

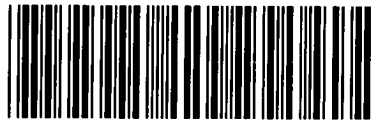
Registered number: 3130330

IHG HOTELS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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COMPANIES HOUSE

IHG HOTELS LIMITED

COMPANY INFORMATION

DIRECTORS

M Cockcroft
N Henfrey
D Llewellyn
G Turner
H Wood

COMPANY SECRETARY

F Cuttell

REGISTERED NUMBER

3130330

REGISTERED OFFICE

Broadwater Park
Denham
Buckinghamshire
UB9 5HR

INDEPENDENT AUDITOR

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3EY

IHG HOTELS LIMITED

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IHG HOTELS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL ACTIVITIES

IHG Hotels Limited (the "Company") is the regional franchisor for hotels operating under the InterContinental Hotels group's (consisting of InterContinental Hotels Group PLC. and its subsidiaries) (the "Group") brand names (InterContinental® Hotels & Resorts, Crowne Plaza® Hotels & Resorts, Hotel Indigo®, Holiday Inn®, Holiday Inn Express®, Staybridge Suites® and Kimpton®) in Europe and Africa. In addition, the Company is engaged in the management of a number of hotels operating under these brands in the United Kingdom. The Company also acts as an investment holding company. It is the intention of the directors that the Company will continue operating in these capacities.

BUSINESS REVIEW

	2018	2017
	£000	£000
Revenue	120,090	106,804*
Operating profit	36,600	36,122
Profit after tax	31,119	31,456
Shareholders' funds	520,885	489,766

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

The Company holds the intellectual property of the Group for Europe and Africa. The largest portion of rooms is operated under the franchise business model and consequently the Company generates the largest part of its revenues from franchise fees.

During 2018, the Company earned total revenue of £120,090,000 (2017 restated: £106,804,000). The growth in revenue was mainly due to increased franchise fees and liquidated damages. Operating profit increased by £478,000, held back by costs associated with a business acquisition and reduced foreign exchange gains.

IHG HOTELS LIMITED

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is reliant on the reputation of the Group 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 on the value of that brand and subsequent revenues from that brand or operation.

The Company is exposed to a variety of risks related to identifying, securing and retaining franchise and management agreements.

The Company is exposed to the risk 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:

Director/Secretary

Nicolette Henfrey

Date:


17 SEP 2019

IHG HOTELS LIMITED

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 £31,119,000 (2017: £31,456,000).

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 (resigned 31 July 2019)
N Henfrey
D Llewellyn (appointed 22 January 2018)
G Turner
H Wood (appointed 31 July 2019)

FUTURE DEVELOPMENTS

It is the intention of the directors that the Company will continue to operate as the Europe and Africa regional franchisor and as an investment holding company for the foreseeable future. In addition, with effect from 1 January 2019, the Company will provide key strategic management and control services to fellow Group revenue generating subsidiary undertakings.

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.

IHG HOTELS LIMITED

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 the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the 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 acquired the UK trade and assets of its subsidiary undertaking, InterContinental Hotels Group Services Company for consideration of £112,532,000.

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



Director/Secretary
Date:

17 SEP 2019

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 to 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 IHG HOTELS LIMITED

OPINION

We have audited the financial statements of IHG Hotels Limited (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 23, 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 auditor's responsibilities for the audit of the financial statements section of our report below. 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 IHG HOTELS LIMITED (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 our 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 this 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 or 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IHG HOTELS LIMITED (CONTINUED)

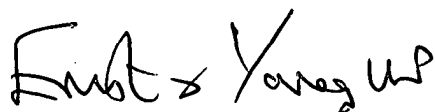
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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: 18/9/19

IHG HOTELS LIMITED

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

		2018	Restated *
	Note	£000	2017 £000
Revenue	4	120,090	106,804
Administrative expenses		(83,490)	(70,682)
Operating profit	5	<u>36,600</u>	<u>36,122</u>
Reversal of impairment of fixed asset investments		-	517
Interest receivable and other income	8	2,535	1,955
Interest payable and similar expenses	9	(114)	(39)
Profit before taxation		<u>39,021</u>	<u>38,555</u>
Taxation	10	(7,902)	(7,099)
Profit for the year		<u><u>31,119</u></u>	<u><u>31,456</u></u>

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

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

The notes on pages 12 to 34 form part of these financial statements.

