

INTERCONTINENTAL HOTELS GROUP PLC /NEW/  
Form 6-K  
May 07, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington DC 20549

**FORM 6-K**

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 AND 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For 07 May 2008

**InterContinental Hotels Group PLC**  
(Registrant's name)

67 Alma Road, Windsor, Berkshire, SL4 3HD, England  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F      Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes      No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable

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EXHIBIT INDEX

| Exhibit Number | Exhibit Description                     |
|----------------|---|
| 99.1           | Headline dated 1st Quarter Results 2008 |

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99.1

**7 May 2008**

**InterContinental Hotels Group PLC**  
**First Quarter Results to 31 March 2008**

## Headlines

- o 5,267 net rooms added in the quarter. System size up 6% year on year, taking the total to 590,361 rooms (3,983 hotels).
- o Global constant currency RevPAR growth of 3.5%; impacted by Easter timing.
- o Total gross revenue\* from all hotels in IHG's system of £2.2bn, up 10% at constant currency.
- o Continuing revenue up 15% from £196m to £226m, up 14% at constant currency. Excluding £7m liquidated damages relating to one Americas development project leaving the pipeline, continuing revenues up 10% at constant currency.
- o Continuing operating profit up 38% from £45m to £62m, up 40% at constant currency. Excluding £7m liquidated damages, continuing operating profit up 24% at constant currency.
- o Adjusted continuing earnings per share ("EPS") up 47% to 11.6p. Adjusted total EPS of 12.0p. Basic total EPS of 10.6p.
- o 19,678 rooms signed, taking the pipeline to 231,553 rooms (1,720 hotels), equal to 39% of IHG's existing system size.

\*See appendix 5 for definition. All figures and movements unless otherwise noted are at actual exchange rates and before exceptional items. See appendix 3 for analysis of financial headlines. Constant exchange rate comparatives shown in appendix 4.

## Commenting on the results and trading, Andrew Cosslett, Chief Executive of InterContinental Hotels Group PLC said:

"IHG delivered a good performance in the first quarter of 2008. Growth in revenue per available room (RevPAR) of 3.5% was solid given the adverse impact of the timing of Easter. We increased the number of rooms in our system by over 5,200, more than twice the increase in the first quarter of 2007. We signed over 150 hotels into our development pipeline which now stands at over 1,700 hotels, giving good visibility on future openings.

"We continue to focus on strengthening our brands. The response from our owner community to the Holiday Inn relaunch has been very encouraging and we now have 21 hotels operating with some or all of the elements of the new brand standards and identity ahead of our full roll out which begins in the summer.

"Even in a less certain economic environment our broad market coverage, record pipeline, strong brands and resilient fee based business model position us well for continued growth."

## Rooms – strong signings and openings

- o In the quarter 19,678 rooms were signed. The growth of the InterContinental brand continued with five hotels signed, including three in the Americas, taking the total pipeline of hotels to 62. IHG signed its first Hotel Indigo outside the US in London which is due to open in Paddington in the third quarter, and its second Staybridge Suites hotel in the Middle East. This takes the pipeline of Staybridge Suites hotels outside the Americas region to 10. The first Staybridge Suites hotel in the UK will open in June in Liverpool.

- o 11,113 rooms were added to the system and 5,846 rooms were removed, in line with our strategy of driving quality growth, giving net room additions of 5,267.
- o The pipeline now stands at 1,720 hotels (231,553 rooms). The pipeline of Holiday Inn brand family hotels increased by 23 and now stands at 1,100 hotels (129,232 rooms).

## **Americas: solid performance**

### **Revenue performance**

RevPAR increased 2.3%, driven by rate, with RevPAR growth of 4.6% in the first two months of the year and a 1.2% decline in March due to the timing of Easter. Continuing revenue grew 14% from \$201m to \$230m, driven by 11% growth in revenues from owned and leased hotels and 16% growth in managed and franchised revenues. Excluding the impact of \$13m liquidated damages, continuing revenues grew 8%.

### **Operating profit performance**

Operating profit from continuing operations increased 20% to \$112m. Excluding the impact of \$13m liquidated damages, continuing operating profit grew 6%. Continuing owned and leased hotel profit increased by \$3m to \$7m driven by ongoing improvement in trading at the InterContinental Boston, which opened in November 2006 and 10% RevPAR growth at the InterContinental New York. Managed hotel profit increased \$12m to \$23m including the liquidated damages, and franchised hotel profit increased \$4m to \$97m.

## **EMEA: strong performance in the Middle East**

### **Revenue performance**

RevPAR increased 5.9%, driven by rate, with RevPAR growth of 9.1% in the first two months and 0.8% in March. The Middle East continued to perform strongly, growing RevPAR by 20.2%. Continental Europe grew RevPAR by 5.7%, including a 12.3% increase in France. In the UK, Holiday Inn and Holiday Inn Express outperformed their market segment recording RevPAR growth of 1.5%. Continuing revenues increased 18% driven by 29% growth in managed and franchised revenues.

### **Operating profit performance**

Operating profit from continuing operations increased £8m to £15m. The contribution from continuing owned and leased hotels increased by £4m to £2m, driven by RevPAR growth of 11.9% at the InterContinental Paris Le Grand and continued improvement in trading at the InterContinental London Park Lane following the completion of its refurbishment in June 2007. Managed hotel profit increased by 38% from £8m to £11m reflecting the increase in number of hotels under management and strong growth in the Middle East. Franchised hotel profit increased from £6m to £7m reflecting 3.8% RevPAR growth and 9.1% net rooms growth.

**Asia Pacific: further growth across all brands**

**Revenue performance**

RevPAR increased 5.1%, driven by rate, with RevPAR growth of 6.1% in the first two months and 3.4% in March. InterContinental and Holiday Inn brand performance were strongest with 7.3% and 9.4% RevPAR growth respectively. Greater China RevPAR increased 3.2%, driven by both occupancy and rate growth. Continuing revenues increased 16% to \$72m.

**Operating profit performance**

Operating profit from continuing operations increased 31% to \$17m. Owned and leased hotel operating profit increased \$2m to \$10m driven by RevPAR growth of 9.2% at the InterContinental Hong Kong after completion of its rolling refurbishment at the end of 2007. Managed hotel profit increased \$5m to \$14m driven by the contribution from the increasing number of hotels under IHG management in the region.

