Registered number: 3130330

IHG HOTELS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

IHG HOTELS LIMITED

COMPANY INFORMATION

DIRECTORS	M Cockcroft N Henfrey D Llewellyn M Renshaw H Wood
COMPANY SECRETARY	F Littlebury-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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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL ACTIVITIES AND STAKEHOLDER ENGAGEMENT

IHG Hotels Limited's (the "Company") principal activities comprise acting as 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®, Kimpton® and voco®) 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. Following the acquisition of the trade and assets of InterContinental Hotels Group Service Company on 1 January 2019, the Company provides key strategic management and control services and acts as an administrative support function to fellow revenue-generating subsidiary undertakings of the Group. It is the intention of the directors that the Company will continue operating in these capacities.

The Company's principal activities, as set out above, determine its key stakeholders as the Group, including the Company's own direct subsidiaries, the Group's employees, as well as its own direct employees (which are employed by the Company following its acquisition of the trade and assets of InterContinental Hotels Group Services Company, as detailed above), and the hotel franchisees operating hotels under the Group's brand names in Europe and Africa, and hotel owners for whom the Company manages hotels in the UK. Whilst the Company autonomously considers the interests and impact of its activities and strategy on its key stakeholders when making relevant decisions, it does not formulate its own policies and principles, rather as part of the Group, the Company is guided by the Group's policies and engagement practices.

BUSINESS REVIEW

	2019	*2018*
	£000	*£000*
Revenue	230,900	120,090
Operating profit	49,444	36,600
Profit after tax	39,881	31,119
Shareholders' funds	562,126	520,885

On 1 January 2019, the Company acquired the UK trade and assets of its subsidiary undertaking, InterContinental Hotels Group Services Company for consideration of £110,363,000.

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 2019, the Company earned total revenue of £230,900,000 (2018: £120,090,000) and generated operating profit of £49,444,000 (2018: £36,600,000). The growth in revenue and operating profit were largely attributable to increased fees for management and administrative services, arising from the acquisition of the trade of InterContinental Hotels Group Services Company. The acquired business contributed revenue of £103,720,000 and operating profit of £7,788,000 for 2019. Operating profit increased by £12,844,000, which included exceptional administrative costs of £13,603,000 related to litigation costs arising from an arbitration award made against the Company during the year. These costs have been settled subsequent to the year-end.

PRINCIPAL RISKS AND UNCERTAINTIES

An overview of the key business risks that the Group faces is given in the InterContinental Hotels Group PLC Annual Report and Form 20-F 2019 ("the Annual Report").

The following summarises the risks and uncertainties set out in the Annual Report that most significantly impact the Company:

- 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 Company is reliant on the reputation of the Group's 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 fails 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 hotel operations;
- The Company is exposed to the risks of the hotel industry supply-and-demand cycle;
- The Company is exposed to a variety of risks related to identifying, securing and retaining franchise and management agreements;
- The Company is subject to a competitive and changing industry;
- The Company is required to comply with existing and changing regulations.

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.

DIRECTORS' STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

A director of a Company must act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters), to:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

In discharging their Section 172 duties, the directors of the Company consider that they have had regard in material respects to the factors set out above.

The key stakeholders of the Company are the Group, including the Company's own direct subsidiaries, the Group's employees, as well as its own direct employees, and the hotel franchisees operating hotels under the Group's brand names in Europe and Africa, and hotel owners for whom the Company manages hotels in the UK.

The Company delegates authority for day-to-day management to senior leaders, who set, approve and oversee the execution of the Company activities. Board meetings are held periodically where the directors consider Company business, which was routine during this financial year, including powers of attorney to file tax returns, approval of subsidiary business and signing of management agreements. The Company follows Group policies and procedures, including those relating to standards of business conduct, employees, the environment, the community and other stakeholders. During the year ended 31 December 2019, a claim was brought against the Company, which was settled in 2020, as detailed on pages 1 and 38. Although the Board was not required to make a decision with regards to this claim, the Directors were aware of the claim and the related proceedings. Authority to reach a settlement was delegated to senior managers. As part of the Group, stakeholder engagement takes place at a group level and the Company looks to the global position for guidance and takes this into account in its decision making. More detail may be found in InterContinental Hotels Group PLC 2019 Annual Report and Form 20-F.