All amounts relate to continuing operations.

IHG HOTELS LIMITED
REGISTERED NUMBER:3130330

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	<i>Note</i>	<i>2018</i> <i>£000</i>	<i>Restated *</i> <i>2017</i> <i>£000</i>
Fixed assets			
Intangible assets	11	277,892	277,803
Investments	12	61,547	61,547
		<u>339,439</u>	<u>339,350</u>
Current assets			
Debtors: amounts falling due after more than one year	13	56,070	46,679
Debtors: amounts falling due within one year	13	148,418	142,653
Cash at bank		15,357	6,217
		<u>219,845</u>	<u>195,549</u>
Creditors: Amounts falling due within one year	14	(26,240)	(35,259)
Net current assets		<u>193,605</u>	<u>160,290</u>
Total assets less current liabilities		<u>533,044</u>	<u>499,640</u>
Creditors: Amounts falling due after more than one year	15	(1,148)	-
		<u>531,896</u>	<u>499,640</u>
Deferred tax	16	(11,011)	(9,874)
Net assets		<u><u>520,885</u></u>	<u><u>489,766</u></u>
Capital and reserves			
Called up share capital	17	50,797	50,797
Share premium account	18	306,752	306,752
Profit and loss account		163,336	132,217
Total equity		<u><u>520,885</u></u>	<u><u>489,766</u></u>

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

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

Nicolette Henfrey

Director

Date:

17 SEP 2019

The notes on pages 12 to 34 form part of these financial statements.

IHG HOTELS LIMITED

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

	<i>Called up share capital</i> £000	<i>Share premium account</i> £000	<i>Profit and loss account</i> £000	<i>Total equity</i> £000
At 1 January 2017	50,797	306,752	100,761	458,310
Profit for the year	-	-	31,456	31,456
At 1 January 2018	50,797	306,752	132,217	489,766
Profit for the year	-	-	31,119	31,119
At 31 December 2018	50,797	306,752	163,336	520,885

The notes on pages 12 to 34 form part of these financial statements.

**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 is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly owned subsidiary of InterContinental Hotels Group PLC, which prepares consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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 21.

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 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'.

IHG HOTELS LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)**1.2 BASIS OF PREPARATION (CONTINUED)**

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 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.

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.

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

1. ACCOUNTING POLICIES (CONTINUED)

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.

Fee business revenue

Under franchise agreements, the Company's performance obligation is to provide a licence to use IHG's trademarks and other intellectual property. Franchise royalty fees are typically charged as a percentage of hotels gross rooms revenues and are treated as variable consideration, recognised as the underlying hotel revenues occur.

Under management agreements, the Company's performance obligation is to provide hotel management services and a licence to use IHG's trademarks and other intellectual property. Base management and incentive fees are typically charged. Base management fees are typically a percentage of total hotel revenues and incentive management fees are generally based on the hotel's profitability or cash flows. Both are treated as variable consideration. Like franchise fees, base management fees are recognised as the underlying hotel revenues occur. Incentive management fees are recognised over time when it is considered highly probable that the related performance criteria will be met, provided there is no expectation of a subsequent reversal of revenue.

Service charges

This 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.

The Company also acts as agent for certain services provided by other Group undertakings. Revenue is only recognised to the extent of any commission earned.

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.

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

1. ACCOUNTING POLICIES (CONTINUED)

1.5 INTANGIBLE ASSETS

Intellectual property

Acquired brand licences are capitalised at cost and, in the absence of any evidence to the contrary, deemed to have an indefinite life. Such assets are not amortised but are reviewed for impairment on an annual basis. Internally developed brand licences are expensed to the Income Statement as incurred. Costs incurred in the maintenance or re-branding of existing licences are expensed to the Income Statement as incurred.

