler

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

EVENTS SINCE THE END OF THE YEAR

On 29 January 2010, the Company issued 20,000 £1 ordinary shares to its immediate parent undertaking, Six Continents Holdings Limited, for consideration of £3,000 per share

On 17 March 2010, the Company acquired all of the ordinary share capital of Holiday Inns de Espana SA from Six Continents International Holdings BV, a fellow Group undertaking, for consideration of £11,247,000

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 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 InterContinental Hotels Group (Management Services) Limited 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 now provides continuous access to information about people, policies and news across all hotels, corporate offices and reservations centres in the Group.

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

AUDITORS

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

By order of the Board

Signed by

H Martin

Helen Martin
, Secretary ~~Director~~

Date

21 June 2010.

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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 (MANAGEMENT SERVICES) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

We have audited the financial statements of InterContinental Hotels Group (Management Services) Limited for the year ended 31 December 2009, 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 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 *21 June 2010*

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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

	<i>Note</i>	<i>2009 £000</i>	<i>2008 £000</i>
TURNOVER	1,2	19,270	23,629
Administrative expenses		(20,248)	(21,125)
OPERATING (LOSS)/PROFIT	3	(978)	2,504
Interest receivable	6	232	1,002
Interest payable	7	(79)	(186)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(825)	3,320
Tax on (loss)/profit on ordinary activities	8	165	(1,098)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	17,18	(660)	2,222

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 16 form part of these financial statements

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED
REGISTERED NUMBER: 3130330

BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	£000	2009 £000	£000	2008 £000
FIXED ASSETS					
Intangible fixed assets	9		2,576		2,811
Fixed asset investments	10		52,126		-
			<u>54,702</u>		<u>2,811</u>
CURRENT ASSETS					
Stocks	11	4		6	
Debtors	12	3,186		24,025	
Cash at bank		10,116		6,036	
		<u>13,306</u>		<u>30,067</u>	
CREDITORS: amounts falling due within one year	14	(51,341)		(15,911)	
NET CURRENT (LIABILITIES)/ASSETS			<u>(38,035)</u>		<u>14,156</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,667</u>		<u>16,967</u>
PROVISIONS FOR LIABILITIES					
Other provisions	15		(3,020)		(2,660)
NET ASSETS			<u><u>13,647</u></u>		<u><u>14,307</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		13,000		13,000
Profit and loss account	17		647		1,307
SHAREHOLDERS' FUNDS	18		<u><u>13,647</u></u>		<u><u>14,307</u></u>

Approved by the Board

Signed by 

Catherine Springett
, Director

Date 21 June 2010

The notes on pages 8 to 16 form part of these financial statements

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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 (Management Services) Limited (the "Company") to enable it 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

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

1.3 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

1.5 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 TURNOVER

Turnover comprises revenue recognised by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

Revenue is derived from 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 revenue, and an incentive fee, which is generally based on the hotel's profitability or cash flows. Revenue is recognised when earned and realised or realisable under the terms of the contract

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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

1. ACCOUNTING POLICIES (continued)

1.7 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of transactions. 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 differences are taken to the profit and loss account.

1.8 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.

1.9 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 and the distribution of profits from overseas subsidiaries in the absence of any commitment by the subsidiary to make the distribution.

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 calculated 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.

1.10 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, financial instruments, fixed asset investment carrying values, self insurance, 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.

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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

1. ACCOUNTING POLICIES (continued)

1.11 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

The whole of the turnover is attributable to the principal activity of the Company and all arose in the United Kingdom

3. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging

	2009 £000	2008 £000
Amortisation - intangible fixed assets	235	235
Difference on foreign exchange	21	3
Raw materials and consumables	24	32
	<u>280</u>	<u>370</u>

The Company incurred 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 did not incur any non-audit fees

4. STAFF COSTS

Staff costs were as follows

	2009 £000	2008 £000
Wages and salaries	261	301
Social security costs	11	13
	<u>272</u>	<u>314</u>

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

	2009 No	2008 No
Hotel operations	<u>13</u>	<u>12</u>

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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

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

6. INTEREST RECEIVABLE

	2009 £000	2008 £000
Interest receivable from fellow subsidiary undertakings	232	1,002

7. INTEREST PAYABLE

	2009 £000	2008 £000
Interest payable to fellow subsidiary undertakings	79	186

8. TAXATION

	2009 £000	2008 £000
ANALYSIS OF TAX (CREDIT)/CHARGE IN THE YEAR		
CURRENT TAX		
UK corporation tax (credit)/charge on (loss)/profit for the year	(166)	1,098
Adjustments in respect of prior periods	(3)	(1)
TOTAL CURRENT TAX	(169)	1,097
DEFERRED TAX (see note 13)		
Origination and reversal of timing differences	4	1
TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	(165)	1,098

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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

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

The tax assessed for the year is lower than (2008 higher 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	(825)	3,320
Profit on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 28% (2008: 28.5%)	(231)	946
EFFECTS OF:		
Expenses not deductible for tax purposes	65	153
Capital allowances for year in excess of depreciation	-	(1)
Prior year adjustments	(3)	(1)
CURRENT TAX (CREDIT)/CHARGE FOR THE YEAR	(169)	1,097

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The key factors which may affect future tax charges include changes in tax legislation.

