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INTERCONTINENTAL HOTELS GROUP (MANAGEMENT SERVICES) LIMITED

Report and Financial Statements

31 December 2006

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COMPANIES HOUSE

InterContinental Hotels Group (Management Services) Limited

Registered No 3130330

DIRECTORS

D J House
A S McEwan
C Springett
N P Stocks
A J Sykes
R Wheeler
R T Winter

SECRETARY

D Hirani

AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF

BANKERS

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

REGISTERED OFFICE

67 Alma Road
Windsor
Berkshire SL4 3HD

InterContinental Hotels Group (Management Services) Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company's principal activity is holding management contracts for various hotels. It is the intention of the directors that the Company will continue operating in this capacity.

The Company's key financial performance indicators during the year were as follows

	2006	2005	Change
	£000	£000	%
Turnover – continuing operations	28,118	17,681	59%
Operating profit / (loss)	72	(748)	-
Profit after tax	921	6,415	(86)%
Shareholders' funds	21,093	20,172	5%
Current assets as % of current liabilities	177%	144%	23%

During the year, turnover and operating profit increased due to management contracts being in operation for a full year in 2006. The directors view the results as satisfactory as are future prospects of the Company.

The principal risks and uncertainties faced by the company include the termination of management contracts and the continued availability of staff resources in the remaining hotel operation.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 December 2006 was £921,000 (year ended 31 December 2005 – £6,415,000). The profit after tax for 2005 benefited from an exceptional profit on disposal of fixed assets of £9,022,000.

The directors do not propose a dividend for the year (year ended 31 December 2005 - £Nil).

FUTURE DEVELOPMENTS

The directors plan to continue with the Company's core business for the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 2006 and since the year end were as follows

D J House	A J Sykes
A S McEwan	R Wheeler (appointed 27 March 2006)
C Springett	R T Winter
N P Stocks	

At 31 December 2006 none of the directors had beneficial interests in the shares of any InterContinental Hotels Group company, other than InterContinental Hotels Group PLC ("IHG PLC").

InterContinental Hotels Group (Management Services) Limited

DIRECTORS' REPORT

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 periodic company newsletters.

CREDITOR PAYMENT POLICY

It is the Company's policy to adhere to the payment terms agreed with the supplier. Payments are contingent on the supplier 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 16 (year ended 31 December 2005 -29) at the year end.

THIRD-PARTY INDEMNITIES

A qualifying third party indemnity provision granted in favour of existing and former directors of the Company by InterContinental Hotels Limited, in accordance with Sections 309A-B of the Companies Act 1985, is in force as at the date of this report and a copy of this indemnity provision is available for inspection by the members of the Company at the Company's registered office at 67 Alma Road, Windsor, Berkshire SL4 3HD.

ELECTIVE RESOLUTIONS

The Company has passed Elective Resolutions to dispense with the laying of the Accounts before the Company in General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to sections 252, 386 and 366A of the Companies Act.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all steps that he or she is obliged to take as a director in order to make him or herself aware of any relevant information and to establish that the auditor is aware of that information.

AUDITORS

Ernst & Young LLP will continue as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

By order of the Board


Secretary

Date 26/07/07

InterContinental Hotels Group (Management Services) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 (MANAGEMENT SERVICES) LIMITED

We have audited the Company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERCONTINENTAL
HOTELS GROUP (MANAGEMENT SERVICES) LIMITED (CONTINUED)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

Date **27 July 2007**

InterContinental Hotels Group (Management Services) Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

	Notes	2006 £000	2005 £000
TURNOVER			
Continuing operations	2	28,118	17,681
Discontinued operations	2	-	7,935
		<u>28,118</u>	<u>25,616</u>
OTHER OPERATING CHARGES			
Continuing operations	3	(28,046)	(19,299)
Discontinued operations	3	-	(6,541)
		<u>(28,046)</u>	<u>(25,840)</u>
Discontinued operations			
Impairment of tangible fixed assets	6	-	(524)
		<u>72</u>	<u>(1,618)</u>
OPERATING PROFIT / (LOSS)			
Continuing operations		72	(1,618)
Discontinued operations		-	870
		<u>72</u>	<u>(748)</u>
Continuing operations			
Provision against fixed asset investments	6	(147)	-
Discontinued operations			
Profit on disposal of fixed assets	6	-	9,022
		<u>(75)</u>	<u>8,274</u>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION			
Interest receivable and similar income	7	1,455	418
Interest payable and similar charges	8	(506)	(1,518)
		<u>874</u>	<u>7,174</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	9	47	(759)
		<u>921</u>	<u>6,415</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	20		