**Overheads, Tax and Exceptional items**

In the first quarter aggregated regional overheads increased £1m to £17m and central costs increased £1m to £18m.

Based on the position at the end of the quarter the tax charge on profit from continuing and discontinued operations, excluding the impact of exceptional items, has been calculated using an estimated effective annual tax rate of 29% (Q1 2007: 28%). As previously disclosed, the effective tax rate in 2008 is expected to be in the mid to high 20s and then will trend upwards over time.

As previously announced IHG will make a non-recurring revenue investment of £30m to accelerate implementation of the global relaunch of the Holiday Inn brands, which will be treated as an exceptional item. £3m has been charged in the period.

**Disposals and returns of funds**

IHG's net debt at the period end was £845m, including the \$200m (£101m) finance lease on the InterContinental Boston.

1.6m shares were repurchased under IHG's buyback programme during the first quarter, at a cost of £13m, leaving £87m of the current buyback programme to be completed.

After the period end, IHG sold its 17% interest in the Crowne Plaza Amsterdam City Centre for €18m (£14m) including a €6m (£5m) agreed settlement for the previous management contract and €2m (£1m) repayment of existing loans. IHG will continue to manage the hotel under a new 40 year management contract including renewals.

**Appendix 1: Asset disposal programme**

|                           | <b>Number of<br/>hotels</b> | <b>Proceeds</b> | <b>Net book value</b> |
|---------------------------|-----------------------------|-----------------|-----------------------|
| Disposed since April 2003 | 181                         | £3.0bn          | £2.9bn                |
| Remaining hotels          | 18                          |                 | £0.9bn                |

For a full list please visit [www.ihg.com/Investors](http://www.ihg.com/Investors)

**Appendix 2: Rooms**

|                    | <b>Americas</b> | <b>EMEA</b>  | <b>Asia Pacific</b> | <b>Total</b>  |
|--------------------|-----------------|--------------|---------------------|---------------|
| Openings           | 7,456           | 2,434        | 1,223               | 11,113        |
| Removals           | (4,536)         | (636)        | (674)               | (5,846)       |
| Net room additions | 2,920           | 1,798        | 549                 | 5,267         |
| <i>Signings</i>    | <i>15,060</i>   | <i>1,659</i> | <i>2,959</i>        | <i>19,678</i> |

**Appendix 3: Financial headlines**

| <b>Three months to 31 Mar £m</b>                  | <b>Total</b> |             | <b>Americas</b> |             | <b>EMEA</b> |             | <b>Asia Pacific</b> |             | <b>Central</b> |             |
|---|--------------|-------------|-----------------|-------------|-------------|-------------|---------------------|-------------|----------------|-------------|
|   | <b>2008</b>  | <b>2007</b> | <b>2008</b>     | <b>2007</b> | <b>2008</b> | <b>2007</b> | <b>2008</b>         | <b>2007</b> | <b>2008</b>    | <b>2007</b> |
| Franchised operating profit                       | 57           | 55          | 49              | 48          | 7           | 6           | 1                   | 1           |                |             |
| Managed operating profit                          | 29           | 19          | 11              | 6           | 11          | 8           | 7                   | 5           |                |             |
| Continuing owned and leased operating profit      | 11           | 4           | 4               | 2           | 2           | (2)         | 5                   | 4           |                |             |
| Regional overheads                                | (17)         | (16)        | (8)             | (8)         | (5)         | (5)         | (4)                 | (3)         |                |             |
| Continuing operating profit pre central overheads | 80           | 62          | 56              | 48          | 15          | 7           | 9                   | 7           |                |             |
| Central overheads                                 | (18)         | (17)        | -               | -           | -           | -           | -                   | -           | (18)           | (17)        |
| Continuing operating profit                       | 62           | 45          | 56              | 48          | 15          | 7           | 9                   | 7           | (18)           | (17)        |
| Discontinued owned and leased operating profit    | 2            | 1           | 2               | 1           | -           | -           | -                   | -           |                |             |
| Total operating profit                            | 64           | 46          | 58              | 49          | 15          | 7           | 9                   | 7           | (18)           | (17)        |

**Appendix 4: Constant currency continuing operating profits before exceptional items**

|        | <b>Americas</b>     |                        | <b>EMEA</b>         |                        | <b>Asia Pacific</b> |                        | <b>Total***</b>     |                        |
|--------|---------------------|------------------------|---------------------|------------------------|---------------------|------------------------|---------------------|------------------------|
|        | Actual<br>currency* | Constant<br>currency** | Actual<br>currency* | Constant<br>currency** | Actual<br>currency* | Constant<br>currency** | Actual<br>currency* | Constant<br>currency** |
| Growth | 17%                 | 19%                    | 114%                | 114%                   | 29%                 | 29%                    | 38%                 | 40%                    |

| <b>Exchange rates</b> | <b>USD:GBP</b> | <b>EUR:GBP</b> |
|-----------------------|----------------|----------------|
| Q1 2008               | 1.98           | 1.32           |
| Q1 2007               | 1.95           | 1.49           |

\* Sterling actual currency.

\*\* Translated at constant 2007 exchange rates.

\*\*\* After Central Overheads.

#### **Appendix 5: Definition of total gross revenue**

Total gross revenue is defined as total room revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels. It is not revenue attributable to IHG, as it is derived mainly from hotels owned by third parties. The metric is highlighted as an indicator of the scale and reach of IHG's brands.

#### **For further information, please contact:**

|  |                      |
|--|----------------------|
| Investor Relations (Heather Wood; Catherine Dolton): | +44 (0) 1753 410 176 |
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|  | +44 (0) 7808 094 471 |



**High resolution images to accompany this announcement are available for the media to download free of charge from [www.vismedia.co.uk](http://www.vismedia.co.uk) . This includes profile shots of the key executives.**

**UK Q&A Conference Call:**

A conference call with Andrew Cosslett (Chief Executive) and Richard Solomons (Finance Director) will commence at 9.30 am (London time) on 7 May. There will be an opportunity to ask questions.

International dial-in: +44 (0)1452 556 518  
UK Free Call: 0800 694 8084  
Conference ID: 43988921

A recording of the conference call will also be available for 7 days. To access this please dial the relevant number below and use the access number 43988921#

International dial-in:  
  
+44 (0)1452 55 00 00  
UK Free Call: 0845 245 5205

**US Q&A conference call:**

There will also be a conference call, primarily for US investors and analysts, at 10.00am (Eastern Standard Time) on 7 May with Andrew Cosslett (Chief Executive) and Richard Solomons (Finance Director). There will be an opportunity to ask questions.

