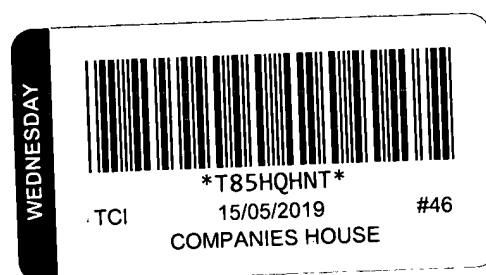


INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

COMPANY INFORMATION

DIRECTORS	M Cockcroft M Glover N Henfrey
COMPANY SECRETARY	F Cuttell
REGISTERED NUMBER	575108
REGISTERED OFFICE	Broadwater Park Denham Buckinghamshire UB9 5HR
INDEPENDENT AUDITOR	Ernst & Young LLP 2 St Peter's Square Manchester M2 3EY

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

CONTENTS

	Page
Strategic Report	v - 1
Directors' Report	2 - 4
Directors' Responsibilities Statement	5
Independent Auditor's Report	6 - 8
Income Statement	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 - 29

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL ACTIVITIES

InterContinental Hotels Group Services Company's (the "Company") principal activity is the provision of key strategic management and control services, and an administrative support function to fellow revenue generating subsidiary undertakings of the InterContinental Hotels Group (consisting of InterContinental Hotels Group PLC and its subsidiaries) (the "Group").

The majority of the Company's activities take place within the United Kingdom. During the year, the Company also operated a branch in Switzerland.

BUSINESS REVIEW

The Company makes charges in respect of the services provided by its employees to Group European management companies at a price which is based on the revenue of those companies (a resale minus approach) and to certain other Group undertakings at a price equal to its cost base plus a mark-up, and accordingly the results of the Company largely depend upon the revenue earned by the European management companies and the level of the Company's cost base. During the year, turnover increased from £154,551,000 in 2017 to £154,773,000 in 2018. Operating profit increased from £11,559,000 in 2017 to £14,928,000 in 2018, primarily due to additional mark-up earned on transactions with Group undertakings, including the impact of foreign exchange gains of £127,000 (2017: net of loss of £418,000) and costs of £6,498,000 relating to a Group-wide restructuring programme (2017: £1,929,000).

On 1 January 2019, the majority of the trade and assets of the Company were transferred to IHG Hotels Limited, another Group undertaking, at book value, realising a profit on disposal of £nil. The Company continues to operate its Swiss branch.

The cost base of the administrative support function is not monitored on an individual legal entity basis but is measured on a Group-wide basis as part of the overall overhead structure of the Group. As a consequence, key performance indicators are not used by the Company to monitor business performance.

PRINCIPAL RISKS AND UNCERTAINTIES

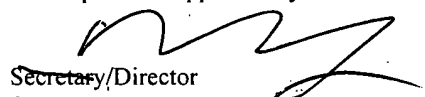
The Company is reliant on the reputation of the InterContinental Hotels group (consisting of InterContinental Hotels Group PLC and its subsidiaries) (the "Group") brands and the protection of its intellectual property rights. Any event that materially damages the reputation of one or more of the Group's brands and/or failure to sustain the appeal of the Group's brands to its customers may have an adverse impact of the value on the brand and subsequent revenues from that brand or operation.

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

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

The Group's treasury function seeks to reduce the financial risk of the Group and manages liquidity to meet all foreseeable cash needs. The primary financial risks that are managed by treasury are exchange rate risk, interest rate risk, liquidity risk and credit risk. Full disclosure of the Group's treasury management policies and the risk profile of the Group are set out in the consolidated financial statements of InterContinental Hotels Group PLC which are prepared under International Financial Reporting Standards.

This report was approved by the Board and signed on its behalf by:


Secretary/Director

Date:

Nicolette Henfrey

23 APR 2019

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £11,349,000 (2017: £9,307,000).

The directors do not propose a dividend for the year ended 31 December 2018 (2017: £nil).

