InterContinental Hotels UK Pension Plan

ANNUAL REPORT 2011

Registered number: 10263243

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InterContinental Hotels UK Pension Plan ("the Plan")

Chairman's Report

The principal responsibility of the Trustee Board is to ensure that members' pensions are paid in full when they fall due. To secure this objective, operating within the Plan's Trust Deed and Rules and continuing legislative changes, the Trustee directors have continued to monitor the financial health of the Plan and the effectiveness of its advisors and investment managers. They have, where necessary, made changes to help secure improved future performance. I am delighted to report steady progress during the year.

A further important activity in the year has been the consideration, prior to the member consultation announced in July 2011, of the proposals by the plan sponsor regarding the closure of the Defined Benefit (DB) section of the Plan from 2013 together with improved contribution rates in the Defined Contribution (DC) section. The Trustee Board made a number of suggested changes to the proposals which improved the position of those affected. Consideration is now being given as to how the Plan's investment strategy and governance can best be modified to address the new arrangements.

Under the Recovery Plan for the DB section agreed in 2010 the Plan received £19.2m in deficit funding contributions from IHG in the year to March 2011. Together with investment returns of 5% these contributed to an improvement in funding level from 69% to 73%.

I am happy to confirm that the management of the Plan is compliant in all material respects with published guidelines, including the Myners principles, to the extent that these are relevant.

Since the last report Terry Critchley has retired as a member-nominated director and we thank him for his valuable service. We are fortunate in having directors who are able and conscientious – a necessity when there is so much of importance to do. We also have a first class pensions team and I would particularly like to thank them for their hard work and invaluable support over the last 12 months.

Sam Dow
………………………………….. Chairman
24 August 2011

Trustee's Report

1. Introduction

The InterContinental Hotels UK Pension Plan ('the Plan') was established on 1 April 2003 in anticipation of the separation of the Six Continents hotel and soft drinks businesses from its pubs and restaurants business, which took place on 15 April 2003.

The Plan's sponsoring company is Six Continents Ltd, which is a principal subsidiary undertaking of InterContinental Hotels Group PLC ("IHG" or "the Company"). The Plan's corporate trustee is IC Hotels UK Pension Trust Limited ('the Trustee').

The Plan provides pensions and other related benefits, under Defined Benefit (DB) arrangements, including protection for dependents in the event of death in service. The Plan also operates a Defined Contribution (DC) section and both sections are governed by a Trust Deed and Rules, copies of which are held for inspection by the Secretary to the Trustee. The Plan is registered with HM Revenue & Customs under section 150(2) of the Finance Act 2004, and its DB contributing members are contracted-out of the State Second Pension.

In addition to the Trust Deed and Rules, there are a number of different sources of information which are available to members from the Plan's third party administrators, namely Mercer Limited for the DB section and dc-Link (a wholly-owned subsidiary of Blackrock Investment Management Ltd) for the DC section. These include:

- Plan Handbooks, for both DB and DC sections of the Plan, which set out details of the benefits and contributions (including Additional Voluntary Contributions) of the Plan;
- annual benefit statements;
- an annual newsletter for both the DB and DC sections of the Plan. The DB version contains the summary funding statement

DC members also have access to their individual records via the website www.dc-link.co.uk, which is operated by dc-Link.

2. Statement of Trustee's responsibilities

The Plan's Trustee is responsible for obtaining audited financial statements produced in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and for making available certain other information about the Plan in the form of an Annual Report.

The financial statements are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year, and

- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised May 2007).

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised, a schedule of contributions showing the rates of contributions payable to the Plan by or on behalf of the employer and the active members of the Plan, and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee confirms that the financial statements on pages 19 to 28 have been prepared and audited in accordance with the regulations made under section 41(1) and (6) of the Pensions Act 1995, on a going concern basis and in accordance with the Statement of Recommended Practice (SORP), issued in 1996 and revised in 2007 by the Accounting Standards Board and the Pensions Research Accountants Group, which itself accords with the requirements of the Pensions Act 1995.

3. Management of the Plan

The assets of the Plan are held entirely separately from those of the Company and are in the care of the Trustee which is legally independent of the Company and whose role is to ensure that the Plan is administered according to the Rules and to safeguard the assets of the Plan in the best interests of all its members.

In August 2006 the Company relinquished its powers to remove the Trustee, and to remove the 3 independent Trustee Directors who gained the power to appoint their successors subject to a veto by the Company which cannot be used unreasonably. The independent Directors are normally appointed for a term of 10 years. These changes resulted in the Trustee becoming fully independent of the Company.

The composition of the Plan Board is 9 Trustee directors comprising:

- 3 Trustee directors appointed by Six Continents Ltd
- 3 independent Trustee directors
- 2 Trustee directors elected by active Plan members from among their number
- 1 Trustee director selected by the other directors from deferred and pensioner members.

The Trustee directors at 31 March 2011 are listed below.

Employer Nominated	Independent	Member Nominated
Sean Harrison	Sam Dow (Chairman)*	Terry Critchley
Jerry Sykes*	Anthony Stern*	Lewis Howes*
Ralph Wheeler*	Nita Tinn*	Paul Phillips

** Member of Investment Committee*

Terry Critchley resigned as a Member Nominated Director on 30 June 2011 and a process is underway to elect a successor.

All the Directors, except for Sam Dow and Nita Tinn, are themselves members of the Plan.

During the year to 31 March 2011 the Plan Board and the Investment Committee each met 5 times. The directors received a full day's training covering investment strategy, developments in the risk management market, a review of the regulatory framework and compliance, and a general legal update. In addition each director carried out a self-assessment of their own knowledge and understanding, and so identified areas where further training was required.

4. Plan Advisers and Administration

Plan Actuary	Gareth Edwards, Mercer Ltd
Plan Auditors	Ernst & Young LLP
Investment Advisers	Deloitte Total Reward and Benefits Ltd
Solicitors	Allen & Overy LLP
Secretary to Trustee	Robert Watson

David Coleman resigned as Plan actuary on 24 November 2010 and Gareth Edwards was appointed in his place on 26 November 2010. Both are employed by Mercer Ltd. Under the appropriate regulation, the retiring actuary has declared that he has considered whether there are any circumstances connected with his removal from the appointment which significantly affect the interests of current or prospective members and beneficiaries under the Plan and confirmed that he knows of no such circumstances.

Deloitte Total Reward and Benefits Ltd were appointed as investment advisers with effect from 1 March 2011 following a comprehensive review of the Trustee's requirements and the alternative providers available. They replaced Hewitt Associates Financial Services whose engagement was terminated with effect from 28 February 2011.