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2006

There are no recognised gains and losses other than the profit attributable to the shareholders of the Company of £921,000 for the year ended 31 December 2006 (year ended 31 December 2005 – profit £6,415,000)

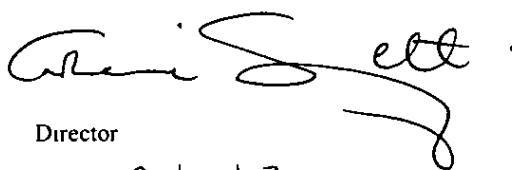
InterContinental Hotels Group (Management Services) Limited

BALANCE SHEET

As at 31 December 2006

	Notes	2006 £000	2005 £000
FIXED ASSETS			
Intangible fixed assets	10	3,280	3,670
Tangible fixed assets	11	23	159
Investments	12	6,757	6,904
		<u>10,060</u>	<u>10,733</u>
CURRENT ASSETS			
Stocks	13	7	6
Debtors amounts falling due within one year	14	19,535	22,222
Debtors amounts falling due after one year	15	14,369	15,173
Cash at bank and in hand		2,415	520
		<u>36,326</u>	<u>37,921</u>
CREDITORS amounts falling due within one year	17	(20,959)	(26,362)
NET CURRENT ASSETS		<u>15,367</u>	<u>11,559</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,427</u>	<u>22,292</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	16	-	(235)
Provisions for liabilities and charges	18	(4,334)	(1,885)
NET ASSETS		<u>21,093</u>	<u>20,172</u>
CAPITAL AND RESERVES			
Called up share capital	19	13,000	13,000
Profit and loss account	20	8,093	7,172
EQUITY SHAREHOLDERS' FUNDS	20	<u>21,093</u>	<u>20,172</u>

Approved by the board on
and signed on its behalf by



Director

Date 26/07/07

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared under the historical cost convention. They have been drawn up to comply with applicable accounting standards.

In accordance with section 228 of the Companies Act 1985 the Company has not prepared consolidated financial statements as the Company is a subsidiary of a larger group preparing consolidated financial statements in the EU. These financial statements therefore present information about the Company and not the Group.

Tangible Fixed Assets

All fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is provided on all tangible fixed assets other than land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	- over 50 years
Furniture and equipment	- between 3 and 10 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible Fixed Assets

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.

Investments

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

Stocks

Stocks are stated at the lower of cost and net realisable value.

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.

Revenue recognition

Revenue represents sales (excluding VAT and similar taxes) of goods and services, net of discounts, provided in the normal course of business, and is recognised when services have been rendered.

The revenue is primarily derived from management and incentive fees, and hotel health club operations. Management fees include a base fee, which is generally a percentage of hotel revenue, and an incentive fee, which is generally based on the hotels' profitability or cash flows. Revenue is recognised when earned and realised or realisable under the terms of the contract. Hotel health club revenue is recognised over the period of the membership.

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

1 ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of each transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

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 at a rate of 30% of the losses surrendered

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

Pension Costs

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

Further information is given in note 21

Operating Leases

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

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

1 ACCOUNTING POLICIES (CONTINUED)

Statement of cash flows

Under the provisions of Financial Reporting Standard 1 (Revised), 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 comprises the value of services provided to fellow subsidiary undertakings, income from management contracts (excluding VAT and similar taxes, trade discounts and intra-group transactions), income from hotel health club operations, and the recharge of goods and services in the normal course of business

Turnover and profit before taxation is attributable to the principal activity of the Company and all arose from the United Kingdom

3. OTHER OPERATING CHARGES

	2006	2005
	£000	£000
Raw materials and consumables	52	735
Staff costs (see note 5)	380	2,955
Depreciation on tangible fixed assets	5	733
Amortisation of intangible fixed assets	269	226
Disposal of tangible fixed assets	(5)	-
Disposal of intangible fixed assets	121	-
Property rentals	302	424
Hire of plant and machinery	-	38
Other external charges	26,922	20,729
	<u>28,046</u>	<u>25,840</u>

Auditors' remuneration has been borne by a fellow group undertaking in the current and preceding year

4. DIRECTORS' REMUNERATION

The directors are directors of other undertakings within the InterContinental Hotels Group. The directors' remuneration for the year, including share-based payment charges, was paid by other undertakings. The directors do not believe that it is practical to apportion this amount between their services as directors of the Company and their services as directors of the fellow subsidiary undertakings.