DIRECTORS

The directors who served during the year and since the year end were:

M Cockcroft
M Glover
N Henfrey

FUTURE DEVELOPMENTS

With effect from 1 January 2019, the Company will cease providing management services to the Group. The Company will operate as a financing company and also continue to operate its Swiss branch.

The directors view the results as satisfactory, as are the future prospects of the Company.

GOING CONCERN

The Company operates its activities in conjunction with other companies within the Group and therefore relies on the Group for its continued existence. The ultimate parent undertaking, InterContinental Hotels Group PLC, intends to make funds available to the Company to enable it to meet its debts as they fall due for a period of at least 12 months from the date of approval of the financial statements.

An overview of the business activities of the Group, including a review of the key business risks that the Group faces, is given in the Strategic Report in the InterContinental Hotels Group PLC Annual Report and Form 20-F 2018. Information on the Group's treasury management policies, including information on covenants and debt facilities; processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to liquidity risk and credit risk is also given in the Annual Report and Form 20-F 2018. In November 2018, the Group issued a €500m bond which matures in May 2027.

At the end of 2018, the Group was trading significantly within its banking covenants and debt facilities.

The Group's fee-based model and wide geographic spread mean that it is well placed to manage through uncertain times, and our forecasts and sensitivity projections, based on a range of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the financial statements.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

EMPLOYMENT POLICIES

The employment policies of the Company embody the principles of equal opportunity and are tailored to meet the needs of the Company and the areas in which it operates. This includes suitable procedures to support the Company's policy that individuals should not be discriminated against on the basis of race, disability, age, gender, sexuality or religion and that they should be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

The Company recognises the value of employee involvement in effective communications and the need for their contribution to decision making on matters affecting their jobs. To achieve employee involvement at the most relevant level, the Company has its own framework for consultation and information, having regard to the mix and location of its employee population. Management and employees have a joint responsibility for maintaining a regular dialogue on matters of local significance and on those issues that affect them. It is the Company's policy to communicate information on corporate issues, including financial information through employee reports and the corporate intranet site which provides continuous access to information about people, policies and news across all hotels, corporate offices and reservations centres in the Group.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

EVENTS SINCE THE END OF THE YEAR

On 1 January 2019, the Company sold its UK trade and assets to IHG Hotels Limited, its immediate parent company, for consideration equal to the book value of the assets transferred. The Company continues to operate its Swiss branch.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

AUDITOR

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

In accordance with the Companies Act 2006 Section 414C(11), the disclosure of principal risks and uncertainties has been included in the Strategic Report.

This report was approved by the Board and signed on its behalf by:



Nicolette Henfrey

~~Secretary~~/Director
Date:

23 APR 2019

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

OPINION

We have audited the financial statements of InterContinental Hotels Group Services Company (the 'Company') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

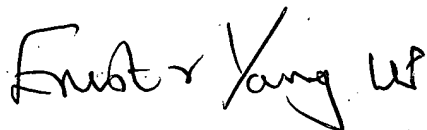
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julian Yates (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Date:

29 April 2019

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

		<i>Continuing operations</i>	<i>Discontinued operations</i>	<i>Total</i>	<i>Continuing operations</i>	<i>Discontinued operations</i>	<i>Restated *</i>
	<i>Note</i>	<i>2018</i>	<i>2018</i>	<i>2018</i>	<i>2017</i>	<i>2017</i>	<i>Total</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revenue	3	1,458	153,315	154,773	1,125	153,426	154,551
Administrative expenses		(1,476)	(138,369)	(139,845)	(877)	(142,115)	(142,992)
Operating profit/(loss)	4	(18)	14,946	14,928	248	11,311	11,559
Interest receivable	8	398	-	398	119	-	119
Profit before taxation		380	14,946	15,326	367	11,311	11,678
Taxation	9	(76)	(3,901)	(3,977)	(71)	(2,300)	(2,371)
Profit for the year		304	11,045	11,349	296	9,011	9,307

There were no recognised gains and losses for 2018 or 2017 other than those included in the Income Statement.

The notes on pages 12 to 29 form part of these financial statements.

* Restated for the adoption of IFRS 15 (see note 2).


INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY
REGISTERED NUMBER:575108

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	<i>Note</i>	<i>2018</i> <i>£000</i>	<i>2017</i> <i>£000</i>
Fixed assets			
Intangible assets	10	1,311	1,635
Tangible assets	11	4,109	5,411
		<u>5,420</u>	<u>7,046</u>
Current assets			
Debtors	12	137,140	119,924
Cash at bank		948	529
		<u>138,088</u>	<u>120,453</u>
Creditors: Amounts falling due within one year	13	(31,636)	(28,368)
Net current assets		<u>106,452</u>	<u>92,085</u>
Net assets		<u><u>111,872</u></u>	<u><u>99,131</u></u>
Capital and reserves			
Called up share capital	15	482	482
Share premium account	16	81,469	81,469
Profit and loss account		29,921	17,180
		<u>111,872</u>	<u>99,131</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Director
Date:


Nicolette Henfrey
23 APR 2019

The notes on pages 12 to 29 form part of these financial statements:

Included within net assets are the following assets and liabilities related to items classified as held for sale (note 18).

	<i>2018</i> <i>£000</i>	<i>2017</i> <i>£000</i>
Assets classified as held for sale	142,458	-
Liabilities classified as held for sale	(29,926)	-
	<u>112,532</u>	<u>-</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Called up share capital</i> £000	<i>Share premium</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 1 January 2017	482	81,469	6,400	88,351
Profit for the year	-	-	9,307	9,307
Equity-settled share-based payments cost	-	-	880	880
Tax related to share schemes	-	-	593	593
At 1 January 2018	482	81,469	17,180	99,131
Profit for the year	-	-	11,349	11,349
Equity-settled share-based payments cost	-	-	1,378	1,378
Tax related to share schemes	-	-	14	14
At 31 December 2018	482	81,469	29,921	111,872

The notes on pages 12 to 29 form part of these financial statements.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

1.1 STATEMENT OF COMPLIANCE WITH FRS 101

The Company is incorporated and domiciled in England and Wales.

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

The Company's ultimate parent undertaking, InterContinental Hotels Group PLC includes the Company in its consolidated financial statements. The consolidated financial statements of InterContinental Hotels Group PLC are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are publicly available and may be obtained from the address given in note 22.

1.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with FRS 101, as applied in accordance with the provisions of the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU.

The following disclosures have not been provided as permitted by FRS 101:

- a Cash Flow Statement and related notes as required by IAS 7 'Statement of Cash Flows';
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets as required by IAS 1 'Presentation of Financial Statements';
- disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- the effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- a statement of financial position as at the beginning of the earliest comparative period following a retrospective change in accounting policy as required by paragraph 10(f) of IAS 1 'Presentation of Financial Statements';
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'; and
- disclosures in respect of the compensation of Key Management Personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

As the consolidated financial statements of InterContinental Hotels Group PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' in respect of group settled share-based payments; and
- the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.3 GOING CONCERN

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

1.4 REVENUE RECOGNITION

Revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

Service charges

Revenue comprises amounts charged to fellow Group undertakings for the provision of management and administrative services and is recorded net of discounts and Value Added Tax. The amount charged to Group European management companies is based on the revenue of those companies (a resale minus approach), whereas the amount charged for the provision of all other management and administrative services is equal to the cost of the goods and services transacted by the Company plus a mark-up, except in the case of recharges of services originally incurred by other Group undertakings where no mark-up is charged.

The Company is deemed to be principal in the provision of these services and revenue is therefore recorded gross in the Income Statement.

Cost reimbursements

In a managed property, the Company acts as employer of the general manager and certain other employees at the hotel and is entitled to reimbursement of these costs. The performance obligation is satisfied over time as the employees perform their duties, consistent with when reimbursement is received. Reimbursements for these services are shown as revenue with an equal matching employee cost, with no profit impact. Certain other costs relating to both managed and franchised hotels are also contractually reimbursable to the Company and, where the Company is deemed to be acting as principal in the provision of the related services, the revenue and cost are shown on a gross basis.