9. INTANGIBLE FIXED ASSETS

	<i>Management Contracts £000</i>
COST	
At 1 January 2009 and 31 December 2009	3,711
AMORTISATION	
At 1 January 2009	900
Charge for the year	235
At 31 December 2009	1,135
NET BOOK VALUE	
At 31 December 2009	2,576
At 31 December 2008	2,811

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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

10. FIXED ASSET INVESTMENTS

	<i>Shares in group undertakings £000</i>
COST	
At 1 January 2009	-
Additions	52,126
At 31 December 2009	<u>52,126</u>

SUBSIDIARY UNDERTAKINGS

At 31 December 2009, InterContinental Hotels Group (Management Services) Limited was the beneficial owner of all (unless specified) of the ordinary share capital of the following companies

Name

InterContinental Hotels Group Services Company
(incorporated in Great Britain and registered in England and Wales)
Holiday Inns Holdings (Australia) Pty Limited
(incorporated in Australia)

On 3 December 2009, the Company acquired all of the ordinary share capital of InterContinental Hotels Group Services Company from Six Continents Limited, a fellow Group undertaking, for consideration of £4,905,000

On 16 December 2009, the Company acquired all of the ordinary share capital of Holiday Inns Holdings (Australia) Pty Limited from Six Continents International Holdings BV, a fellow Group undertaking, for consideration of £47,221,000

The nature of the business 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

11. STOCKS

	<i>2009 £000</i>	<i>2008 £000</i>
Consumable stores	<u>4</u>	<u>6</u>

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

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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

12. DEBTORS

	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
DUE AFTER MORE THAN ONE YEAR		
Deferred tax asset (see note 13)	1	5
DUE WITHIN ONE YEAR		
Trade debtors	2,164	7,489
Amounts owed by other group undertakings	27	15,781
Corporation tax	166	-
Other debtors	777	696
Prepayments and accrued income	51	54
	<u>3,186</u>	<u>24,025</u>

13. DEFERRED TAX ASSET

	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
At 1 January	5	6
Charged for year	(4)	(1)
	<u>1</u>	<u>5</u>

The deferred tax asset is made up as follows

	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
Decelerated capital allowances	<u>1</u>	<u>5</u>

The deferred tax asset relates to timing differences on fixed assets and is 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 £291,000 (2008: £nil) relating to capital losses has not been recognised. The unrecognised deferred tax asset would be recognised if the Company realised capital gains against which these capital losses could be offset.

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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

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

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	55	30
Amounts owed to other group undertakings	47,365	9,677
Corporation tax	-	825
Social security and other taxes	858	1,270
Other creditors	2	130
Accruals and deferred income	3,061	3,979
	<u>51,341</u>	<u>15,911</u>

15. PROVISIONS

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
At 1 January	2,660	3,288
Arising during the year	900	300
Amounts utilised	(540)	(928)
	<u>3,020</u>	<u>2,660</u>

The provisions relate to guarantee commitments and property exit costs

16. SHARE CAPITAL

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
ALLOTTED, CALLED UP AND FULLY PAID		
13,000,002 ordinary shares of £1 each	<u>13,000</u>	<u>13,000</u>

17. RECONCILIATION OF MOVEMENTS IN RESERVES

	<i>Profit and loss account £000</i>
At 1 January 2009	1,307
Loss for the year	(660)
	<u>647</u>
At 31 December 2009	<u>647</u>

INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

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

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £000	2008 £000
Opening shareholders' funds	14,307	26,585
(Loss)/profit for the year	(660)	2,222
Dividends	-	(14,500)
	<hr/>	<hr/>
Closing shareholders' funds	13,647	14,307
	<hr/>	<hr/>

19. 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)

In limited cases, the Company may provide performance guarantees to third-party owners to secure management contracts. The maximum outstanding exposure under such guarantees is £18,963,000 (2008 £17,003,000). Payments under any such guarantees are charged to the profit and loss account as incurred.

20. 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 Disclosures" and has therefore not disclosed transactions or balances with entities which form part of the Group, headed by InterContinental Hotels Group PLC.

21. POST BALANCE SHEET EVENTS

On 29 January 2010, the Company issued 20,000 £1 ordinary shares to its immediate parent undertaking, Six Continents Holdings Limited, for consideration of £3,000 per share.

On 17 March 2010, the Company acquired all of the ordinary share capital of Holiday Inns de Espana SA from Six Continents International Holdings BV, a fellow Group undertaking, for consideration of £11,247,000.

22. 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 (Management Services) Limited.

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 Six Continents Holdings Limited, a company registered in England and Wales.