International dial-in:  
  
+44 (0)1452 556 518  
US Toll Free: 1866 966 4782  
Conference ID: 43989314



A recording of the conference call will also be available for 7 days. To access this please dial the relevant number below and use the access number 43989314#

International dial-in:

+44 (0)1452 55 00 00

US Toll Free:

1866 247 4222

**Website:**

The full release and supplementary data will be available on our website from 7.00 am (London time) on Wednesday 7 May The web address is [www.ihg.com/Q1](http://www.ihg.com/Q1)

**Notes to Editors:**

InterContinental Hotels Group PLC (IHG) of the United Kingdom [LON:IHG, NYSE:IHG (ADRs)] is one of the world's largest hotel groups by number of rooms. IHG owns, manages, leases or franchises, through various subsidiaries, over 3,980 hotels and more than 590,000 guest rooms in nearly 100 countries and territories around the world. IHG owns a portfolio of well recognised and respected hotel brands including InterContinental® Hotels & Resorts, Crowne Plaza® Hotels & Resorts, Holiday Inn® Hotels and Resorts, Holiday Inn Express®, Staybridge Suites®, Candlewood Suites® and Hotel Indigo®, and also manages the world's largest hotel loyalty programme, Priority Club® Rewards with over 37 million members worldwide.

The company pioneered the travel industry's first collaborative response to environmental issues as founder of the International Hotels and Environment Initiative (IHEI). The IHEI formed the foundations of the Tourism Partnership launched by the International Business Leaders Forum in 2004, of which IHG is still a member today. The environment and local communities remain at the heart of IHG's global corporate responsibility focus.

IHG offers information and online reservations for all its hotel brands at [www.ihg.com](http://www.ihg.com) and information for the Priority Club Rewards programme at [www.priorityclub.com](http://www.priorityclub.com). For the latest news from IHG, visit our online Press Office at [www.ihg.com/media](http://www.ihg.com/media)

Cautionary note regarding forward-looking statements

This announcement contains certain forward-looking statements as defined under US law (Section 21E of the Securities Exchange Act of 1934). These forward-looking statements can be identified by the fact that they do not relate to historical or current facts. Forward-looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe' or other words of similar meaning. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. There are a number of factors that could cause actual results and developments to differ materially from those expressed in or implied by, such forward-looking statements. Factors that could affect the business and the financial results are described in 'Risk Factors' in the

InterContinental Hotels Group PLC Annual report on Form 20-F filed with the United States Securities and Exchange Commission.

## InterContinental Hotels Group PLC

### GROUP INCOME STATEMENT

For the three months ended 31 March 2008

|   | 3 months ended 31 March 2008 |                   |                  | 3 months ended 31 March 2007 |                  |                  |
|---|------------------------------|-------------------|------------------|------------------------------|------------------|------------------|
|   | Before Exceptional           |                   | Total            | Before Exceptional           |                  | Total            |
|   | exceptional                  | items             |                  | exceptional                  | items            |                  |
|   | items                        | (note 8)          | £m               | items                        | (note 8)         | £m               |
|   | £m                           | £m                | £m               | £m                           | £m               | £m               |
| <b>Continuing operations</b>  |                              |                   |                  |                              |                  |                  |
| <b>Revenue (note 3)</b>   | <b>226</b>                   | -                 | <b>226</b>       | <b>196</b>                   | -                | <b>196</b>       |
| Cost of sales   | (104)                        | -                 | (104)            | (98)                         | -                | (98)             |
| Administrative expenses   | (47)                         | (4)               | (51)             | (40)                         | -                | (40)             |
| Other operating income and expenses   | 1                            | -                 | 1                | 1                            | 16               | 17               |
|   | <u>76</u>                    | <u>(4)</u>        | <u>72</u>        | <u>59</u>                    | <u>16</u>        | <u>75</u>        |
| Depreciation and amortisation   | (14)                         | (1)               | (15)             | (14)                         | -                | (14)             |
|   | <u>62</u>                    | <u>(5)</u>        | <u>57</u>        | <u>45</u>                    | <u>16</u>        | <u>61</u>        |
| <b>Operating profit (note 4)</b>  | <b>62</b>                    | <b>(5)</b>        | <b>57</b>        | <b>45</b>                    | <b>16</b>        | <b>61</b>        |
| Financial income  | 2                            | -                 | 2                | 3                            | -                | 3                |
| Financial expenses  | (17)                         | -                 | (17)             | (8)                          | -                | (8)              |
|   | <u>47</u>                    | <u>(5)</u>        | <u>42</u>        | <u>40</u>                    | <u>16</u>        | <u>56</u>        |
| <b>Profit before tax</b>  | <b>47</b>                    | <b>(5)</b>        | <b>42</b>        | <b>40</b>                    | <b>16</b>        | <b>56</b>        |
| Tax (note 9)  | (13)                         | 1                 | (12)             | (12)                         | 2                | (10)             |
|   | <u>34</u>                    | <u>(4)</u>        | <u>30</u>        | <u>28</u>                    | <u>18</u>        | <u>46</u>        |
| <b>Profit for the period from continuing operations</b>                       | <b>34</b>                    | <b>(4)</b>        | <b>30</b>        | <b>28</b>                    | <b>18</b>        | <b>46</b>        |
| Profit for the period from discontinued operations (note 10)                  | 1                            | -                 | 1                | 1                            | -                | 1                |
|   | <u>35</u>                    | <u>(4)</u>        | <u>31</u>        | <u>29</u>                    | <u>18</u>        | <u>47</u>        |
| <b>Profit for the period attributable to the equity holders of the parent</b> | <b>35</b>                    | <b>(4)</b>        | <b>31</b>        | <b>29</b>                    | <b>18</b>        | <b>47</b>        |
|   | <u><u>35</u></u>             | <u><u>(4)</u></u> | <u><u>31</u></u> | <u><u>29</u></u>             | <u><u>18</u></u> | <u><u>47</u></u> |

**Earnings per ordinary share**

**(note 11):**

Continuing operations:

|                  |       |       |      |       |
|------------------|-------|-------|------|-------|
| Basic            |       | 10.3p |      | 13.0p |
| Diluted          |       | 10.2p |      | 12.6p |
| Adjusted         | 11.6p |       | 7.9p |       |
| Adjusted diluted | 11.5p |       | 7.7p |       |