1.5 INTANGIBLE ASSETS

Software acquired by the Company is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of software, which are estimated to be between three and five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date.

1.6 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of tangible fixed assets, which comprise fixtures, fittings and equipment, with estimated useful lives of between three and fifteen years. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

1.7 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable and expected to complete within one year. For a sale to be highly probable, management need to be committed to a plan to sell the assets and liabilities.

Assets and liabilities designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

1.8 OPERATING LEASES

Operating lease rentals are charged to the Income Statement on a straight-line basis over the term of the lease.

1.9 NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise financial assets, trade and other creditors and amounts owed to Group undertakings.

Financial assets

Financial assets include trade debtors, other debtors and amounts owed by Group undertakings.

Policy from 1 January 2018

Financial assets are recorded at their original amount less provision for expected credit losses. The Company has elected to apply the simplified version of the expected credit loss model permitted by IFRS 9 in respect of financial assets, which involves assessing lifetime expected credit losses on all balances. The carrying amount of the receivable is reduced through the use of a provision account and movements in the provision are recognised in the Income Statement within administrative expenses.

Policy prior to 1 January 2018

Trade and other debtors are recorded at their original amount less provision for impairment. It is the Company's policy to provide for 100% of the previous month's aged receivables balances which are more than 180 days past due. Adjustments to the policy may be made due to specific or exceptional circumstances.

Trade and other creditors

Trade and other creditors are non-interest bearing and are stated at their nominal value.

Amounts owed to Group undertakings

Amounts owed to Group undertakings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.10 FOREIGN CURRENCY

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the relevant rates of exchange ruling on the last day of the period. Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.11 SHARE-BASED PAYMENTS

The Company rewards certain employees of the Company by awarding InterContinental Hotels Group PLC shares as part of their remuneration.

Where the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated financial statements of the parent, the Company also accounts for these share-based payments as equity-settled.

The cost of equity-settled transactions with employees is measured by reference to fair value at the date at which the right to the shares is granted. Fair value is determined by an external valuer using option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The Income Statement charge for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

1.12 PENSIONS - DEFINED CONTRIBUTION PLAN

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and for which it has no legal or constructive obligation to pay further amounts. Payments to defined contribution schemes are charged to the Income Statement as they fall due.

1.13 INTEREST RECEIVABLE

Interest receivable is recognised in the Income Statement as it accrues, using the effective interest rate method.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.14 TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities, including interest. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

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

Deferred tax

Deferred tax assets and liabilities are recognised in respect of temporary differences between the tax base and carrying value of assets and liabilities.

Judgement is used when assessing the extent to which deferred tax assets, particularly in respect of tax losses, should be recognised. Deferred tax assets are therefore recognised to the extent that it is regarded as probable that there will be sufficient and suitable taxable profits (including the future release of deferred tax liabilities) against which such assets can be utilised in the future. For this purpose, forecasts of future taxable profits are considered by assessing the Group's forecast revenue and profit models, taking into account future growth predictions and operating cost assumptions. Accordingly, changes in assumptions to the Group's forecasts may have an impact on the amount of future taxable profits and therefore the period over which any deferred tax assets might be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which the asset or liability will be settled, based on rates enacted or substantively enacted at the end of the reporting period.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. IMPACT OF NEW ACCOUNTING STANDARDS

IFRS 15 'Revenue from Contracts with Customers'

With effect from 1 January 2018, the Company has adopted IFRS 15 'Revenue from Contracts with Customers' which introduces a new five-step approach to measuring and recognising revenue from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 has replaced IAS 18 'Revenue'.

The Company has elected to apply the full retrospective method in adopting IFRS 15.

Key changes resulting from the adoption of IFRS 15 are as follows:

Under IFRS 15, the provision of support services is considered to be a single performance obligation, for which the Company controls the service and hence is considered to be acting as principal. Consequently, service charges are recognised on a gross basis in the Company's Income Statement. Under IAS 18, certain service charges were reported on a net basis. This change increased 2017 revenue and administrative expenses by £8,081,000, with no net impact on operating profit.