The UK Companies Act requires that intangible assets must be written off on a systematic basis over the useful economic life of the intangible asset. However, under IAS 38 'Intangible Assets', intangible assets with an indefinite life are not amortised. Consequently, the Company does not amortise its intellectual property intangible asset, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override'. The Company is not able to determine the financial effect of non-amortisation of its intellectual property, which has a carrying amount of £275,593,000 at 31 December 2018 and 31 December 2017.

Management contracts

Costs of management contracts acquired as a result of transactions with fellow Group undertakings are capitalised and amortised on a straight-line basis over the life of the contract including any extension periods at IHG's option up to a maximum of 50 years. Management contracts are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Other

Other costs include software acquired by the Company and costs related to internally developed brand concepts. These assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the assets, which are estimated to be between three and five years.

1.6 CONTRACT BALANCES

Contract assets

Amounts paid to hotel owners to secure management contracts and franchise agreements ('key money') are treated as consideration payable to a customer. A contract asset is originally recorded which is recognised as a deduction to revenue over the initial term of the contract.

Contract liabilities

Contract liabilities are recognised when payment is received before the related performance obligation is satisfied. Contract liabilities relate mainly to liquidated damages.

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

1. ACCOUNTING POLICIES (CONTINUED)

1.7 NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

Investments in equity securities

Investments in subsidiaries are carried at cost less impairment. The carrying amount is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement.

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.

1.8 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.

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

1. ACCOUNTING POLICIES (CONTINUED)

1.9 OTHER INCOME AND EXPENSES

Interest receivable and interest payable are recognised in the Income Statement as they accrue, using the effective interest rate method.

Dividend income is recognised in the Income Statement on the date the entity's right to receive payment is established.

1.10 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.

The Company has provided deferred tax in relation to temporary differences associated with post-acquisition undistributed earnings of subsidiaries only to the extent that it is either probable that it will reverse in the foreseeable future or where the Company cannot control the timing of the reversal.

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

- Under previous accounting, the Company was considered to be acting as principal in providing technology services. Income received was recognised as revenue, with an associated cost. Under IFRS 15, the Company is not considered to control the service provided to the customer and is deemed to be acting as agent. Consequently, only commission earned on these transactions would be recognised as revenue. This change reduces 2017 revenue and administrative expenses by £11,874,000, with no impact on profit.
- Under previous accounting, key money payments were capitalised as intangible assets and amortised over the life of the related contracts. Under IFRS 15, these payments are treated as 'consideration payable to a customer' and therefore recorded as a contract asset and recognised as a deduction to revenue over the contract term. This change results in the reduction of 2017 revenue and amortisation by £2,892,000, with no impact on profit, and the reclassification of key money in the Statement of Financial Position from intangible assets to contract assets at 31 December 2017 of £49,862,000, of which £3,183,000 was classified as current assets and £46,679,000 was classified as non-current assets.
- 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 administrative expenses by £1,132,000, with no profit impact.
- Deferred revenue balances of £554,000, which were originally recognised within trade debtors in the Statement of Financial Position, have been reclassified as contract liabilities at 31 December 2017.

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

	<i>2017 as originally presented £000</i>	<i>Impact of IFRS 15 £000</i>	<i>2017 as restated £000</i>
Revenue	120,438	(13,634)	106,804
Administrative expenses	(84,316)	13,634	(70,682)
Operating profit	36,122	-	36,122
Reversal of impairment of fixed asset investments	517	-	517
Interest receivable and other income	1,955	-	1,955
Interest payable and similar expenses	(39)	-	(39)
Profit before taxation	38,555	-	38,555
Taxation	(7,099)	-	(7,099)
Profit for the year	31,456	-	31,456

IHG HOTELS LIMITED

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

2. IMPACT OF NEW ACCOUNTING STANDARDS (CONTINUED)

The following table summarises the impact of adopting IFRS 15 on the Company's Statement of Financial Position at 31 December 2017