Total operations:

|                  |       |       |       |       |
|------------------|-------|-------|-------|-------|
| Basic            |       | 10.6p |       | 13.3p |
| Diluted          |       | 10.5p |       | 12.9p |
| Adjusted         | 12.0p |       | 8.2p  |       |
| Adjusted diluted | 11.9p |       | 7.9p  |       |
|                  | ===== | ===== | ===== | ===== |



**InterContinental Hotels Group PLC****GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE****For the three months ended 31 March 2008**

|  | <b>2008</b>           | <b>2007</b>           |
|--|-----------------------|-----------------------|
|  | <b>3 months</b>       | <b>3 months</b>       |
|  | <b>ended 31 March</b> | <b>ended 31 March</b> |
|  | <b>£m</b>             | <b>£m</b>             |
| <b>Income and expense recognised directly in equity</b>  |                       |                       |
| Gains/(losses) on valuation of available-for-sale assets   | 3                     | (4)                   |
| Actuarial (losses)/gains on defined benefit pension plans  | (4)                   | 11                    |
| Exchange differences on retranslation of foreign operations  | 10                    | 1                     |
|  | <u>9</u>              | <u>8</u>              |
| <b>Transfers to the income statement</b>   |                       |                       |
| On disposal of available-for-sale assets   | -                     | (4)                   |
|  | <u>-</u>              | <u>(4)</u>            |
| <b>Tax</b>   |                       |                       |
| Tax on items above taken directly to or transferred from equity  | 2                     | -                     |
| Tax related to share schemes recognised directly in equity   | (2)                   | 3                     |
|  | <u>-</u>              | <u>3</u>              |
| <b>Net income recognised directly in equity</b>  | <b>9</b>              | <b>7</b>              |
| <b>Profit for the period</b>   | <b>31</b>             | <b>47</b>             |
| <b>Total recognised income and expense for the period attributable to the equity holders of the parent</b> | <u><b>40</b></u>      | <u><b>54</b></u>      |
|  | =====                 | =====                 |



**InterContinental Hotels Group PLC****GROUP CASH FLOW STATEMENT**

For the three months ended 31 March 2008

|  | <b>2008</b>           | <b>2007</b>           |
|--|-----------------------|-----------------------|
|  | <b>3 months</b>       | <b>3 months</b>       |
|  | <b>ended 31 March</b> | <b>ended 31 March</b> |
|  | <b>£m</b>             | <b>£m</b>             |
| <b>Profit for the period</b>                               | <b>31</b>             | <b>47</b>             |
| Adjustments for:   |                       |                       |
| Net financial expenses                                     | 15                    | 5                     |
| Income tax charge  | 13                    | 10                    |
| Exceptional operating items before depreciation            | 4                     | (16)                  |
| Depreciation and amortisation                              | 15                    | 15                    |
| Equity settled share-based cost, net of payments           | 1                     | (1)                   |
|  | <hr/>                 | <hr/>                 |
| Operating cash flow before movements in working capital    | 79                    | 60                    |
| Increase in net working capital                            | (27)                  | (25)                  |
| Retirement benefit contributions, net of cost              | (11)                  | (10)                  |
| Cash flows relating to exceptional operating items         | (3)                   | -                     |
|  | <hr/>                 | <hr/>                 |
| <b>Cash flow from operations</b>                           | <b>38</b>             | <b>25</b>             |
| Interest paid  | (16)                  | (6)                   |
| Interest received  | 2                     | 4                     |
| Tax paid   | (3)                   | (2)                   |
|  | <hr/>                 | <hr/>                 |
| <b>Net cash from operating activities</b>                  | <b>21</b>             | <b>21</b>             |
|  | <hr/>                 | <hr/>                 |
| <b>Cash flow from investing activities</b>                 |                       |                       |
| Purchases of property, plant and equipment                 | (9)                   | (18)                  |
| Purchase of intangible assets                              | (5)                   | (3)                   |
| Purchases of associates and other financial assets         | -                     | (9)                   |
| Disposal of assets, net of costs                           | -                     | (5)                   |
| Proceeds from associates and other financial assets        | 4                     | 22                    |
|  | <hr/>                 | <hr/>                 |
| <b>Net cash from investing activities</b>                  | <b>(10)</b>           | <b>(13)</b>           |
|  | <hr/>                 | <hr/>                 |
| <b>Cash flow from financing activities</b>                 |                       |                       |
| Proceeds from the issue of share capital                   | 1                     | 3                     |
| Purchase of own shares                                     | (13)                  | (25)                  |
| Purchase of own shares by employee share trusts            | -                     | (43)                  |
| Proceeds on release of own shares by employee share trusts | -                     | 1                     |
| Increase in borrowings                                     | 38                    | 55                    |
|  | <hr/>                 | <hr/>                 |

|  |           |            |
|--|-----------|------------|
| <b>Net cash from financing activities</b>                      | <b>26</b> | <b>(9)</b> |
|  | _____     | _____      |
| <b>Net movement in cash and cash equivalents in the period</b> | <b>37</b> | <b>(1)</b> |
| Cash and cash equivalents at beginning of the period           | 52        | 179        |
| Exchange rate effects  | -         | -          |
|  | _____     | _____      |
| <b>Cash and cash equivalents at end of the period</b>          | <b>89</b> | <b>178</b> |
|  | =====     | =====      |