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

5. STAFF COSTS

	2006	2005
	£000	£000
Wages and salaries	357	2,723
Social security costs	14	192
Other pension costs	9	40
	<u>380</u>	<u>2,955</u>

The average number of full time equivalent staff employed by the Company during the year was 16 (2005 – 243). The employees are all engaged in the hotel operations of the Company.

6. EXCEPTIONAL ITEMS

	2006	2005
	£000	£000
<i>Operating</i>		
Impairment of tangible fixed assets	-	(524)
<i>Non operating</i>		
Provision against fixed asset investments	(147)	-
Profit on disposal of fixed assets	-	9,022
	<u>-</u>	<u>8,498</u>

The tax effect in the profit and loss account relating to the exceptional items is

	2006	2005
	£000	£000
<i>Non operating</i>		
Charge on profit on disposal of fixed assets	-	503
	<u>-</u>	<u>503</u>

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £000	2005 £00
Interest receivable from fellow subsidiary undertakings	1,455	407
Sundry interest receivable	-	11
	<u>1,455</u>	<u>418</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Interest payable to fellow subsidiary undertakings	(505)	(1,518)
Sundry interest payable	(1)	-
	<u>(506)</u>	<u>(1,518)</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
<i>(a) Analysis of tax charge for the year</i>		
UK corporation tax at 30 % (31 December 2005 – 30%)		
Current year	448	455
Tax (over) / under provided in previous years	(209)	69
Total current tax	<u>239</u>	<u>524</u>
Deferred taxation		
Origination and reversal of timing differences	(72)	235
Tax over provided in previous years	(214)	-
Total deferred tax	<u>(286)</u>	<u>235</u>
Tax on profit on ordinary activities	<u>(47)</u>	<u>759</u>

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(b) Factors affecting current tax charge for the year

	2006 £000	2005 £000
Profit on ordinary activities before tax	874	7,174
	<u> </u>	<u> </u>
UK corporation tax standard rate	% 30.0	% 30.0
Expenses not deductible for tax purposes	0.3	2.2
Capital allowances in excess of depreciation	(0.1)	10.9
Movement in other timing differences	2.9	-
Prior year adjustments	(23.9)	1.0
Amortisation of management contracts	13.5	-
Provision against fixed asset impairment	4.9	-
Other	(0.1)	0.9
Profit on disposal of assets	(0.2)	(37.7)
	<u> </u>	<u> </u>
Effective current tax rate on ordinary activities	27.3	7.3
	<u> </u>	<u> </u>
Effective current tax rate before non operating exceptional items	22.4	(28.4)
	<u> </u>	<u> </u>

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

10. INTANGIBLE FIXED ASSETS

	<i>Management Contracts £000</i>
Cost	
At 31 December 2005	3,896
Disposals	(185)
At 31 December 2006	<u>3,711</u>
Amortisation	
At 31 December 2005	(226)
Charge for the year	(269)
Disposals	64
At 31 December 2006	<u>(431)</u>
Net Book Value	
At 31 December 2006	<u>3,280</u>
At 31 December 2005	<u>3,670</u>

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

11. TANGIBLE FIXED ASSETS

	<i>Land and Buildings Freehold £000</i>	<i>Furniture and equipment £000</i>	<i>Total £000</i>
Cost			
At 31 December 2005	160	-	160
Additions	-	27	27
Disposals	(160)	-	(160)
At 31 December 2006	-	27	27
Depreciation			
At 31 December 2005	1	-	1
Charge for the year	1	4	5
Disposals	(2)	-	(2)
At 31 December 2006	-	4	4
Net Book Value			
At 31 December 2006	-	23	23
At 31 December 2005	159	-	159

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

12 FIXED ASSET INVESTMENTS

	<i>Shares in Group undertakings £000</i>
Cost	
At 31 December 2005 and 31 December 2006	6,904
Provisions	
At 31 December 2005	-
Provisions made in the year	(147)
At 31 December 2006	(147)
Net book value	
At 31 December 2006	6,757
At 31 December 2005	6,904