	<i>31 December 2017 as originally presented £000</i>	<i>Impact of IFRS 15 £000</i>	<i>31 December 2017 as restated £000</i>
Fixed assets			
Intangible assets	327,665	(49,862)	277,803
Investments	61,547	-	61,547
	<u>389,212</u>	<u>(49,862)</u>	<u>339,350</u>
Current assets			
Trade debtors	28,028	554	28,582
Contract assets - due after more than one year	-	46,679	46,679
Contract assets - due within one year	-	3,183	3,183
Other current assets	117,105	-	117,105
Creditors - amounts falling due within one year			
Contract liabilities	-	(554)	(554)
Other creditors	(34,705)	-	(34,705)
Net current assets	<u>110,428</u>	<u>49,862</u>	<u>160,290</u>
Total assets less current liabilities	<u>499,640</u>	<u>-</u>	<u>499,640</u>
Deferred tax	(9,874)	-	(9,874)
Net assets	<u>489,766</u>	<u>-</u>	<u>489,766</u>
Total equity	<u>489,766</u>	<u>-</u>	<u>489,766</u>

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.

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

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY

In determining and applying the Company's accounting policies, management are required to make judgements, estimates and assumptions. An accounting policy is considered to be critical if its selection or application could materially affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are evaluated by management using historical experience and other factors believed to be reasonable based on current circumstances. Actual results could differ under different policies, judgements, estimates and assumptions or due to unforeseen circumstances.

Management consider that critical estimates and assumptions are used in impairment testing, as discussed in further detail below.

Impairment testing— intellectual property is tested for impairment on an annual basis. Management contracts and other intangible assets are tested for impairment when events or circumstances indicate that their carrying value may not be recoverable.

The impairment testing of individual assets or cash-generating units requires an assessment of the recoverable amount of the asset or cash-generating unit. If the carrying value of the asset or cash-generating unit exceeds its estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that is based on the Company's weighted average cost of capital adjusted to reflect the risks specific to the business model and territory of the cash-generating unit or asset being tested. The outcome of such an assessment is subjective, and the result sensitive to the assumed future cash flows to be generated by the cash-generating units or assets and discount rates applied in calculating the value in use.

At 31 December 2018, the Company had intangible assets of £277,892,000 (2017: £277,803,000), none of which were subject to an impairment charge during the current or prior year.

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

4. REVENUE

Revenue represents the amounts earned from the provision of goods and services which fall within the Company's ordinary activities, (excluding VAT and similar taxes and trade discounts).

The Company has two principal areas of activity, the management of hotels and the franchising of hotels, and operates within three geographical markets, United Kingdom and Ireland ("UK&I"), Rest of Europe and Africa.

An analysis by type of revenue is as follows:

	2018 £000	Restated * 2017 £000
Franchise and base management fees	115,434	103,881
Incentive management fees	1,677	1,621
Provision of management and administrative services	2,142	170
Cost reimbursements	837	1,132
	<u>120,090</u>	<u>106,804</u>

Analysis of revenue by country of destination:

	2018 £000	Restated * 2017 £000
UK&I	47,422	44,773
Rest of Europe	68,502	58,412
Africa	4,166	3,619
	<u>120,090</u>	<u>106,804</u>

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

The following table presents information about assets and liabilities related to contracts with customers:

	2018 £000	2017 £000
Trade debtors (note 13)	31,080	28,582
Amounts owed by Group undertakings	2,057	1,785
Contract assets (note 13)	60,127	49,862
Contract liabilities (note 14)	<u>7,507</u>	<u>554</u>

IHG HOTELS LIMITED

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

4. REVENUE (CONTINUED)

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 14.

Contract assets are recorded in respect of key money payments made to customers, normally at the beginning of the contract term. These payments are recognised in the Group Income Statement as a deduction to revenue over the contract term.

Contract liabilities are recognised when payment is received before the related performance obligation is satisfied. Contract liabilities relate mainly to liquidated damages.

5. OPERATING PROFIT

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

	2018	Restated*
	£000	£000
Amortisation of intangible assets	396	367
Impairment of trade debtors	510	(672)
Exchange gains	(189)	(1,763)

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

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 is exempt from providing details of non-audit fees as the details are disclosed within the consolidated financial statements of the ultimate parent company.