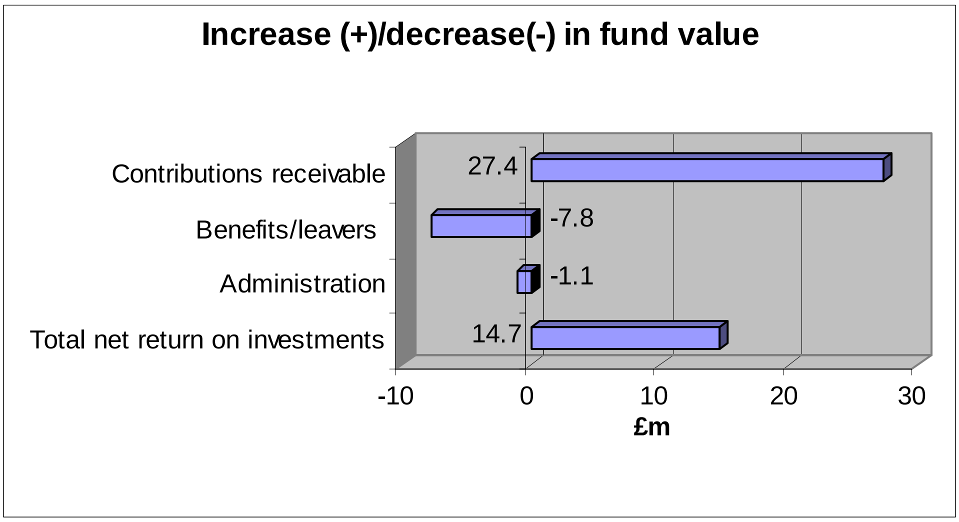
InterContinental Hotels Ltd act as administrators for the Plan. Benefits administration for the DB section is outsourced to Mercer Ltd, and for the DC section to dc-Link: contact details are provided in section 13.

5. The Sponsoring Employer

The sponsoring employer of the Plan throughout the year ended 31 March 2011 was Six Continents Ltd, a subsidiary company of InterContinental Hotels Group PLC, whose registered office is Broadwater Park, Denham, Buckinghamshire UB9 5HR. The address of the Trustee is No 1 First Avenue, Centrum 100, Burton upon Trent DE14 2WB.

6. Financial Development of the Plan

The net increase in the Plan's value for the year ended 31 March 2011 of £33.2 million is shown in the Fund Account on page 19 and analysed graphically below.



Contributions receivable includes transfer values receivable and other income.

Benefits/leavers comprise mainly pensions paid to members.

Administration costs are made up of expenses amounting to £1,007,000 and life insurance premiums of £68,000. The expenses are analysed in note 8 to the financial statements and compare with £911,000 in 2010.

The total net return on investments is discussed in the Investment Report. As well as the growth in the value of investments this also includes investment income and is after the deduction of investment management expenses.

7. Plan Funding Levels

An actuarial valuation of the Defined Benefit section of the Plan was carried out as at 31 March 2009 under the requirements of the Pensions Act 2004 and the code of practice on scheme funding issued by the Pensions Regulator.

The regulations require the scheme to meet the Statutory Funding Objective, which is to have sufficient and appropriate assets to make provision for an estimate of the benefits already accrued by the scheme. In valuing the benefits the Trustee Board made a number of assumptions, the most important of which is the expected investment return on the scheme's assets. Given the Plan's maturity the Board used the same measure of return as in the 2006 valuation, namely the return on UK Government gilt stocks less a deduction of 0.5% pa.

The assumptions used were as in the previous valuation, with the exception of an increase in life expectancy in line with more recent statistics and also the adoption of discount rates which match the duration of the liabilities.

The resulting valuation showed that the Plan had a funding level of 65% equivalent to a deficit of £129 million at March 2009. This compares with 76% and £81 million respectively at the 2006 valuation with the increase being principally due to the more prudent assumptions described in the previous paragraph and investment losses arising in the economic crisis in 2008. On the accounting measure disclosed in the financial statements of IHG (as defined by International Accounting Standard 19) the equivalent surplus at March 2009 was £48 million and on the basis used by the Pensions Protection Fund there was a surplus of £20 million at the same date. By March 2010 the deficit had reduced to £124 million.

The Trustee is required to put in place a Recovery Plan to ensure that the Statutory Funding Objective is met. In the course of developing this Plan the Trustee Board considered the strength of the employer covenant and took into account the stated intention to sell hotels with a consequent reduction in asset backing, and the need for additional security in the event of default on contributions. As a result the Recovery Plan was extended by three years to 2017 and designed to eliminate the deficit through a combination of additional Company contributions and investment returns. Following consultation with the Company it was agreed that the principal employer would make additional contributions of £100 million comprising unconditional contributions of £30 million over the next two years and £70 million conditional on any hotel sales and IHG outperforming its cash flow forecasts. If the conditional payments of £70 million have not been paid by 2017 then any amount outstanding would then become payable. As partial security against default in these payments the Company has put in place a second charge in favour of the Trustee of £30 million over a flagship IHG hotel. If the deficit reduces as a result of taking out insurance policies on the liabilities then the contributions will be adjusted accordingly.

Additional contributions of £32.4 million have been received to date under the Recovery Plan.

At the time of the preparation of the Recovery Plan the Trustee Board considered that it was reasonable to assume that the remainder of the deficit, £24 million, would be earned from its investment portfolio.

The Trustee has also put in place a monitoring programme which regularly assesses progress in achieving full funding and has notified the Company of the circumstances which will cause the Trustee to review the funding documents other than as part of the triennial valuation.

The Actuary provides quarterly an updated estimate of the Plan funding level and this is presented to the Trustee Board. The estimate of the funding level at 31 March 2011 based on the assumptions used in the valuation carried out as at 31 March 2009 was a funding level of 73%, equivalent to a deficit of £112 million, with the improvement mainly down to strong investment returns as set out in the Investment Report and additional contributions, offset by lower gilt yields which increase the value of the liabilities.

Company contribution rates to cover the cost of future service accrual were changed from 1 July 2010 to reflect the revised assumptions in the valuation as follows:

Staff section:	37.5% of Annual Earnings (previously 31.5%)
Executive section:	53.8% of Pensionable Salaries (previously 75.1%)

Member contributions remained unchanged at 5% of Annual Earnings or Pensionable Salaries as appropriate.

8. Major changes in benefits

In July 2011 the Company announced that it was consulting members in service regarding the closure to future service accrual for DB section members. It is also intended to increase DC section contribution rates for some grades of staff. The Company is proposing that the changes will be implemented by making amendments to the Plan Rules which would require the Trustee's consent.