## InterContinental Hotels Group PLC

## GROUP BALANCE SHEET

31 March 2008

|  | 2008           | 2007           | 2007           |
|--|----------------|----------------|----------------|
|  | 31 March       | 31 March       | 31 December    |
|  | £m             | £m             | £m             |
| <b>ASSETS</b>                                  |                |                |                |
| Property, plant and equipment                  | 983            | 950            | 962            |
| Goodwill                                       | 113            | 110            | 110            |
| Intangible assets                              | 173            | 161            | 167            |
| Investment in associates                       | 34             | 32             | 33             |
| Retirement benefit assets                      | 43             | -              | 32             |
| Other financial assets                         | 86             | 100            | 93             |
| <b>Total non-current assets</b>                | <b>1,432</b>   | <b>1,353</b>   | <b>1,397</b>   |
| Inventories                                    | 3              | 3              | 3              |
| Trade and other receivables                    | 253            | 248            | 235            |
| Current tax receivable                         | 48             | 12             | 54             |
| Cash and cash equivalents                      | 89             | 178            | 52             |
| Other financial assets                         | 18             | 7              | 9              |
| <b>Total current assets</b>                    | <b>411</b>     | <b>448</b>     | <b>353</b>     |
| Non-current assets classified as held for sale | 58             | 92             | 57             |
| <b>Total assets</b>                            | <b>1,901</b>   | <b>1,893</b>   | <b>1,807</b>   |
| <b>LIABILITIES</b>                             |                |                |                |
| Loans and other borrowings                     | (8)            | (5)            | (8)            |
| Trade and other payables                       | (381)          | (381)          | (390)          |
| Current tax payable                            | (219)          | (224)          | (212)          |
| <b>Total current liabilities</b>               | <b>(608)</b>   | <b>(610)</b>   | <b>(610)</b>   |
| Loans and other borrowings                     | (926)          | (365)          | (869)          |
| Retirement benefit obligations                 | (60)           | (50)           | (55)           |
| Trade and other payables                       | (141)          | (111)          | (139)          |
| Deferred tax payable                           | (85)           | (77)           | (82)           |
| <b>Total non-current liabilities</b>           | <b>(1,212)</b> | <b>(603)</b>   | <b>(1,145)</b> |
| Liabilities classified as held for sale        | (3)            | (5)            | (3)            |
| <b>Total liabilities</b>                       | <b>(1,823)</b> | <b>(1,218)</b> | <b>(1,758)</b> |

|   |           |            |           |
|---|-----------|------------|-----------|
| <b>Net assets (note 14)</b>               | <b>78</b> | <b>675</b> | <b>49</b> |
|   | =====     | =====      | =====     |
| <b>EQUITY</b>                             |           |            |           |
| Equity share capital                      | 82        | 69         | 81        |
| Capital redemption reserve                | 5         | 4          | 5         |
| Shares held by employee share trusts      | (15)      | (40)       | (41)      |
| Other reserves                            | (1,528)   | (1,528)    | (1,528)   |
| Unrealised gains and losses reserve       | 22        | 19         | 19        |
| Currency translation reserve              | 17        | (3)        | 6         |
| Retained earnings                         | 1,492     | 2,146      | 1,504     |
|   | -----     | -----      | -----     |
| <b>IHG shareholders' equity (note 15)</b> | <b>75</b> | <b>667</b> | <b>46</b> |
| Minority equity interest                  | 3         | 8          | 3         |
|   | -----     | -----      | -----     |
| <b>Total equity</b>                       | <b>78</b> | <b>675</b> | <b>49</b> |
|   | =====     | =====      | =====     |



**InterContinental Hotels Group plc**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**1. Basis of preparation**

These interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' using, on a consistent basis, the accounting policies set out in the 2007 InterContinental Hotels Group PLC (the Group or IHG) Annual Report and Financial Statements.

These interim financial statements are unaudited and do not constitute statutory accounts of the Group within the meaning of Section 240 of the Companies Act 1985. The auditors have carried out a review of the financial information in accordance with the guidance contained in ISRE 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board.

The financial information for the year ended 31 December 2007 has been extracted from the Group's published financial statements for that year which contain an unqualified audit report and which have been filed with the Registrar of Companies.

**2. Exchange rates**

**The results of overseas operations have been translated into sterling at the weighted average rates of exchange for the period. In the case of the US dollar, the translation rate for the three months ended 31 March is £1= \$1.98 (2007 3 months, £1 = \$1.95). In the case of the euro, the translation rate for the three months ended 31 March is £1 = €1.32 (2007 3 months, £1 = €1.49).**

Foreign currency denominated assets and liabilities have been translated into sterling at the rates of exchange on the last day of the period. In the case of the US dollar, the translation rate is £1=\$1.99 (2007 31 March £1 = \$1.96; 31 December £1 = \$2.01). In the case of the euro, the translation rate is £1 = €1.26 (2007 31 March £1 = €1.47; 31 December £1= €1.36).

**3. Revenue**

|                                   | <b>2008</b>               | <b>2007</b>           |
|-----------------------------------|---------------------------|-----------------------|
|                                   | <b>3 months</b>           | <b>3 months</b>       |
|                                   | <b>ended 31<br/>March</b> | <b>ended 31 March</b> |
|                                   | <b>£m</b>                 | <b>£m</b>             |
| Continuing operations             |                           |                       |
| Americas (note 5)                 | 116                       | 102                   |
| EMEA (note 6)                     | 58                        | 49                    |
| Asia Pacific (note 7)             | 36                        | 32                    |
| Central                           | 16                        | 13                    |
|                                   | <u>226</u>                | <u>196</u>            |
| Discontinued operations (note 10) | 5                         | 10                    |
|                                   | <u>231</u>                | <u>206</u>            |
|                                   | =====                     | =====                 |



**4. Operating profit**

|                                      | <b>2008</b>               | <b>2007</b>           |
|--------------------------------------|---------------------------|-----------------------|
|                                      | <b>3 months</b>           | <b>3 months</b>       |
|                                      | <b>ended 31<br/>March</b> | <b>ended 31 March</b> |
|                                      | <b>£m</b>                 | <b>£m</b>             |
| Continuing operations                |                           |                       |
| Americas (note 5)                    | 56                        | 48                    |
| EMEA (note 6)                        | 15                        | 7                     |
| Asia Pacific (note 7)                | 9                         | 7                     |
| Central                              | (18)                      | (17)                  |
|                                      | <u>62</u>                 | <u>45</u>             |
| Exceptional operating items (note 8) | (5)                       | 16                    |
|                                      | <u>57</u>                 | <u>61</u>             |
| Discontinued operations (note 10)    | 2                         | 1                     |
|                                      | <u>59</u>                 | <u>62</u>             |
|                                      | =====                     | ====                  |