IHG HOTELS LIMITED

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

6. STAFF COSTS

Staff costs, excluding the directors, were as follows:

	2018 £000	Restated * 2017 £000
Wages and salaries	906	899
Social security costs	139	172
Other pension costs	62	61
	<u>1,107</u>	<u>1,132</u>

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

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

	2018 No.	2017 No.
Managed hotel operations	<u>8</u>	<u>7</u>

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

7. DIRECTORS' REMUNERATION

	2018 £000	2017 £000
Directors' emoluments	2,939	3,028
Amounts receivable under long-term incentive schemes	1,032	1,415
Company contributions to defined contribution pension schemes	70	53
Compensation for loss of office	-	288
	<u>4,041</u>	<u>4,784</u>

During the year retirement benefits were accruing to 4 directors (2017: 4) 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 5 (2017: 7).

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 AND OTHER INCOME

	2018 £000	2017 £000
Interest receivable from Group undertakings	2,411	1,764
Other interest receivable	124	191
	<u>2,535</u>	<u>1,955</u>

IHG HOTELS LIMITED

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

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £000	2017 £000
Sundry interest payable	38	39
Loans from group undertakings	76	-
	<u>114</u>	<u>39</u>

10. TAXATION

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	5,512	4,909
Adjustments in respect of previous periods	375	(353)
Foreign tax		
Foreign tax on profit for the year	878	992
Total current tax	<u>6,765</u>	<u>5,548</u>
Deferred tax		
Origination and reversal of timing differences	1,422	1,421
Changes in tax rates	(287)	(203)
Adjustment in respect of prior periods	2	333
Total deferred tax	<u>1,137</u>	<u>1,551</u>
Tax charge for the year	<u>7,902</u>	<u>7,099</u>

IHG HOTELS LIMITED

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

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

The tax assessed for the year is higher than (2017: lower 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 before tax	39,021	38,555
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	7,414	7,422
Effects of:		
Reversal of impairment of fixed asset investments	-	(100)
Non-deductible expenditure	398	-
Changes in tax rate	(287)	(203)
Adjustment in respect of prior periods	377	(20)
Total tax charge for the year	7,902	7,099

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A reduction to the rate of corporation tax to 17% (effective 1 April 2020) has now been enacted. The impact of any resulting changes to the valuation of any deferred tax assets and liabilities is reflected within the financial statements.

IHG HOTELS LIMITED

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

11. INTANGIBLE ASSETS

	<i>Intellectual property £000</i>	<i>Management contracts £000</i>	<i>Restated * Other £000</i>	<i>Restated * Total £000</i>
Cost				
At 1 January 2018	275,593	2,835	1,837	280,265
Additions	-	-	386	386
Transfer from Group undertaking	-	-	99	99
At 31 December 2018	275,593	2,835	2,322	280,750
Amortisation				
At 1 January 2018	-	1,932	530	2,462
Charge for the year	-	151	245	396
At 31 December 2018	-	2,083	775	2,858
Net book value				
At 31 December 2018	275,593	752	1,547	277,892
At 31 December 2017	275,593	903	1,307	277,803

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

Intellectual property with a net book value of £275,593,000 (2017: £275,593,000) has an indefinite useful life, as having considered all relevant factors there is not considered to be a foreseeable limit to which the brand licences are expected to generate net cash flows to the Company. On this basis the asset is not amortised and is reviewed for impairment on an annual basis.

For impairment testing purposes, the recoverable amount of the intellectual property is determined from value in use calculations. These calculations use pre-tax cash flow forecasts derived from the most recent financial budgets and strategic plans approved by management covering a five-year period and using growth rates based on management's past experience and industry growth forecasts. Impairment was not required at either 31 December 2018 or 31 December 2017.

IHG HOTELS LIMITED

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

12. FIXED ASSET INVESTMENTS

	<i>Investments in subsidiary companies £000</i>
Cost	
At 1 January 2018 and 31 December 2018	312,602
Impairment	
At 1 January 2018 and 31 December 2018	251,055
Net book value	
At 1 January 2018 and 31 December 2018	61,547
A full list of related undertakings is disclosed in note 23.	