However, in considering items of business the Company makes autonomous decisions on each transaction's own merits, after due consideration of the long-term success of the Company, Section 172 factors, where relevant, and the stakeholders impacted.

On 1 January 2019, the Company acquired the UK trade and assets of its subsidiary undertaking, InterContinental Hotels Group Services Company. During the course of 2019, no other significant decisions were made by the Company.

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

Melinda Renshaw
Director
Date: 29 June 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £39,881,000 (2018: £31,119,000).

The directors do not propose a dividend for the year ended 31 December 2019 (2018: £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
M Renshaw (appointed 24 February 2020)
G Turner (resigned 1 October 2019)
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. The Company will also continue to provide key strategic management and control services to fellow Group revenue generating subsidiary undertakings.

The directors view the results as satisfactory for the current year. The impact of the COVID-19 pandemic is discussed on page 5.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

GOING CONCERN

As of 31 December 2019, the Company had net current assets of £238,215,000 (2018: £193,605,000). Cash at bank and in hand at 31 December 2019 was £5,502,000 (2018: £15,357,000).

The Company operates its activities in conjunction with other companies within the Group and therefore relies on the Group for its continued existence. The directors have confirmed that the ultimate parent company, InterContinental Hotels Group PLC, intends to make funds available to the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these 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 2019. 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 2019.

On 11 March 2020, the World Health Organisation raised the public health emergency situation caused by the outbreak of the coronavirus (COVID-19) to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business. The Group's fee-based model and wide geographic spread mean that it is well placed to manage through uncertain times. However, during the COVID-19 crisis some of the Group's hotels have temporarily closed, while others are experiencing historically low levels of occupancy and room rates.

On 27 April 2020, InterContinental Hotels Group PLC announced a financing update which included a waiver of existing covenants on its syndicated revolving credit facility until 31 December 2021 and the issuance of £600m commercial paper under the UK's Covid Corporate Finance Facility, providing total available liquidity for the Group of approximately $2bn. The covenant waiver agreement introduces a minimum liquidity covenant of $400m tested at half year and full year until 30 June 2021.

The directors have made enquiries to satisfy themselves that InterContinental Hotels Group PLC is capable of providing support to the Company for at least 12 months, considering a severe but plausible downturn scenario. Accordingly, these financial statements have been prepared on a going concern basis.

EMPLOYEES AND EMPLOYEE ENGAGEMENT

As part of the Group, the Company's employees do not differentiate between their direct employment and their identification as being part of IHG. The Company does not prepare and provide its own employee principles and engagement forums, but instead follows Group-wide policies and engagement platforms, which include workforce engagement surveys, regular employee communications, performance metrics, and career development opportunities. In 2019 the Group appointed a Voice of the Employee, and the Company's employees participated in a number of meetings at which concerns, points of view and Group strategy and performance were discussed. Employees were also given the opportunity to participate in a newly launched Group employee share scheme, which raised the awareness of financial and economic factors affecting Group performance. Details of other initiatives and the impact on employees are set out in the InterContinental Hotels Group PLC 2019 Annual Report and Form 20-F.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The main customers of the Company are other Group subsidiaries, which includes providing corporate and system funds services, and franchisees and owners of managed hotels. The Company fosters relationships with them in accordance with the Group's policies and engagement practices. More information on the Group's engagement practices can be found in the InterContinental Hotels Group PLC 2019 Annual Report and Form 20-F.

The Company does not engage directly with suppliers. Procurement occurs predominantly at a local level as the Group's hotels are largely owned and run by independent third-party owners. Where procurement is carried out by the Group, it is provided by a centrally managed procurement function. As part of the Group's strategic growth initiatives, the interests and relationships with a number of third-party suppliers and other business parties are considered important when making commercial decisions, and this is cascaded down through the Group, and is in turn part of the Company's own decision-making considerations and engagement. More information on the Group's strategic initiatives, treasury and responsible procurement policies is set out in the InterContinental Hotels Group PLC 2019 Annual Report and Form 20-F.