**5. Americas**

|  | <b>2008</b>           | <b>2007</b>           |
|--|-----------------------|-----------------------|
|  | <b>3 months</b>       | <b>3 months</b>       |
|  | <b>ended 31 March</b> | <b>ended 31 March</b> |
|  | <b>\$m</b>            | <b>\$m</b>            |
| <b>Revenue</b>                           |                       |                       |
| Owned & leased                           | 63                    | 57                    |
| Managed                                  | 53                    | 38                    |
| Franchised                               | 114                   | 106                   |
|  | <u>230</u>            | <u>201</u>            |
| Continuing operations                    | 230                   | 201                   |
| Discontinued operations – Owned & leased | 11                    | 17                    |
|  | <u>241</u>            | <u>218</u>            |
| <b>Total \$m</b>                         | =====                 | ====                  |
| <b>Sterling equivalent £m</b>            |                       |                       |
| Continuing operations                    | 116                   | 102                   |
| Discontinued operations                  | 5                     | 9                     |



|                               |  |       |       |
|-------------------------------|--|-------|-------|
|                               |  | 121   | 111   |
|                               |  | ===== | ===== |
| <b>Operating profit</b>       |  |       |       |
|                               | Owned & leased                           | 7     | 4     |
|                               | Managed                                  | 23    | 11    |
|                               | Franchised                               | 97    | 93    |
|                               | Regional overheads                       | (15)  | (15)  |
|                               |  | ----- | ----- |
|                               | Continuing operations                    | 112   | 93    |
|                               | Discontinued operations – Owned & leased | 3     | 2     |
|                               |  | ----- | ----- |
| <b>Total \$m</b>              |  | 115   | 95    |
|                               |  | ===== | ===== |
| <b>Sterling equivalent £m</b> |  |       |       |
|                               | Continuing operations                    | 56    | 48    |
|                               | Discontinued operations                  | 2     | 1     |
|                               |  | ----- | ----- |
|                               |  | 58    | 49    |
|                               |  | ===== | ===== |

**6. EMEA**

|                         |  | <b>2008</b>           | <b>2007</b>           |
|-------------------------|--|-----------------------|-----------------------|
|                         |  | <b>3 months</b>       | <b>3 months</b>       |
|                         |  | <b>ended 31 March</b> | <b>ended 31 March</b> |
|                         |  | <b>£m</b>             | <b>£m</b>             |
| <b>Revenue</b>          |  |                       |                       |
|                         | Owned & leased                           | 27                    | 25                    |
|                         | Managed                                  | 20                    | 16                    |
|                         | Franchised                               | 11                    | 8                     |
|                         |  | -----                 | -----                 |
|                         | Continuing operations                    | 58                    | 49                    |
|                         | Discontinued operations – Owned & leased | -                     | 1                     |
|                         |  | -----                 | -----                 |
| <b>Total</b>            |  | 58                    | 50                    |
|                         |  | =====                 | =====                 |
| <b>Operating profit</b> |  |                       |                       |
|                         | Owned & leased                           | 2                     | (2)                   |
|                         | Managed                                  | 11                    | 8                     |
|                         | Franchised                               | 7                     | 6                     |
|                         | Regional overheads                       | (5)                   | (5)                   |

|                                      |       |       |
|--------------------------------------|-------|-------|
| <b>Total – continuing operations</b> | 15    | 7     |
|                                      | ===== | ===== |

**7. Asia Pacific**

|                               |                    | <b>2008</b>           | <b>2007</b>           |
|-------------------------------|--------------------|-----------------------|-----------------------|
|                               |                    | <b>3 months</b>       | <b>3 months</b>       |
|                               |                    | <b>ended 31 March</b> | <b>ended 31 March</b> |
|                               |                    | <b>\$m</b>            | <b>\$m</b>            |
| <b>Revenue</b>                |                    |                       |                       |
|                               | Owned & leased     | 40                    | 36                    |
|                               | Managed            | 28                    | 22                    |
|                               | Franchised         | 4                     | 4                     |
|                               |                    | -----                 | -----                 |
| <b>Total \$m</b>              |                    | 72                    | 62                    |
|                               |                    | =====                 | =====                 |
| <b>Sterling equivalent £m</b> |                    | 36                    | 32                    |
|                               |                    | =====                 | =====                 |
| <b>Operating profit</b>       |                    |                       |                       |
|                               | Owned & leased     | 10                    | 8                     |
|                               | Managed            | 14                    | 9                     |
|                               | Franchised         | 2                     | 2                     |
|                               | Regional overheads | (9)                   | (6)                   |
|                               |                    | -----                 | -----                 |
| <b>Total \$m</b>              |                    | 17                    | 13                    |
|                               |                    | =====                 | =====                 |
| <b>Sterling equivalent £m</b> |                    | 9                     | 7                     |
|                               |                    | =====                 | =====                 |

All results relate to continuing operations.



**8. Exceptional items**

|  | <b>2008</b>           | <b>2007</b>           |
|--|-----------------------|-----------------------|
|  | <b>3 months</b>       | <b>3 months</b>       |
|  | <b>ended 31 March</b> | <b>ended 31 March</b> |
|  | <b>£m</b>             | <b>£m</b>             |
| <b>Exceptional operating items</b>     |                       |                       |
| Gain on sale of associate investment   | -                     | 11                    |
| Gain on sale of other financial assets | -                     | 5                     |
| Office reorganisations (a)             | (2)                   | -                     |
| Holiday Inn brand relaunch (b)         | (3)                   | -                     |
|  | <u>(5)</u>            | <u>16</u>             |
|  | =====                 | =====                 |
| <b>Tax</b>                             |                       |                       |
| Tax on exceptional operating items     | 1                     | 2                     |
|  | =====                 | =====                 |

All exceptional items relate to continuing operations.

- a) Relates to further costs incurred on the relocation of the Group's head office and the closure of its Aylesbury facility.
- b) Relates to costs incurred in support of the worldwide relaunch of the Holiday Inn brand family that was announced on 24 October 2007.