Before the announcement the Company gave the Trustee Board the opportunity to review the proposals. The Trustee took legal advice which was that its role was to act in a way which aims to preserve the security of the Plan benefits earned to date but not to decide the level of benefits that the Company provided for future service.

The Trustee made some suggestions which resulted in changes to the proposals and has agreed in principle to consent to them, subject to a properly completed employee consultation process with due consideration of the points made by employees.

The Trustee Board has started to consider how these changes will affect investment strategy and governance.

9. Funding Risks

Any final salary pension scheme is exposed to various funding risks. The Trustee has considered the following such risks:-

a) the risk of a deterioration in the Plan's funding level. This risk is to some extent addressed through an investment strategy which is specific to the Plan's liabilities and funding level;
b) the risk of a shortfall of assets relative to the liabilities on an ongoing basis or if the Plan were to wind up. These risks are taken into account in setting the investment strategy;
c) the risk that the investment return from the assets will be below that expected by the Trustee. This risk is reduced by closely monitoring the Plan's investment managers and overall return.
d) the risk that the sponsor does not or cannot make the contributions necessary to support the solvency funding level. The Trustee has put in place a process to monitor the financial strength of the sponsor.

The principal employer has the right at any time to terminate its liability to pay contributions to the Plan subject to the provisions set out in the Trust Deed and Rules and funding obligations imposed by law, which in summary require the employer to improve the funding to a level which would permit the Trustee to purchase annuities to pay the pensions accrued at that point. The principal employer has not indicated that it intends to exercise this right.

Whether all Plan members receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that point in time, of the Plan's net assets to provide for the accumulated benefit obligations and the then financial condition of the principal employer.

The Plan and its members benefit from some legislative protection. Firstly, solvent employers are unable to close their pension schemes without fully funding them to be able to pay all benefits earned to date. Secondly, the Pension Protection Fund (PPF) introduced by the Government in April 2005 provides the following protection for members in the event of the sponsoring employer becoming insolvent:

- 100% of pensions in payment or accrued benefits for members who have attained Normal Pension Age (NPA), or irrespective of age, if they are either receiving a spouse/partner pension or a pension due to ill-health
- 90% of accrued benefits for other members, subject to a maximum which is currently equivalent to £29,897 per year at age 65 both with limited protection against the effects of inflation, and with attaching 50% spouse/partner pensions.

10. Risk Assessment

The Trustee has commissioned Punter Southall to review and update the Plan's risk register which was last reviewed in 2008. The 2008 review confirmed that the Trustee Board had already considered all important matters. In the meantime the Trustee Board regularly reviews the existing register and considers appropriate actions.

11. Plan Membership

(a) Defined Benefit (DB) Section

The table below shows the movement in DB membership numbers during the year ended 31 March 2011 with total membership falling from 2,965 to 2,940 during the course of the year.

	Members in Service	Deferred Pensioners	Pensioners	Total
1 April 2010	145	1,714	1,106	2,965
Adjustment	(2)	(4)	16	10
Leavers	(6)	6	0	0
Retirements	(4)	(28)	32	0
Death	0	(5)	(23)	(28)
Dependants	0	0	4	4
Transfers out	0	(11)	0	(11)
31 March 2011	133	1,672	1,135	2,940

At the end of the Plan year there were 27 in-service members (2010 – 32) and 182 deferred members (2010 – 184) with Additional Voluntary Contributions (AVCs) in the Plan.

(b) Defined Contribution (DC) Section

The DC section of the Plan had 525 members at 31 March 2011, compared to 458 at 31 March 2010 as shown below:

	Members in Service	Deferred Pensioners	Total
At 31 March 2010	331	127	458
Adjustment	(1)	0	(1)
New entrants	108	0	108
Leavers	(36)	36	0
Transfers/refunds	(19)	(19)	(38)
Retirements	(1)	(1)	(2)
31 March 2011	382	143	525

At the end of the Plan year there were 41 in-service members paying AVCs (2010– 33) and 19 deferred members (2010 – 18) with AVC benefits remaining in the Plan.

12. Schedule of Contributions

Two Schedules of Contributions applied to the Plan in the year to March 2011. The first, which was certified by the Actuary on 27 March 2009, set out the contribution rates and Recovery Plan put in place following the 2006 actuarial valuation as amended for the impact of the enhanced transfer value offer made at the end of 2008. The second Schedule dated 30 July 2010 reflected the rates and Recovery Plan put in place following the 2009 valuation as described in Section 7 and a copy of the latest certification is on page 32.

13. Contact for Further Information

If you wish to obtain further information about the DB or DC section of the Plan, including copies of Plan documentation, or about your own pension position, please contact:-

<u>DB section</u>
Mercer Ltd,
Stratford Court, Cranmore Boulevard,
Solihull, West Midlands, B90 4QT.
Freephone helpline:
Active & deferred members 0800 3897835
Pensioner members 0800 1973437
Email address: ichotelsgroup@mercer.com

<u>DC section</u>
dc-Link,
Churchgate,
1, New Road, Peterborough, PE1 1TT
Telephone helpline: 01733 353418

Email address: pensionsadmin@dc-link.co.uk

14. Approval of Reports

The Trustee's Report, together with the Investment Report on pages 10 to 16 and the Compliance Report on page 29 of this Annual Report were approved by the Trustee directors at their meeting on 24 August 2011 and Sam Dow and Nita Tinn were authorised to evidence that approval by signing this report on behalf of the Board.

Signed: …………………………………….. Director

: …………………………………….. Director

24 August 2011

Investment Report

1. Investment Governance

Decision making in relation to the assets of the defined benefit section of the Plan is assigned as follows. The strategic management of the assets is the responsibility of the Trustee Board, which determines the strategic asset allocation of the Plan. In so doing it takes expert advice from the investment consultants and others as it deems appropriate. Executive decisions, such as the appointment of investment managers and performance monitoring, are made by the Investment Committee of the Board. The day-to-day management of those assets is delegated to professional investment managers.

Since all of the Plan's investments are in pooled funds which have their own custodians it is unnecessary for the Trustee to have a global custodian. However one of the investment managers requires the use of a custodian and Northern Trust Company has been appointed for this purpose.