Other adjustments, which are immaterial, include re-assessments of the Company's role as principal in other revenue transactions. These changes increased 2017 revenue and expense by £1,434,000, with no profit impact.

The following table summarises the impact of adopting IFRS 15 on the Company's results for the year ended 31 December 2017.

	<i>2017 Continuing operations as originally presented £000</i>	<i>2017 Continuing operations impact of IFRS 15 £000</i>	<i>2017 Continuing operations as restated £000</i>	<i>2017 Discontinued operations as originally presented £000</i>	<i>2017 Discontinued operations impact of IFRS 15 £000</i>	<i>2017 Discontinued operations as restated £000</i>
Revenue	1,465	(340)	1,125	143,571	9,855	153,426
Administrative expenses	(1,217)	340	(877)	(132,260)	(9,855)	(142,115)
Operating profit	248	-	248	11,311	-	11,311
Interest receivable	119	-	119	-	-	-
Profit before taxation	367	-	367	11,311	-	11,311
Taxation	(71)	-	(71)	(2,300)	-	(2,300)
Profit for the year	296	-	296	9,011	-	9,011

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. IMPACT OF NEW ACCOUNTING STANDARDS (CONTINUED)

IFRS 9 'Financial Instruments'

With effect from 1 January 2018, the Company has adopted IFRS 9 'Financial Instruments'. IFRS 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment and hedge accounting.

There has been no impact on the Company's financial statements as a result of adopting IFRS 9.

3. REVENUE

Revenue primarily comprises fees arising from the provision of administrative services to a number of Group undertakings (excluding VAT and similar taxes and trade discounts).

	2018 £000	2017 £000
Analysis of revenue by country of destination:		
United Kingdom	67,451	70,968
Americas	77,805	74,673
Rest of the world	9,517	8,910
	<u>154,773</u>	<u>154,551</u>

	2018 Continuing £000	2018 Discontinued £000	2017 Continuing £000	2017 Discontinued £000
Analysis of revenue by class of business:				
Provision of management and administrative services	131	150,325	546	151,652
Reimbursements	1,327	2,990	579	1,774
	<u>1,458</u>	<u>153,315</u>	<u>1,125</u>	<u>153,426</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. REVENUE (CONTINUED)

The following table presents information about debtors and amounts owed by Group undertakings:

	2018 £000	2017 £000
Trade debtors	1,019	962
Amounts owed by Group undertakings	42,498	38,176
	<u>43,517</u>	<u>39,138</u>

Trade debtors and amounts owed by Group undertakings are recorded when the Company has issued an invoice and has an unconditional right to receive payment. The invoice is typically issued as the related performance obligations are satisfied, as described on page 13.

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Depreciation of tangible fixed assets	1,565	1,644
Amortisation of intangible assets	456	294
Impairment of trade debtors	25	97
Operating lease rentals - plant and machinery	501	689
Operating lease rentals - other	2,411	2,829
Exchange differences	<u>(127)</u>	<u>418</u>

The Company also incurred costs of £6,498,000 relating to a Group-wide restructuring programme (2017: £1,929,000).

5. AUDITOR'S REMUNERATION

The Company incurred auditor's remuneration of £11,000 (2017: £11,000) which has been borne by a fellow Group undertaking in the current and preceding year.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

6. EMPLOYEES

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	44,843	45,331
Social security costs	4,732	4,376
Other pension costs	2,950	2,870
	<u>52,525</u>	<u>52,577</u>

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

	2018 No.	2017 No.
Administrative support	<u>529</u>	<u>568</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. DIRECTORS' REMUNERATION

	2018 £000	2017 £000
Directors' emoluments	1,852	2,245
Amounts receivable under long-term incentive schemes	486	930
Company contributions to defined contribution pension schemes	55	45
Compensation for loss of office	-	288
	<u>2,393</u>	<u>3,508</u>

During the year, retirement benefits were accruing to 2 directors (2017: 3) in respect of defined contribution pension schemes.

No directors exercised share options during the current or prior year.

The number of directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes was 3 (2017: 6).