**9. Tax**

The tax charge on the combined profit from continuing and discontinued operations, excluding the impact of exceptional items (note 8), has been calculated using an estimated effective annual tax rate of 29% (2007 28%), analysed as follows.

|                                  | 3 months ended 31 March 2008 |             |             | 3 months ended 31 March 2007 |             |             |
|----------------------------------|------------------------------|-------------|-------------|------------------------------|-------------|-------------|
|                                  | Profit<br>£m                 | Tax<br>£m   | Tax<br>rate | Profit<br>£m                 | Tax<br>£m   | Tax<br>rate |
| <b>Before exceptional items:</b> |                              |             |             |                              |             |             |
| Continuing operations            | 47                           | (13)        |             | 40                           | (12)        |             |
| Discontinued operations          | 2                            | (1)         |             | 1                            | -           |             |
|                                  | <u>49</u>                    | <u>(14)</u> | 29%         | <u>41</u>                    | <u>(12)</u> | 28%         |
| <b>Exceptional items:</b>        |                              |             |             |                              |             |             |
| Continuing operations            | (5)                          | 1           |             | 16                           | 2           |             |
|                                  | <u>44</u>                    | <u>(13)</u> |             | <u>57</u>                    | <u>(10)</u> |             |
|                                  | =====                        | =====       |             | =====                        | =====       |             |
| Analysed as:                     |                              |             |             |                              |             |             |
| UK tax                           |                              | (2)         |             |                              | (4)         |             |
| Foreign tax                      |                              | (11)        |             |                              | (6)         |             |
|                                  |                              | <u>(13)</u> |             |                              | <u>(10)</u> |             |
|                                  |                              | =====       |             |                              | =====       |             |

By also excluding the effect of prior year items, the equivalent effective tax rate would be approximately 35% (2007 34%). Prior year items have been treated as relating wholly to continuing operations.



**10. Discontinued operations**

Discontinued operations are those relating to hotels sold or those classified as held for sale as part of the asset disposal programme that commenced in 2003. These disposals underpin IHG's strategy of growing its managed and franchised business whilst reducing asset ownership.

The results of discontinued operations which have been included in the consolidated income statement, are as follows:

|   | <b>2008</b>            | <b>2007</b>            |
|---|------------------------|------------------------|
|   | <b>3 months</b>        | <b>3 months</b>        |
|   | <b>ended 31 March</b>  | <b>ended 31 March</b>  |
|   | <b>£m</b>              | <b>£m</b>              |
| <b>Revenue</b>  | <b>5</b>               | <b>10</b>              |
| Cost of sales   | (3)                    | (8)                    |
|   | <hr/>                  | <hr/>                  |
|   | 2                      | 2                      |
| Depreciation and amortisation                             | -                      | (1)                    |
|   | <hr/>                  | <hr/>                  |
| <b>Operating profit</b>                                   | <b>2</b>               | <b>1</b>               |
| Tax   | (1)                    | -                      |
|   | <hr/>                  | <hr/>                  |
| <b>Profit for the period from discontinued operations</b> | <b>1</b>               | <b>1</b>               |
|   | <hr/> <hr/>            | <hr/> <hr/>            |
|   | <b>2008</b>            | <b>2007</b>            |
|   | <b>3 months</b>        | <b>3 months</b>        |
|   | <b>ended 31 March</b>  | <b>ended 31 March</b>  |
|   | <b>pence per share</b> | <b>pence per share</b> |
| <b>Earnings per share from discontinued operations</b>    |                        |                        |
| Basic   | 0.3                    | 0.3                    |
| Diluted   | 0.3                    | 0.3                    |
|   | <hr/> <hr/>            | <hr/> <hr/>            |

The effect of discontinued operations on segment results is disclosed in notes 5 and 6.







## 11. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit for the period available for IHG equity holders by the weighted average number of ordinary shares, excluding investment in own shares, in issue during the period.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share options outstanding during the period.

Adjusted earnings per ordinary share is disclosed in order to show performance undistorted by exceptional items, to give a more meaningful comparison of the Group's performance.

|   | <b>2008</b>           |              | <b>2007</b>           |              |
|---|-----------------------|--------------|-----------------------|--------------|
|   | <b>3 months ended</b> |              | <b>3 months ended</b> |              |
|   | <b>31 March</b>       |              | <b>31 March</b>       |              |
|   | <b>Continuing</b>     |              | <b>Continuing</b>     |              |
|   | <b>operations</b>     | <b>Total</b> | <b>operations</b>     | <b>Total</b> |
| <b>Basic earnings per share</b>   |                       |              |                       |              |
| Profit available for equity holders (£m)                                  | 30                    | 31           | 46                    | 47           |
| Basic weighted average number of ordinary shares (millions)               | 292                   | 292          | 354                   | 354          |
| Basic earnings per share (pence)  | 10.3                  | 10.6         | 13.0                  | 13.3         |
|   | =====                 | =====        | =====                 | =====        |
| <b>Diluted earnings per share</b>   |                       |              |                       |              |
| Profit available for equity holders (£m)                                  | 30                    | 31           | 46                    | 47           |
| Diluted weighted average number of ordinary shares (millions) (see below) | 295                   | 295          | 365                   | 365          |
| Diluted earnings per share (pence)  | 10.2                  | 10.5         | 12.6                  | 12.9         |
|   | =====                 | =====        | =====                 | =====        |
| <b>Adjusted earnings per share</b>  |                       |              |                       |              |
| Profit available for equity holders (£m)                                  | 30                    | 31           | 46                    | 47           |
| Less adjusting items (note 8):  |                       |              |                       |              |
| Exceptional operating items (£m)  | 5                     | 5            | (16)                  | (16)         |
| Tax (£m)  | (1)                   | (1)          | (2)                   | (2)          |
| Adjusted earnings (£m)  | 34                    | 35           | 28                    | 29           |

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|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Basic weighted average number of ordinary shares (millions)   | 292   | 292   | 354   | 354   |
| Adjusted earnings per share (pence)                           | 11.6  | 12.0  | 7.9   | 8.2   |
|   | ===== | ===== | ===== | ===== |
| Diluted weighted average number of ordinary shares (millions) | 295   | 295   | 365   | 365   |
| Adjusted diluted earnings per share (pence)                   | 11.5  | 11.9  | 7.7   | 7.9   |
|   | ===== | ===== | ===== | ===== |

|  |                       |                       |
|--|-----------------------|-----------------------|
|  | <b>2008</b>           | <b>2007</b>           |
|  | <b>3 months</b>       | <b>3 months</b>       |
|  | <b>ended 31 March</b> | <b>ended 31 March</b> |
|  | <b>millions</b>       | <b>millions</b>       |

Diluted weighted average number of ordinary shares is calculated as:

|   |            |            |
|---|------------|------------|
| Basic weighted average number of ordinary shares            | 292        | 354        |
| Dilutive potential ordinary shares – employee share options | 3          | 11         |
|   | <u>295</u> | <u>365</u> |
|   | =====      | =====      |