2. Myners Principles

In October 2008 HM Treasury, the Department for Work and Pensions, and the Pensions Regulator published an update to the Myners principles which, whilst voluntary, codify best practice in investment decision-making. The revised principles cover: effective decision-making, clear objectives, risk and liabilities, performance assessment, responsible ownership, and transparency and reporting. The Trustee Board has considered each of the principles in the context of what is appropriate for a scheme of this size, and considers that it is generally compliant with the principles. Where, however, the Plan makes an investment in pooled investment vehicles its ability to comply with the Principle on responsible ownership may be limited.

3. Investment Strategy

A detailed rationale for the current investment strategy was set out in the 2010 Annual Report and included the reasoning behind the target return of the strategy and choice of asset classes. The resulting asset allocation is as follows:

Liability-matching investments:	Passive liability-driven investment (LDI) pooled funds	61%
Return-seeking investments:	Unconstrained global equities	19%
	Funds of hedge funds	10%
	Property	6%
	Active currency	4%

With the advice of the newly-appointed investment consultants the Trustee Board is carrying out a review of this strategy, taking into account the current funding level and the consequences of the proposed cessation of future service accrual in 2013 as described in the Trustee's Report. This review is ongoing but the initial conclusion is that the expected return of the current strategy is broadly in line with the minimum required to meet the target of full funding by 2017 given that the deficit funding contributions are received in line with the Recovery Plan.

The review is continuing and when completed the results will be incorporated in a revised Statement of Investment Principles.

Investment Report (continued/….)

4. Implementation of Strategy and Changes to Manager Structure

Because of the strategy review there has been little structural activity in the Plan's investments during the year.

The Plan retained legacy investments in corporate bonds and index-linked gilts pending a likely switch to LDI funds once the review is complete. Tactical views have been taken of the short-term prospects of asset classes which has meant that rebalancing between asset classes has been limited during the year.

Following changes to the equity managers reported last year units in the Artemis Global Capital Fund (£17m) and the GLG Performance Fund (£10m) were sold and the cash reinvested in the MFS Global Equity Fund (£22m) and the Schroders Global Active Fund (increased by £5m).

Deficit funding contributions of £15m received from the Company were invested in three equal portions between the MFS Fund, the PIMCO Global Investment Grade Credit Fund and the two funds of hedge funds.

Of the commitment of £10m to the Columbus Property Fund, £8m was drawn down during the year.

Following the redemption notice made in March 2009 on the Selectinvest fund of hedge funds a further £3m has been received leaving assets valued at £3m. Due to the lack of liquidity in the underlying assets it may take several years before the full value is received. Similarly the investment in the GLG Performance (Institutional) Fund could not be liquidated immediately and a cash claim valued at £1.5m remains outstanding although in this case settlement is expected in the short-term.

The actual asset allocation at 31 March 2011 was as follows:

Liability-matching investments:	Passive liability-driven investment (LDI) pooled funds	49%
	Corporate bonds	7%
	Index-linked gilts	2%
Return-seeking investments:	Unconstrained global equities	20%
	Funds of hedge funds	13%
	Property	6%
	Active currency	2%
	Cash awaiting investment	1%

Investment Report (continued/....)

The scheme's investments and their managers at 31 March 2011 are listed below:

Asset class	Fund	Manager
Active managers		
Money market funds	Liquidity Plus Fund Liquidity Fund	Insight Investment Management
	Money Market Maturity Fund LIBOR Fund	Legal & General Assurance (Pensions Management)
Global equities	Global Equity Fund	MFS International (UK)
	QEP Global Active Value Fund	Schroder Investment Management
Fund of hedge funds	Selectinvest ARV MC Ltd Series C 2009	Union Bancaire Privee Asset Management
	Jubilee Absolute Return Fund	Fauchier Partners
	Partners Offshore Master Fund	Blackstone Alternative Asset Management
Property	Columbus UK Real Estate Fund	Schroder Property Investment Management
	Osiris Property Fund	ING Real Estate Investment Management
Currency	Currency Alpha Fund	Record Currency Management
	Multi–strategy High Alpha GBP Fund	FX Concepts
Corporate bonds	Global Investment Grade Credit Fund	PIMCO
Passive managers		
Liability driven investment funds	LDI Solutions Plus Funds	Insight Investment Management
UK inflation-linked gilts	Under 15 year Index-linked Gilts Index fund	Legal & General Assurance (Pensions Management)
Deposit	Global Liquidity Fund	Scottish Widows Investment Partnership
	Performance (Institutional) Fund - Cash Claim	GLG Partners

5. Investment Principles

The Statement of Investment Principles remained unchanged during the year under review but will be amended to reflect any changes following the current review of investment strategy. The Statement meets the requirements of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. The statement sets out the Trustee's policy towards the strategic and day-to-day management of the funds under its control and includes a description of its strategic objectives and the allocation of investments designed to achieve these objectives. It also includes the Trustee's policy statement in respect of Socially Responsible Investment and voting by active managers. The Statement is available to members at any time by written application to the Secretary to the Trustee.

6. Review of Investment and Performance

a) Market performance

The returns for the key benchmarks for the Plan were as follows:

	Year to March 2011
Liability-driven investment funds	+3%
Global equities	+7%
UK property	+9%
Short-term cash (benchmark for fund of hedge funds & currency)	+1%
UK index-linked gilts	+7%
Global corporate bonds – sterling hedged	+5%

b) Manager Performance

As stated in the section on Manager Structure some of the Plan's investments are managed actively, that is in funds which have a target to outperform the relevant benchmark index. All of the active funds held for the full financial year outperformed their benchmarks. The equity managers have a high return five year target and accordingly are expected to be volatile, and accordingly the Investment Committee will continue to closely monitor their performance.

c) Fund Return

In the year to 31 March 2011 the return on the Plan's investments was 5.0% which was 0.9% above the composite asset benchmark. This benchmark is the weighted average of the benchmarks for each of the investments held and so represents the outperformance through active management as described above.

Over the last three years the return has been 3.7% p.a. which was 0.6% below the composite benchmark.

7. Investment management expenses

Investment expenses amounted to £461,000 for the year compared to £411,000 in 2010:

	2011 £000	2010 £000
Investment consultant	250	207
Fees payable to investment managers	377	322
Rebates receivable from investment managers	(166)	(146)
Custody and investment accounting	0	28
	461	411

During the year investment managers' fees were mainly calculated on the average market value of each manager's portfolio. Management fees which were charged within a fund, rather than to the Plan, are not included in this amount but netted off the return of the respective fund. However in certain cases lower rates have been agreed with a manager than have been charged directly to the fund and these result in rebates as disclosed.

8. Additional Voluntary Contribution (AVC) Fund

The weighted average rate of return earned on the Prudential Assurance Company's deposit fund during the year was 0.5%. The interest calculated is paid annually.