13. DEBTORS

	<i>2018 £000</i>	<i>2017 £000</i>
DUE AFTER MORE THAN ONE YEAR		
Contract assets	56,070	46,679
	56,070	46,679
DUE WITHIN ONE YEAR		
Trade debtors	31,080	28,582
Amounts owed by group undertakings	110,384	101,890
Other debtors	2,759	1,998
Prepayments and accrued income	138	242
Tax recoverable	-	6,758
Contract assets	4,057	3,183
	148,418	142,653

IHG HOTELS LIMITED

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

13. DEBTORS (CONTINUED)

	<i>£000</i>
Changes in contract assets balance	
Balance at 1 January 2018	49,862
Key money paid	14,237
Recognised as a deduction to revenue	(3,665)
Transfer to other Group undertaking	(274)
Disposals	(33)
Balance at 31 December 2018	<u><u>60,127</u></u>

	<i>£000</i>
Contract assets balance at 31 December 2018	
Current	4,057
Non-current	56,070
	<u><u>60,127</u></u>

Trade debtors are stated after provisions for impairment of £4,543,000 (2017: £4,530,00).

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

IHG HOTELS LIMITED

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

14. CREDITORS: Amounts falling due within one year

	2018 £000	Restated * 2017 £000
Trade creditors	1,182	891
Amounts owed to Group undertakings	9,125	24,797
Corporation tax	2,191	1,308
Other taxation and social security	4,923	5,797
Other creditors	1,819	1,450
Accruals	641	462
Contract liabilities (note 4)	6,359	554
	<u>26,240</u>	<u>35,259</u>

Included in amounts owed to Group undertakings at 31 December 2017 was a loan of £20,680,000, owed to a Group undertaking. The unsecured loan carried interest at 0.79% per annum and was settled in 2018.

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

	2018 £000
Change in contract liabilities balance	
Balance at 1 January 2018	554
Amounts invoiced	12,645
Recognised as revenue	(5,692)
Balance at 31 December 2018	<u>7,507</u>

	£000
Contract liabilities balance at 31 December 2018	
Current	6,359
Non-current (note 15)	1,148
	<u>7,507</u>

Contract liabilities are recognised when payment is received before the related performance obligation is satisfied. The main element of contract liabilities relates to liquidated damages.

IHG HOTELS LIMITED

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

15. CREDITORS: Amounts falling due after more than one year

	2018 £000	2017 £000
Contract liabilities (note 4)	1,148	-

16. DEFERRED TAX

The deferred tax balance is comprised as follows:

	<i>Intangible assets £000</i>	<i>Other temporary differences £000</i>	<i>Total £000</i>
At 1 January 2018	9,893	(19)	9,874
Charged to Income Statement	1,118	19	1,137
31 December 2018	11,011	-	11,011

The deferred tax liability principally relates to intangible fixed assets which are deemed to have an indefinite life for accounting purposes. For the purposes of corporation tax the Company is entitled to tax amortisation on a proportion of these assets.

A deferred tax asset of £180,000 (2017: £180,000) relating to capital losses has not been recognised as use of the loss is uncertain or not currently anticipated. The unrecognised deferred tax asset would be recognised if the Company realised capital gains against which these capital losses could be offset.

IHG HOTELS LIMITED

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

17. SHARE CAPITAL

	2018 £000	2017 £000
Allotted, called up and fully paid		
50,797,204 ordinary shares of £1 each	50,797	50,797

The Company no longer has an authorised share capital.

18. RESERVES**Share premium account**

The balance classified as share premium represents the amount of proceeds received for shares in excess of their nominal value.

19. CAPITAL COMMITMENTS

Contracts placed for expenditure not provided for in the Financial Statements:

	2018 £000	2017 £000
Contract assets	16,686	15,600
Intangible assets	233	-
	<u>16,919</u>	<u>15,600</u>

20. OTHER FINANCIAL COMMITMENTS

The Company has entered into a composite guarantee with Citibank NA to guarantee amounts due on overdrafts of other companies in the Group to the extent of any credit balance of the Company held by Citibank NA. At 31 December 2018, the maximum liability under the guarantee amounted to £71,943,000 (2017: £66,302,000).

In limited cases, the Company may provide performance guarantees to third-party owners to secure management contracts. The maximum unprovided exposure under such guarantees is £nil (2017: £127,000).