**12. Net debt**

|  | <b>2008</b>     | <b>2007</b>     | <b>2007</b>        |
|--|-----------------|-----------------|--------------------|
|  | <b>31 March</b> | <b>31 March</b> | <b>31 December</b> |
|  | <b>£m</b>       | <b>£m</b>       | <b>£m</b>          |
| Cash and cash equivalents                | 89              | 178             | 52                 |
| Loans and other borrowings – current     | (8)             | (5)             | (8)                |
| Loans and other borrowings – non-current | (926)           | (365)           | (869)              |
| <b>Net debt</b>                          | <b>(845)</b>    | <b>(192)</b>    | <b>(825)</b>       |
|  | =====           | =====           | =====              |
| Finance lease liability included above   | (101)           | (99)            | (100)              |
|  | =====           | =====           | =====              |

**13. Movement in net debt**

|   | <b>2008</b>           | <b>2007</b>           | <b>2007</b>            |
|---|-----------------------|-----------------------|------------------------|
|   | <b>3 months ended</b> | <b>3 months ended</b> | <b>12 months ended</b> |
|   | <b>31 March</b>       | <b>31 March</b>       | <b>31 December</b>     |
|   | <b>£m</b>             | <b>£m</b>             | <b>£m</b>              |
| Net increase/(decrease) in cash and cash equivalents            | 37                    | (1)                   | (131)                  |
| Add back cash flows in respect of other components of net debt: |                       |                       |                        |
| Increase in borrowings  | (38)                  | (55)                  | (553)                  |
| Increase in net debt arising from cash flows                    | (1)                   | (56)                  | (684)                  |
| Non-cash movements:   |                       |                       |                        |
| Finance lease liability   | (2)                   | (2)                   | (9)                    |
| Exchange and other adjustments                                  | (17)                  | -                     | 2                      |
| <b>Increase in net debt</b>                                     | <b>(20)</b>           | <b>(58)</b>           | <b>(691)</b>           |
| Net debt at beginning of the period                             | (825)                 | (134)                 | (134)                  |
| <b>Net debt at end of the period</b>                            | <b>(845)</b>          | <b>(192)</b>          | <b>(825)</b>           |
|   | =====                 | =====                 | =====                  |

**14. Net assets**

|                                    | <b>2008</b>      | <b>2007</b>       | <b>2007</b>        |
|------------------------------------|------------------|-------------------|--------------------|
|                                    | <b>31 March</b>  | <b>31 March</b>   | <b>31 December</b> |
|                                    | <b>£m</b>        | <b>£m</b>         | <b>£m</b>          |
| Americas                           | 402              | 427               | 388                |
| EMEA                               | 420              | 375               | 376                |
| Asia Pacific                       | 274              | 283               | 267                |
| Central                            | 83               | 71                | 83                 |
|                                    | <u>1,179</u>     | <u>1,156</u>      | <u>1,114</u>       |
| Net debt                           | (845)            | (192)             | (825)              |
| Unallocated assets and liabilities | (256)            | (289)             | (240)              |
|                                    | <u><b>78</b></u> | <u><b>675</b></u> | <u><b>49</b></u>   |
|                                    | =====            | =====             | =====              |



**15. Statement of changes in IHG shareholders' equity**

|  | <b>2008</b>           | <b>2007</b>           | <b>2007</b>            |
|--|-----------------------|-----------------------|------------------------|
|  | <b>3 months ended</b> | <b>3 months ended</b> | <b>12 months ended</b> |
|  | <b>31 March</b>       | <b>31 March</b>       | <b>31 December</b>     |
|  | <b>£m</b>             | <b>£m</b>             | <b>£m</b>              |
| <b>At beginning of period</b>                      | <b>46</b>             | <b>678</b>            | <b>678</b>             |
| Total recognised income and expense for the period | 40                    | 54                    | 240                    |
| Equity dividends paid                              | -                     | -                     | (773)                  |
| Issue of ordinary shares                           | 1                     | 3                     | 16                     |
| Purchase of own shares                             | (13)                  | (25)                  | (81)                   |
| Movement in shares in employee share trusts        | (6)                   | (47)                  | (64)                   |
| Equity settled share-based cost                    | 7                     | 4                     | 30                     |
| <b>At end of the period</b>                        | <b>75</b>             | <b>667</b>            | <b>46</b>              |
|  | ====                  | ====                  | ====                   |

The proposed final dividend of 14.9 pence per share for the year ended 31 December 2007 is not recognised in these accounts as it remains subject to approval at the Annual General Meeting to be held on 30 May 2008. If approved, the dividend will be paid on 6 June 2008 to shareholders who were registered on 28 March 2008 at an expected total cost of £44m.

**16. Capital commitments and contingencies**

At 31 March 2008 amounts contracted for but not provided for in the financial statements for expenditure on property, plant and equipment was £9m (2007 31 December £10m; 31 March £23m).

At 31 March 2008 the Group had contingent liabilities of £10m (2007 31 December £5m; 31 March £5m), mainly comprising guarantees given in the ordinary course of business.

In limited cases, the Group may provide performance guarantees to third-party owners to secure



management contracts. The maximum exposure under such guarantees is £110m (2007 31 December £121m; 31 March £113m). It is the view of the Directors that, other than to the extent that liabilities have been provided for in these financials statements, such guarantees are not expected to result in financial loss to the Group.

The Group has given warranties in respect of the disposal of certain of its former subsidiaries. It is the view of the Directors that, other than to the extent that liabilities have been provided for in these financial statements, such warranties are not expected to result in financial loss to the Group.

17.

#### **Other commitments**

In March and June 2007, the Company made the first two payments of £10m under the agreement to make special pension contributions of £40m to the UK pension plan. A further payment of £10m was made on 31 January 2008 and the final £10m is scheduled for payment in 2009.

On 24 October 2007, the Group announced a worldwide relaunch of its Holiday Inn brand family. In support of this relaunch, IHG will make a non recurring revenue investment of £30m which will be charged to the income statement as an exceptional item during 2008, of which £3m has been charged in the first quarter.



## **INDEPENDENT REVIEW REPORT TO InterContinental Hotels Group pLC**

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the three months ended 31 March 2008 which comprises the Group income statement, Group statement of recognised income and expense, Group cash flow statement, Group balance sheet and the related notes 1 to 17. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

### **Directors' Responsibilities**

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an

audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the three months ended 31 March 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

London

6 May 2008

END

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**InterContinental Hotels Group PLC**  
(Registrant)

By: /s/ C. Cox  
Name: C. COX  
Title: COMPANY SECRETARIAL OFFICER

Date: 7 May 2008