The other Prudential option available, the With Profits Fund, is based upon individual accounts in a broad spread of investments with some smoothing of investment returns. The Prudential's Annual Bonus Declaration on the With Profits Fund for 31 March 2011 was 2.75%. The average annual yield for investments in this fund over the five-year period ended 31 December 2010 was 5.3%.

The performance of AVCs invested in the same funds as the DC section is set out in section 9 below.

9. DC section

The objectives as set out in the Statement of Investment Principles are to provide a range of investment options suitable to meet members' needs, by providing options that give members a reasonable expectation of:

- optimising the value of their assets at retirement, allowing for individual members' risk tolerances
- maintaining the purchasing power of their savings in real (i.e. post-inflation) terms
- providing protection for accumulated assets in the years approaching retirement against a sudden (downward) volatility in the capital value, and fluctuations in the cost of annuities whilst taking into account the impact that increased complexity may have on administration requirements and the overall cost of the arrangements.

Members are able to choose between a Lifestyle and a Freestyle option. Under the Lifestyle option the choice of investment funds is made for the member, whilst under the Freestyle option members make their own fund decisions. Most DC section members select the Lifestyle option which invests in the Passive 50:50 Global Equity fund until 10 years before retirement. As a result 67% of the DC section investments are in this fund.

The current DC section funds are listed below, together with the investment returns before fees for the years ending 31 March 2010 and 31 March 2011. The 2010 returns are a combination of the returns from the Investment Solutions funds up until November 2009, when the investments were transferred to equivalent funds managed by Blackrock Investment Management (UK) Ltd ("Blackrock"), and from the Blackrock funds thereafter.

Fund	Year to March 2010	Year to March 2011
Equities		
LGIM Global Equity (50/50) Index – Passive	+50.0%	+8.1%
Blackrock DC 50/50 Global Growth – Active	+52.5%	+10.1%
LGIM UK Equity Index – Passive	+55.8%	+8.8%
Blackrock DC UK Growth – Active	+57.1%	+11.6%
LGIM World (ex UK) Equity Index – Passive	+47.2%	+8.3%
Blackrock DC Overseas Equity – Active	+49.7%	+11.4%
LGIM Europe (ex UK) Equity Index – Passive	+48.6%	+7.4%
LGIM North America Equity Index – Passive	+46.4%	+9.6%
LGIM Japan Equity Index – Passive	+30.3%	-3.8%
LGIM Asia Pacific Equity Index – Passive	+75.8%	+14.8%
Bonds		
Blackrock DC Sterling Bond – Active	+24.8%	+5.9%
Blackrock DC Long Gilt – Passive	-0.7%	+7.0%
Blackrock DC Index-linked Gilt – Passive	+9.4%	+6.8%
Other		
Blackrock DC Property – Active	+17.3%	+7.6%
Blackrock DC Cash – Active	+ 0.6%	+0.7%
Blackrock DC Diversified Growth– Active	+2.9%	+8.4%

The returns are stated before fees which are paid by the Plan for active members except for AVCs where they are borne by the member. All the active funds except the Blackrock DC Property Fund outperformed their respective benchmarks in 2011.

The bond and property funds and the active equity funds are managed by Blackrock and all the passive equity funds are managed by Legal & General Investment Management.

10. Major Assets

The Plan's 10 largest holdings by value at 31 March 2011 are listed below:

	Market Value £m	% of Total Assets
1. Insight Liquidity Plus Fund	65.6	20.2
2. Schroders QEP Global Active Value Fund	30.6	9.5
3. MFS Global Equity Fund	30.6	9.5
4. PIMCO Global Investment Grade Credit Fund	20.5	6.3
5. Legal & General Money Market Fund	19.1	5.9
6. Jubilee Absolute Return Fund	17.9	5.5
7. Blackstone Partners Offshore Sterling Fund	17.5	5.4
8. Legal & General LIBOR Fund	14.8	4.6
9. Osiris Property Fund	10.8	3.3
10. Columbus UK Real Estate Fund	8.0	2.5

Investment Report (continued/….)

11. Employer-related Investments

The Pensions Act 1995 limits employer related investments to a maximum of 5% of the total value of the net assets of the Fund. Employer related investments are disclosed in note 18 to the Accounts of the Plan and are negligible.

Actuary's Report

The last full Actuarial Valuation of the Plan was undertaken as at 31 March 2009. The main funding objective of the Trustee Board was calculated on a basis using gilt yields less 0.5% p.a. On this basis, the Plan was 65% funded as at 31 March 2009, with a shortfall of £129m.

Over the year to 31 March 2010, the funding position had improved slightly due to the Plan's investment return being higher than expected and more than offsetting an increase in the long term outlook for price inflation. The estimated funding level at 31 March 2010 was 69%, corresponding to a shortfall of £124m.

The Trustee agreed with the Company that the shortfall of £124m at 31 March 2010 would be met by a combination of the Company making additional payments totalling at least £100m over the period up to 31 March 2017 (at least £30m of which will be paid by 31 July 2012), together with projected investment returns on the Plan's assets above those used to assess the liabilities.

Over the year to 31 March 2011, the funding position improved further largely due to a higher investment return than expected and the additional contributions the company paid in August 2010 and March 2011 totalling £19.3m. The estimated funding level at 31 March 2011 was 73%, corresponding to a shortfall of £112m.

In addition to the contributions towards the shortfall, the Company also pays regular contributions to the Plan as follows:

- 37.5% of annual earnings of members of the Defined Benefit (DB) Staff section;
- 53.8% of pensionable salaries of members in the DB Executive section.

The Company also pays contributions to members' personal accounts in respect of members of the Defined Contribution (DC) Section, together with 2½% of total Plan Pay of members of that section (3% for Executive DC members) to cover the cost of their death in service benefits, ill-health benefits and expenses.

An Actuarial Certificate has been provided by the Actuary and is incorporated in this Annual Report on page 32.