IHG HOTELS LIMITED

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

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

22. EVENTS SINCE THE END OF THE YEAR

On 1 January 2019, the Company acquired the UK trade and assets of its subsidiary undertaking, InterContinental Hotels Group Services Company, for consideration of £112,532,000. The trade and asset purchase was accounted for as a business combination under common control. The assets were transferred at book value and the deemed consideration was equal to the book value. No fair value adjustments were made. The acquisition was financed by the partial settlement of a loan advanced to a fellow Group undertaking.

	£000
Assets	
Intangible assets	1,311
Tangible fixed assets	4,109
Deferred tax	4,372
Debtors	132,166
Cash at bank	500
	<hr/>
	142,458
Liabilities	
Creditors	(29,926)
	<hr/>
Net assets	<hr/> 112,532 <hr/>

IHG HOTELS LIMITED

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

23. RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006 a full list of entities in which the Company has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2018 are disclosed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by IHG Hotels Limited.

Name of Entity	% ownership
"IHG Management" d.o.o. Beograd (b)	70%
BHR Holdings B.V. (a) (c)	70%
Holiday Inn Cairns Pty. Limited (d)	100%
Holiday Inns Holdings (Australia) Pty Limited (a) (d)	100%
IC Hotelbetriebsführungs GmbH (e)	70%
IC Hotels Management (Portugal) Unipessoal, Lda (a) (f)	100%
IHC London (Holdings) (g)	70%
IHG ANA Hotels Group Japan LLC (h)	75%
IHG ANA Hotels Holdings Co., Limited (h)	66%
IHG Hotels Management (Australia) Pty Limited (d)	100%
IHG Hotels Nigeria Limited (a) (i)	100%
IHG Hotels South Africa (Pty) Limited (a) (j)	100%
IHG Istanbul Otel Yönetim Limited Sirketi (a) (k)	100%
IHG Japan (Management) LLC (a) (h)	100%
IHG Japan (Osaka) LLC (h)	100%
IHG Management (Netherlands) B.V. (c)	70%
IHG Management SL d.o.o (a) (l)	100%
IHG Szalloda Budapest Szolgaltato Kft. (a) (m)	100%
InterContinental Gestion Hotelera S.L.(n)	70%
InterContinental Hotels Group (Australia) Pty Limited (d)	100%
InterContinental Hotels Group Services Company (a) (g)	100%
InterContinental Hotels Italia, S.r.L. (a) (o)	100%
InterContinental Management AM LLC (a) (p)	100%
InterContinental Management Bulgaria EOOD (a) (q)	100%
InterContinental Management Poland sp. z.o.o (a) (r)	100%
SPHC Group Pty Limited (d)	100%

(a) Directly owned by IHG Hotels Limited

Registered addresses

(b) Beograd, Cincar, Jankova 3, Serbia	(i) 1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria
(c) Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands	(j) Central Office Park Unit 4, 257 Jean Avenue, Centurion 0157, South Africa
(d) Level 11, 20 Bond Street, Sydney, NSW 2000, Australia	(k) Eski Büyükdere Cd. Park Plaza No:14 K:4 Maslak-Sariyer, Istanbul, Turkey
(e) Johannesgasse 28, 1030 Wien, Am Heumarkt 4, 1030 Wien, Austria	(l) Cesta v Mestni log 1, 1000 Ljubljana, Slovenia
(f) Avenida da Republica, no 52-9, 1069-211, Lisbon, Portugal	(m) 1052 Budapest, Apáczai Csere János u. 12-14, Hungary
(g) Broadwater Park, Denham, Buckinghamshire, UB9 5HR, UK	(n) Paseo de la Castellana 49, 28046 Madrid, Spain
(h) 20th Floor, Toranomom Kotohira Tower, 2-8, Toranomom 1-chome, Minato-ku, Tokyo, Japan	(o) Via Settembrini 35, Milano, Italy
	(p) 10, V. Sargsyan Str, office 114, Yerevan 0010, Armenia
	(q) 4fl. 51B Bulgaria Blvd., Triaditsa, Sofia, Bulgaria
	(r) Al. Jerozolimskie 56C, 00-803 Warsaw, Poland