The Company, through the Group, complies with the statutory duty on payment practices and performance, and is a signatory of the Prompt Payment Code.

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

The impact of the COVID-19 pandemic is discussed on page 5.

The Company has concluded that the COVID-19 crisis is a non-adjusting post balance sheet event as at 31 December 2019 on the basis that the World Health Organisation was first informed of cases of a new virus in Wuhan on 31 December and as such had not declared a global health emergency at that date. Consequently, no adjustments have been made to the Company's reported results or financial position as a result of COVID-19.

The future financial impact cannot presently be estimated as it is highly dependent on the severity and duration of the pandemic, but it could be material to the Company's results and could result in the revision of certain estimates, in particular the recoverable value of intangible assets and other non-current assets.

AUDITOR

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

In accordance with regulations mandating a Group audit tender for the 2021 financial year, the Group conducted an audit contract tender in 2019. In August 2019, the Group announced the Board's intention to propose to shareholders at the 2021 Annual General Meeting that PricewaterhouseCoopers LLP be appointed as the Group's statutory auditor for the financial year ended 31 December 2021.

Ernst & Young LLP will remain the Group's and Company's auditor for the financial year ending 31 December 2021.

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:

Melinda Renshaw
Director
Date: 29 June 2020

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 28, 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 2019 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.

EMPHASIS OF MATTER - DISCLOSURES IN RELATION TO THE EFFECTS OF COVID-19

We draw attention to note 1.3 and note 27 of the financial statements, which describe the economic consequences the Company is facing as a result of COVID-19 which is impacting consumer demand across the wider InterContinental Hotels group. Our opinion is not modified in respect of this matter.

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 8, 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.

Ernst & Young LLP

Julian Yates (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Date: 30 June 2020

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	*2019* *£000*	*2018* *£000*
Revenue	4	230,900	120,090
Administrative expenses		(167,853)	(83,490)
Exceptional administrative expenses	11	(13,603)	-
Operating profit	5	49,444	36,600
Interest receivable and other income	8	1,274	2,535
Interest payable and similar expenses	9	(638)	(114)
Profit before taxation		50,080	39,021
Taxation	10	(10,199)	(7,902)
Profit for the year		39,881	31,119

There were no recognised gains and losses for 2019 or 2018 other than those included in the Income Statement.

The notes on pages 15 to 42 form part of these financial statements.

All amounts relate to continuing operations.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note		*2019* *£000*		*2018* *£000*
Fixed assets					
Intangible assets	12		278,009		277,892
Tangible assets	13		10,019		-
Investments	14		61,547		61,547
			349,575		339,439
Current assets					
Debtors: amounts falling due after more than one year	15	68,242		56,070	
Debtors: amounts falling due within one year	15	235,507		148,418	
Cash at bank		5,502		15,357	
		309,251		219,845	
Creditors: Amounts falling due within one year	16	(71,036)		(26,240)	
Net current assets			238,215		193,605
Total assets less current liabilities			587,790		533,044
Creditors: Amounts falling due after more than one year	17		(4,475)		(1,148)
			583,315		531,896
Provisions	19		(21,189)		(11,011)
Net assets			562,126		520,885
Capital and reserves					
Called up share capital	20		50,797		50,797
Share premium account	21		306,752		306,752
Profit and loss account			204,577		163,336
Total equity			562,126		520,885

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

Melinda Renshaw

Melinda Renshaw
Director
Date: 29 June 2020

The notes on pages 15 to 42 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	*Share premium account*	*Profit and loss account*	*Total equity*
	£000	*£000*	*£000*	*£000*
At 1 January 2018	50,797	306,752	132,217	489,766
Profit for the year	-	-	31,119	31,119
At 1 January 2019	50,797	306,752	163,336	520,885
Profit for the year	-	-	39,881	39,881
Tax related to share schemes	-	-	161	161
Equity-settled share-based payments costs	-	-	1,199	1,199
At 31 December 2019	50,797	306,752	204,577	562,126

The notes on pages 15 to 42 form part of these financial statements.

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 26.

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';
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total; and
- disclosures in respect of the compensation of Key Management Personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

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 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.