Gareth Edwards
Mercer Limited
Birmingham

Independent auditor's report to the Trustee of the InterContinental Hotels UK Pension Plan

We have audited the financial statements of the Intercontinental Hotels UK Pension Plan for the year ended 31 March 2011 which comprise the fund account, the net assets statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a body, in accordance with regulation 3 (c) of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Plan's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non- financial information in the Trustee's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 31 March 2011, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Ernst & Young LLP
Statutory Auditor
Birmingham
24 August 2011

The Financial Statements of the InterContinental Hotels UK Pension Plan

Fund Account – for the year ended 31 March 2011

	Note	2011 Defined Benefit Section £000	2011 Defined Contribution Section £000	2011 Total £000	2010 Total £000
Contributions					
Contributions receivable	*3*	23,997	3,124	27,121	8,818
Transfers in	*4*	9	136	145	96
Other income	*5*	115	12	127	145
		24,121	3,272	27,393	9,059
Benefits					
Benefits	*6*	6,642	40	6,682	7,036
Leavers	*7*	650	513	1,163	205
Life Insurance		68	0	68	61
Administration expenses	*8*	1,007	0	1,007	911
		8,367	553	8,920	8,213
Net additions from dealings with members		15,754	2,719	18,473	846
Returns on investments					
Investment income	*9*	1,244	0	1,244	470
Change in market value of investments	*10/11*	12,864	1,095	13,959	39,918
Investment management expenses	*14*	(461)	0	(461)	(411)
Net returns on investments		13,647	1,095	14,742	39,977
Net increase in the Fund during the year		29,401	3,814	33,215	40,823
Net assets of the Plan					
At 31 March 2010		279,214	11,304	290,518	249,695
Transfers between sections	*5*	519	(519)	0	0
At 31 March 2011		309,134	14,599	323,733	290,518

The Financial Statements of the InterContinental Hotels UK Pension Plan (continued/….)

Net Assets Statement – as at 31 March 2011

	Note	2011 £000	2010 £000
Defined Benefit Section			
Investments			
Financial assets	*10*	308,988	279,194
Current assets	*15*	884	673
Current liabilities	*16*	(738)	(653)
Net assets of Defined Benefit Section		309,134	279,214
Defined Contribution Section			
Assets designated to members			
Investments			
Financial assets	*11*	14,360	11,058
Current assets	*15*	239	246
Current liabilities	*16*	0	0
Net assets of Defined Contribution Section		14,599	11,304
Net assets of the Plan at 31 March 2011		323,733	290,518

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposition of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Trustee's Report and Actuary's certificate of the calculation of technical provisions on page 33 of this annual report, and these financial statements should be read in conjunction with them.

The financial statements were approved by the Trustee's Board on 24 August 2011. The accompanying notes form an integral part of these financial statements.

Signed on behalf of the Board:

……………………………………………… Director

……………………………………………… Director

Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007) ("SORP"), published by the Pensions Research Accountants Group.

2. Accounting policies

a) Investments

i) Pooled Investment Vehicles are valued either at the bid or single price provided by the relevant fund managers, which reflect the market value of the underlying investments.
ii) Investment management fees are accounted for on an accruals basis. Acquisition costs are included in the purchase cost of investments.
iii) Pooled investment vehicles attributable to DC members are valued at prices provided by the relevant fund managers, which reflect the market value of the underlying investments.

b) Investment Income

i) Income from pooled investment vehicles, cash and short term deposits is accounted for on an accruals basis.
ii) Income arising from individual annuity policies held by the Trustee and received by the Plan is included in investment income.

c) Foreign currencies

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

d) Change in market value of investments

Change in market value of investments comprises:-
i) investment income from pooled investment vehicles (e.g. unit trusts, open-ended investment companies) where this is accumulated within the value of units or automatically reinvested in additional units
ii) profits and losses on the sale of investments together with changes in market values of investments during the year
iii) profits and losses on the translation of foreign currency assets and liabilities.

e) Transfer values

Transfer values represent the value of pension benefits of members transferring to and from the Plan during the year. For groups of members these are included in the accounts from the date of transfer, or from the date of the relevant agreement, and for individual members on the basis of sums payable or receivable, which is when the member liability is accepted or discharged.

Transfer values for members are calculated and verified in accordance with the requirements of the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

f) Contributions

Contributions are accounted for on an accruals basis at rates agreed between the Trustee and Employer as set out in the Schedule of Contributions.

g) Benefits payable

Members can choose on retirement whether to take their benefits wholly as a pension or partially as a pension with a lump sum option. Pensions in payment are accounted for on an accruals basis. Lump sum payments are accounted for at the date an option is exercised.

h) Administration and investment expenses

Administration and investment expenses are accounted for on an accruals basis.

i) AVCs

With-profit policies have been included in the net assets statement at the value estimated by the provider. This valuation excludes terminal bonuses that are not guaranteed. With-profit policies are not marketable in the same manner as other investments. As a result the market value of insurance policies is not readily ascertainable. The approach used is consistent in so far as is practical with the mid-market approach adopted for other types of pension fund assets. Deposit AVCs have been included in the net assets statement at the value determined by the provider, which includes accrued income. The funds of DC AVC payers are invested in managed fund units (see a) iii) above).

j) Analysis between DB and DC sections

The financial statements analyse the transactions and net assets of the Plan between the Defined Benefit (DB) and Defined Contribution (DC) sections. Income, expenditure and investments reported within the DC section of the Fund Account and Net Assets Statement relate specifically to the DC section of the Plan. The DB section of the Financial Statements contains the remaining income, expenditure and investments of the Plan, including those which relate to the Plan as a whole and cannot be specifically allocated between the sections.

3. Contributions receivable

	DB section £000	DC section £000	2011 Total £000	2010 Total £000
From employers				
normal	3,912	1,516	5,428	6,557
deficit funding	19,229	0	19,229	0
DC scheme administration charge	0	507	507	448
augmentation	275	0	275	131
	23,416	2,023	25,439	7,136
From members				
normal	461	875	1,336	1,294
AVCs	120	226	346	388
	581	1,101	1,682	1,682
	23,997	3,124	27,121	8,818

Deficit funding contributions of £19,229,000 were received in the year to March 2011 in line with the Recovery Plan dated 30 July 2010, which sets out the contributions payable over the period to 2017. The 2011 deficit funding contributions comprised a fixed contribution of £10,000,000, a share of the proceeds from a hotel sale amounting to £4,906,000 and a payment relating to the Company's earnings performance in 2010 of £4,323,000.

The DC scheme administration charge covers both the costs of administering the DC scheme and DC member risk benefits.

4. Transfer values receivable

	DB section £000	DC section £000	2011 Total £000	2010 Total £000
Individual members	9	136	145	96

5. Other Income

	DB section £000	DC section £000	2011 Total £000	2010 Total £000
Age Related Rebates (from the Department for Work and Pensions)	115	0	115	134
Employers contributions retained	0	12	12	11
	115	12	127	145

Employers contributions retained arise where DC members have left the Plan but are not eligible to withdraw, and do not choose to transfer, employers' contributions in respect of their membership. These contributions, together with the DC administration charge of £507,000 as shown in note 3, have been retained for the benefit of all members and are shown as a transfer between sections, and total £519,000.