The highest paid director received basic salary, performance payment and benefits of £1,052,000 (2017: £1,029,000) and company contributions to defined contribution pension schemes of £47,000 (2017: £37,000). The highest paid director received shares under the Group's long-term incentive schemes and did not exercise any share options during the year.

The directors of the Company are also directors of other subsidiary undertakings within the Group. The directors received total remuneration as noted above, all of which was paid by another Group company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of other Group undertakings.

8. INTEREST RECEIVABLE

	2018 £000	2017 £000
Interest receivable from Group undertakings	<u>398</u>	<u>119</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. TAXATION

	2018 £000	2017 £000
Corporation tax		
Current tax on profit for the year	1,855	3,962
Adjustment in respect of prior periods	151	(45)
Total current tax	<u>2,006</u>	<u>3,917</u>
Deferred tax		
Origination and reversal of temporary differences	1,155	(1,507)
Changes in tax rates	-	23
Adjustment to estimated recoverable deferred tax assets	425	(15)
Adjustment in respect of prior periods	391	(47)
Total deferred tax	<u>1,971</u>	<u>(1,546)</u>
Total tax charge for the year	<u><u>3,977</u></u>	<u><u>2,371</u></u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. TAXATION (CONTINUED)**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2017: higher than) the effective standard rate of corporation tax in the UK of 19% (2017: 19.25%) for the year ended 31 December 2018. The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	15,326	11,678
Profit on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 19% (2017: 19.25%)	2,912	2,248
Effects of:		
Expenses not deductible for tax purposes	98	321
Adjustments to estimated recoverable deferred tax assets	425	(15)
Changes in tax rates	-	23
Other temporary differences	-	(114)
Adjustment in respect of prior periods	542	(92)
Total tax charge for the year.	3,977	2,371

The tax charge comprises tax on continuing operations of £76,000 (2017: £71,000) and tax on discontinued operations of £3,901,000 (2017: £2,300,000).

FACTORS THAT MAY AFFECT FUTURE TAX CHARGE

On 1 January 2019, the Company sold its UK trade and assets to IHG Hotels Limited, its immediate parent company, for consideration equal to the book value of the assets transferred. No tax will arise on the transfer. The Company continues to operate its Swiss branch.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. INTANGIBLE ASSETS

	<i>Software</i> <i>£000</i>
Cost	
At 1 January 2018	2,529
Additions	274
Transfers to another Group undertaking	(99)
Fully amortised written-off	(257)
Disposals	(43)
At 31 December 2018	<u>2,404</u>
Amortisation	
At 1 January 2018	894
Charge for the year	456
Fully amortised written-off	(257)
At 31 December 2018	<u>1,093</u>
Net book value	
At 31 December 2018	<u><u>1,311</u></u>
At 31 December 2017	<u><u>1,635</u></u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. TANGIBLE FIXED ASSETS

	<i>Fixtures, furniture and equipment £000</i>
Cost	
At 1 January 2018	14,269
Additions	266
Fully depreciated assets written-off	(9,065)
Disposals	(36)
At 31 December 2018	5,434
Depreciation	
At 1 January 2018	8,858
Charge for the year	1,565
Fully depreciated assets written-off	(9,065)
Disposals	(33)
At 31 December 2018	1,325
Net book value	
At 31 December 2018	4,109
At 31 December 2017	5,411

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. DEBTORS

	2018 £000	2017 £000
Due after more than one year		
Deferred tax asset (note 14)	4,372	6,733
Due within one year		
Trade debtors	1,019	962
Amounts owed by Group undertakings	126,555	107,023
Other debtors	3,387	2,443
Prepayments and accrued income	1,807	1,418
Corporation tax	-	1,345
	<u>137,140</u>	<u>119,924</u>

Trade debtors are stated after provisions for impairment of £358,000 (2017: £378,000).

Amounts owed by Group undertakings are unsecured, interest-bearing, have no fixed date of repayment and are repayable on demand.