Principal company investments

The Company has investments in the following subsidiary undertakings

	<i>Principal activity</i>	<i>Proportion of ordinary shares held</i>
Holiday Inn (Birmingham Airport) Ltd	Non trading company	100%

The above company is registered in England and Wales and is a direct subsidiary

In the opinion of the directors, the value of the investments in subsidiary undertakings is not less than stated in the financial statements

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

13. STOCK

	2006 £000	2005 £000
Consumable stores	7	6

The difference between the purchase price of stock and their replacement costs is not material

14. DEBTORS: Amounts falling due within one year

	2006 £000	2005 £000
Trade debtors	7,747	7,215
Other debtors	2,410	5,444
Prepayments and accrued income	1,482	785
Amount owed by other group undertakings	7,896	8,778
	<u>19,535</u>	<u>22,222</u>

15 DEBTORS: Amounts falling due after one year

	2006 £000	2005 £000
Amount owed by other group undertakings	14,318	15,173
Deferred tax (see note 16)	51	-
	<u>14,369</u>	<u>15,173</u>

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

16. DEFERRED TAXATION

	2006 £000	
At 31 December 2005 – Deferred Tax Liability	(235)	
Profit and loss account	286	
At 31 December 2006 – Deferred Tax Asset	51	
	<u>2006</u> <u>£000</u>	<u>2005</u> <u>£000</u>
Analysed as tax on timing differences related to		
Fixed assets	5	(235)
Other timing differences	46	-
	<u>51</u>	<u>(235)</u>

The deferred tax asset relates to timing differences on fixed assets and other provisions 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

On 21 March 2007 it was announced that the corporation tax rate will reduce from 30% to 28% with effect from 1 April 2008. Legislation to enact this change was not in place at the balance sheet date and so this change is not recognised for deferred tax purposes. The impact of this change to the calculation of the deferred tax asset is not considered material.

17. CREDITORS: Amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	22	473
Corporation tax	448	455
Amounts owed to other group undertakings	17,526	21,403
Other taxation and social security	1,494	1,493
Other creditors	21	95
Accruals and deferred income	1,448	2,443
	<u>20,959</u>	<u>26,362</u>

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

18. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Total £000</i>
At 31 December 2005	1,885
Profit and loss account	237
Expenditure	(237)
Transfer from other group undertaking	2,449
At 31 December 2006	<u>4,334</u>

The provisions relate to guarantee commitments and property exit costs. The opening balance has been transferred from creditors due within one year.

19. SHARE CAPITAL

	<i>2006 £000</i>	<i>2005 £000</i>
Authorised 20,000,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid 13,000,002 ordinary shares of £1 each	<u>13,000</u>	<u>13,000</u>

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

20 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders' funds £000</i>
At 31 December 2004	13,000	757	13,757
Profit for the year	-	6,415	6,415
At 31 December 2005	13,000	7,172	20,172
Profit for the year	-	921	921
At 31 December 2006	13,000	8,093	21,093

21. PENSION COMMITMENTS

Pension benefits are provided by a Group defined benefit pension scheme, the InterContinental Hotels UK Pension Plan

Contributions to this scheme are charged to the profit and loss account as they are incurred, based upon pension costs across the Group as a whole. Total annual contributions to the scheme are based on independent actuarial advice, and are gauged to the future pension liabilities (including projected increases in earnings and pensions) in respect of the service up to the balance sheet date.

All actuarial variance and differences in amounts funded are accounted for in the accounts of a parent undertaking, Six Continents Limited. It is not possible to identify the Company's share of the underlying assets and liabilities of the pension scheme. The deficit in the group scheme as at 31 December 2006, calculated in accordance with the requirements of FRS 17, is £29,300,000 (period to 31 December 2005 £23,700,000).

Detailed disclosures relating to the Group's pension scheme are included in the accounts of InterContinental Hotels Group PLC.

22. RELATED PARTY TRANSACTIONS

As the Company was a wholly owned subsidiary of InterContinental Hotels Group PLC at 31 December 2006, the Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the Group, headed by InterContinental Hotels Group PLC.

InterContinental Hotels Group (Management Services) Limited

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2006

23. PARENT UNDERTAKING AND CONTROLLING PARTY

As at 31 December 2006, 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 Limited, a company registered in England and Wales