6. Benefits payable

	DB Section £000	DC Section £000	2011 Total £000	2010 Total £000
Retirement:				
Pensions	5,426	0	5,426	5,106
Commutations and lump sum retirement benefits	1,161	2	1,163	1,790
Purchase of annuities	0	38	38	134
	6,587	40	6,627	7,030
Death benefits:				
Life Assurance	14	0	14	0
Pension guarantee	22	0	22	2
Contributions repaid	19	0	19	4
	55	0	55	6
	6,642	40	6,682	7.036

7. Payments to and on account of leavers

	DB section £000	DC section £000	2010 Total £000	2011 Total £000
Refunds to members leaving service	0	23	23	22
Individual members transferring to approved schemes	650	490	1,140	183
	650	513	1,163	205

8. Administration expenses

The expenses of Plan administration are borne by the Plan. In the year to 31 March 2011, total costs were £1,007,000 compared to £911,000 in 2010. Benefits administration costs include £45,000 relating to the DC section.

The expenditure for the year may be analysed as follows:-

	2011 £000	2010 £000
Actuarial and legal fees	303	283
Company administration	281	261
Benefits administration	167	176
Pension Protection Fund levy	97	57
Trustee fees and expenses	71	63
Member communications & sundry costs	38	33
Audit fee	23	22
Trustee indemnity insurance	14	16
Review of type of life assurance cover and provider	13	0
	1,007	911

9. Investment Income

	2011 £000	2010 £000
Income from pooled investment vehicles	1,214	452
Interest on cash deposits	28	8
Annuity income	2	10
	1,244	470

Income from pooled investment vehicles increased significantly in 2011 as a result of dividends receivable on maturing LDI funds.

10. Investments: Financial assets and liabilities – Defined Benefit section

	Value at 31.3.2010 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31.3.2011 £000
Liability matching assets:					
- Interest rate	10,596	0	0	762	11,358
- Inflation rate	35,241	0	0	2,152	37,393
- Cash	100,293	10,582	(9,874)	1,621	102,622
Return seeking assets					
- Global equities	52,779	31,886	(26,879)	4,965	62,751
- Hedge funds	26,478	13,300	(2,527)	1,231	38,482
- Currency	4,285	0	0	13	4,298
- Property	10,729	7,728	0	316	18,773
Legacy assets					
- UK Index linked securities	6,952	0	0	504	7,456
- Fixed interest securities					
- Non Government	14,214	5,000	0	1,246	20,460
	261,567	68,496	(39,280)	12,810	303,593
AVC investments (note 11)	2,034	117	(66)	54	2,139
	263,601	68,613	(39,346)	12,864	305,732
Cash deposits (note 12)	7,638				3,185
Other financial assets(note 13)	7,955				71
TOTAL FINANCIAL ASSETS	279,194				308,988

There were no financial liabilities at the beginning, during, or at the end of, the year.

Pooled investment vehicles included in the above	Value at 31.3.2010 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31.3.2011 £000
Unit Trusts					
Global equities	40,077	5,186	(17,186)	2,554	30,631
Property	10,729	7,728	0	316	18,773
	50,806	12,914	(17,186)	2,870	49,404
Unitised Insurance Policies					
Cash	33,370	8,359	(8,359)	557	33,927
UK Index linked securities	6,952	0	0	504	7,456
	40,322	8,359	(8,359)	1,061	41,383
Managed Funds					
Liability matching assets:					
- Interest rate	10,596	0	0	762	11,358
- Inflation rate	35,241	0	0	2,152	37,393
- Cash	66,923	2,223	(1,515)	1,064	68,695
Global equities	12,702	26,700	(9,693)	2,411	32,120
Hedge funds	26,478	13,300	(2,527)	1,231	38,482
Currency	4,285	0	0	13	4,298
Fixed interest securities:					
- Non Government	14,214	5,000	0	1,246	20,460
	170,439	47,223	(13,735)	8,879	212,806
	261,567	68,496	(39,280)	12,810	303,593

The change in market value of investments comprises all increases and decreases in the market value of investments held at any time during the year, including all profits and losses realised on sales of investments during the year.

There were no transaction costs charged directly to the scheme during the year (2010: nil). Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Plan.

The Pooled Investment Vehicles are managed by companies registered in the UK, Luxembourg, the Republic of Ireland and the USA.

As described in section 4 of the Investment Report the Trustee gave notice of redemption as at 31 March 2009 on the investment in the Selectinvest fund of hedge funds, but due to the lack of liquidity in the underlying assets it may take several years before the full value is received. At 31 March 2011 this investment was valued at £3,091,000.

There also remained a cash claim valued at £1,540,000 outstanding from the GLG Performance (Institutional) Fund.

Commitments outstanding to the Columbus Real Estate Fund were £2,001,000 at 31 March 2011 and this is expected to be drawn down in 2011.

Holdings in excess of 5% of the Plan's net assets are disclosed in Section 10 of the Investment Report.

11. Investments: Additional Voluntary Contributions (AVCs) and Defined Contribution (DC) Section

The Trustee holds assets invested separately from the main fund, securing additional benefits on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movement in the year.

Investments purchased by the DC section of the Plan are designated to provide benefits to the individuals on whose behalf the corresponding contributions were paid. Accordingly the assets within the DC section of the net assets statement do not form a common pool of assets available for members generally. Members each receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights. Ordinary plan investments are in pooled investment vehicles which are UK-registered.

	Value at 1.4.2010 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31.3.2011 £000
DB section:					
AVC Investments	2,034	117	(66)	54	2,139
DC section:					
Ordinary Plan investments	10,267	2,492	(549)	1,017	13,227
AVC investments	791	268	(4)	78	1,133
Total DC section	11,058	2,760	(553)	1,095	14,360
	13,092	2,877	(619)	1,149	16,499

At the year end, the aggregate value of AVC investments was as follows:

	DB section £000	DC section £000	2011 Total £000	2010 Total £000
Prudential	1,684	0	1,684	1,615
Other investments closed to new members	312	0	312	304
Blackrock	143	1,133	1,276	906
	2,139	1,133	3,272	2,825

Annuity policies

In addition to the assets above the Trustee holds insurance policies with Prudential that secure the pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but as is permitted under current regulations and accounting practice, the Trustee Board has decided that these policies need not be valued in the Net Assets Statement and they are therefore included at nil value.

12. Cash deposits

	2011 £000	2010 £000
Scottish Widows deposit account	3,020	7,513
Lloyds current account	131	109
Insight cash account	34	16
	3,185	7,638

The cash held in the Scottish Widows deposit account is held awaiting the final drawdown by the Schroder Columbus Property fund.