13. CREDITORS: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	8,120	6,107
Amounts owed to group undertakings	6,647	5,981
Corporation tax	1,367	1,727
Other creditors	250	79
Accruals and deferred income	15,252	14,474
	<u>31,636</u>	<u>28,368</u>

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. DEFERRED TAX ASSET

The deferred tax balance is comprised as follows:

	<i>Fixed assets £000</i>	<i>Share based payments £000</i>	<i>Expenses incurred deductible in a later period £000</i>	<i>Other temporary differences £000</i>	<i>Total £000</i>
At 1 January 2018	4,607	1,041	824	261	6,733
Income Statement	(1,168)	182	(824)	(161)	(1,971)
Statement of Changes in Equity	-	(390)	-	-	(390)
At 31 December 2018	3,439	833	-	100	4,372

The deferred tax assets are recognised on the basis of an expectation of sufficient future profits within the Group against which the future reversal of temporary differences may be deducted.

At 31 December 2018, the Company had no unrecognised deferred tax assets.

15. SHARE CAPITAL

	<i>2018 £000</i>	<i>2017 £000</i>
Allotted, called up and fully paid		
481,601 Ordinary shares of £1 each	482	482

The Company no longer has an authorised share capital.

16. RESERVES

Share premium account

The balance classified as share premium relates to the aggregate net proceeds less nominal value of shares on issue of the Company's equity share capital.

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. SHARE-BASED PAYMENTS

The Company rewards certain of its employees by awarding InterContinental Hotels Group PLC ("IHG") shares as part of their remuneration. The Company recognised a cost of £1,378,000 (2017: £880,000) in operating profit related to these equity-settled share-based payment transactions during the year.

The Group operates the Annual Performance Plan ("APP") and Long Term Incentive Plan (including performance-related awards and restricted stock units), details of which can be found in the consolidated financial statements of InterContinental Hotels Group PLC, which are available from the address given in note 22.

The weighted average share price at the date of exercise of share awards vested during the year was £45.86 (2017: £38.04).

The share awards outstanding at the year end have a weighted average contractual life of 1.0 years (2017: 1.0 years) for the APP scheme, 0.5 years (2017: 0.4 years) for performance-related awards and 1.1 years (2017: 1.6 years) for restricted stock units.

18. DISCONTINUED OPERATION

On 8 October 2018, the Board announced its decision to sell the UK trade and assets of the Company to IHG Hotels Limited, its immediate parent company, with effect from 1 January 2019 (see note 21), for consideration equal to the net book value of the assets transferred.

At 31 December 2018, the major classes of assets and liabilities to be sold are as follows:

	£000
Disposal proceeds	112,532
Assets	
Intangible assets	1,311
Tangible fixed assets	4,109
Deferred tax	4,372
Debtors	132,166
Cash	500
Assets held for sale	142,458
Liabilities	
Creditors	(29,926)
Net assets held for sale	112,532
Profit on disposal	-

INTERCONTINENTAL HOTELS GROUP SERVICES COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19. CAPITAL COMMITMENTS

At 31 December 2018 the Company had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	1,777	955

20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	2,493	2,693
Later than 1 year and not later than 5 years	6,012	8,476
Total	8,505	11,169

21. EVENTS SINCE THE END OF THE YEAR

On 1 January 2019, the Company sold its UK trade and assets to IHG Hotels Limited, its immediate parent company, for consideration equal to the book value of the assets transferred. The Company continues to operate its Swiss branch.

22. CONTROLLING PARTY

As at 31 December 2018, InterContinental Hotels Group PLC, a company incorporated and registered in England and Wales, was the ultimate parent undertaking and controlling party of the Company. The registered office of the ultimate parent undertaking is Broadwater Park, Denham, Buckinghamshire, UB9 5HR.

The largest and smallest group in which the results of the Company are consolidated is that headed by InterContinental Hotels Group PLC. Consolidated financial statements of InterContinental Hotels Group PLC are available from the following address:

Companies House, Crown Way, Cardiff, CF14 3UZ.

The immediate parent undertaking is IHG Hotels Limited, a company registered in England and Wales. The registered office of the immediate parent undertaking is Broadwater Park, Denham, Buckinghamshire, UB9 5HR.