13. Other financial assets

	2011 £000	2010 £000
Cash held by investment manager pending investment on 1 April 2011	0	7,935
Withholding tax due	47	19
Investment income due	24	1
	71	7,955

14. Investment management expenses

	2011 £000	2010 £000
Investment consultant	250	207
Fees payable to investment managers	377	322
Rebates receivable from investment managers	(166)	(146)
Custody and investment accounting	0	28
	461	411

15. Current assets

	DB section £000	DC section £000	2011 Total £000	2010 Total £000
Contributions due from Participating Companies	45	134	179	149
Contributions due from members: normal	34	76	110	100
AVCs	14	29	43	81
Cash balances	573	0	573	405
Other debtors	218	0	218	184
	884	239	1,123	919

Contributions due have been paid to the Plan subsequent to the year-end in accordance with the Schedule of Contributions, other than one payment of contributions totalling £375 which was paid 19 days late. Other debtors include age related rebates receivable from the Department for Work and Pensions of £117,000.

16. Current liabilities

	DB section £000	DC section £000	2011 Total £000	2010 Total £000
Unpaid benefits	3	0	3	3
Other creditors	735	0	735	650
	738	0	738	653

Other creditors include £467,000 payable to InterContinental Hotels Group PLC for expenses paid on the Plan's behalf (2010: £301,000), together with accrued expenses.

17. Related party transactions

The Trustee has an agreement with InterContinental Hotels Ltd, the immediate holding company of the sponsoring company, to provide administration services to the Trustee. For the year to 31st March 2011 the cost was £281,000 (2010 - £261,000).

Fees and expenses payable to Trustee directors of £71,000 were borne by the Plan (2010 - £63,000). The Plan has received employee contributions from Participating Companies in respect of Trustee directors and employees of the administrator who are also contributing members of the Plan, in accordance with Plan rules. Two Trustee directors received a pension from the Plan.

Stop–loss insurance cover for death in service was provided by White Shield Insurance Company Ltd, a subsidiary undertaking of InterContinental Hotels Group PLC, at a cost of £8,000 (2010 - £8,000).

18. Employer related investments

Apart from one instance of a late payment of contributions in the year amounting to £187 which was paid 19 days after the due date, there were no other employer-related investments.

Compliance Report

1. Changes to the Plan

There were no changes to the Plan during the year.

2. Tax Status

As stated in the Trustee's Report, the Plan is registered with HM Revenue & Customs under section 150(2) of the Finance Act 2004 and, to the Trustee's knowledge, there is no reason why such registration should be prejudiced or withdrawn.

3. Pension Increases

The normal increase for all pensions takes place on 1st October each year. Pensions earned before 6 April 2006, and all deferred pensions, in excess of any Guaranteed Minimum Pension (GMP) are guaranteed to increase in line with the rise in the Retail Prices Index (RPI) for the year to the preceding 31st May, up to a maximum of 5%. Pensions earned after 5 April 2006 are guaranteed to increase in line with the rise in the RPI up to a maximum of 2.5%. Furthermore, while not a binding commitment, it is the aim to pay additional increases equivalent to two-thirds of the amount by which the RPI movement exceeds the guaranteed rates.

The annual increase in the RPI over the year to May 2010 was 5.1%. The Company agreed to meet its' stated aim, which resulted in increased pensions in payment and deferred pensions in excess of any GMP from 1 October 2010 of 5.1% in respect of pensions earned before 6 April 2006 and 4.2% for pensions earned after that date. Increases in the GMP element are provided on a statutory basis, in line with the RPI movement, partly by the State Scheme.

4. Calculation of Transfer Values

The calculation method incorporates the stated aim of providing additional discretionary benefits where inflation exceeds 5% or 2.5% as described above.

The transfer values paid during the year were calculated and verified in accordance with the requirements of the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

5. Change in Actuary

David Coleman resigned as Plan actuary on 24 November 2010 and Gareth Edwards was appointed in his place on 26 November 2010. Both are employed by Mercer Ltd. Under the appropriate regulation, the retiring actuary has declared that he has considered whether there are any circumstances connected with his removal from the appointment which significantly affect the interests of current or prospective members and beneficiaries under the Plan and confirmed that he knows of no such circumstances.

Independent Auditor's Statement about Contributions to the Trustee of the Intercontinental Hotels UK Pension Plan

We have examined the summary of contributions to the Intercontinental Hotels UK Pension Plan in respect of the Plan year ended 31 March 2011 to which this statement is attached.

This statement is made solely to the Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or the opinion we have formed.

Respective responsibilities of Trustee and auditor

As described more fully in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Plan's Trustee are also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions.

Statement about contributions

In our opinion contributions for the Plan year ended 31 March 2011, as reported in the attached summary of contributions, have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the Plan actuary on 30 July 2010.

Ernst & Young LLP
Statutory Auditor
Birmingham
24 August 2011

InterContinental Hotels UK Pension Plan
Summary of Contributions payable during the year ended 31st March 2011

During the year ended 31st March 2011, the contributions payable to the scheme under the schedules of contributions were as follows:

	£000
Employer normal contributions	5,428
Employer special contributions - augmentations	275
Employer deficit funding contributions	19,229
Defined Contribution scheme administration charge paid by employer	507
Employee normal contributions	1,336
Total contributions under the schedule of contributions	26,775
Other contributions:	
Employee additional voluntary contributions	346
Total contributions per note 3 of the financial statements	27,121

Signed on behalf of the Trustee …………………………......... Director
24 August 2011

Certification of Schedule of Contributions

Name of Plan	InterContinental Hotels UK Pension Plan

Adequacy of rates of contributions

5. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective can be expected to be met by the end of the period specified in the Recovery Plan dated 30 July 2010.

Adherence to Statement of Funding Principles

6. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 30 July 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were to be wound-up.

Signature	D. Coleman
Scheme Actuary	DAVID COLEMAN
Date of signing	30 July 2010
Name of Company	Mercer Limited
Address	Four Brindleyplace, Birmingham B1 2JQ
Qualification	Fellow of the Institute of Actuaries

Certification

Certificate of technical provisions

Name of Plan	InterContinental Hotels UK Pension Plan

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Plan's Technical Provisions as at 31 March 2009 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Plan and set out in the Statement of Funding Principles dated 30 July 2010.

Signature	David Coleman
Name	David Coleman
Date of signing	30 July 2010
Address	Four Brindleyplace Birmingham B1 2JQ
Qualification	Fellow of the Institute of Actuaries