1.3 GOING CONCERN

As of 31 December 2019, the Company had net current assets of £238,215,000 (2018: £193,605,000). Cash at bank and in hand at 31 December 2019 was £5,502,000 (2018: £15,357,000).

The Company operates its activities in conjunction with other companies within the Group and therefore relies on the Group for its continued existence. The directors have confirmed that the ultimate parent company, InterContinental Hotels Group PLC, intends to make funds available to the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these 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 2019. 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 2019.

On 11 March 2020, the World Health Organisation raised the public health emergency situation caused by the outbreak of the coronavirus (COVID-19) to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business. The Group's fee-based model and wide geographic spread mean that it is well placed to manage through uncertain times. However, during the COVID-19 crisis some of the Group's hotels have temporarily closed, while others are experiencing historically low levels of occupancy and room rates.

On 27 April 2020, InterContinental Hotels Group PLC announced a financing update which included a waiver of existing covenants on its syndicated revolving credit facility until 31 December 2021 and the issuance of £600m commercial paper under the UK's Covid Corporate Finance Facility, providing total available liquidity for the Group of approximately $2bn. The covenant waiver agreement introduces a minimum liquidity covenant of $400m tested at half year and full year until 30 June 2021.

The directors have made enquiries to satisfy themselves that InterContinental Hotels Group PLC is capable of providing support to the Company for at least 12 months, considering a severe but plausible downturn scenario. Accordingly, these financial statements have been prepared on a going concern basis.

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

The amount charged for the provision of all other management and administrative services is equal to the cost to the Company of providing the goods and services plus a mark-up, except to the extent that these costs include recharges of services originally incurred by other Group undertakings, which are charged with no mark-up. The management and administrative services are provided on an integrated basis and so the Company is deemed to be principal in the provision of these services, with revenue recorded on a gross basis 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 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. 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 2019 and 31 December 2018.

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 other internally generated intangible assets. 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 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; and
- right-of-use assets, with useful lives which correspond to the terms of the related leases.

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

Tangible fixed assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that do not generate independent cash flows are combined into cash-generating units. If carrying values exceed their estimated recoverable amount, the assets or cash-generating units are written down to the 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 reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses, and any subsequent reversals, are recognised in the Income Statement.

1. ACCOUNTING POLICIES (CONTINUED)

1.7 CONTRACT BALANCES

Contract assets and costs

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.

Certain costs incurred to secure management and franchise agreements, typically developer commissions, are capitalised and amortised over the initial term of the related contract. The costs are presented as 'Contract costs' in the Company's statement of financial position

Contract assets and contract costs are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Contract liabilities

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

1.8 LEASES

On inception of a contract, the Company assesses whether it contains a lease. A contract contains a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to use the asset and the obligation under the lease to make payments are recognised in the statement of financial position as a right-of-use asset and a lease liability.

Lease contracts may contain both lease and non-lease components. The Company allocates payments in the contract to the lease and non-lease components based on their relative stand-alone prices and applies the lease accounting model only to lease components.

The right-of-use asset recognised at lease commencement includes the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated to a residual value over the shorter of the asset's estimated useful life and the lease term. Right-of-use assets are also adjusted for any re-measurement of lease liabilities and are subject to impairment testing. Residual value is reassessed annually.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including 'in-substance fixed' payments) and variable lease payments that depend on an index or a rate, less any lease incentives receivable. 'In-substance fixed' payments are payments that may, in form, contain variability but that, in substance, are unavoidable. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease term includes periods subject to extension options which the Company is reasonably certain to exercise and excludes the effect of early termination options where the Company is not reasonably certain that it will exercise the option. Minimum lease payments include the cost of a purchase option if the Company is reasonably certain it will purchase the underlying asset after the lease term.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the 'in-substance fixed' lease payments or as a result of a rent review or change in the relevant index or rate.

1. ACCOUNTING POLICIES (CONTINUED)

1.8 LEASES (continued)

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period over which the event or condition that triggers the payment occurs.

The Company has opted not to apply the lease accounting model to intangible assets, leases of low-value assets or leases which have a term of less than 12 months. Costs associated with these leases are recognised as an expense on a straight-line basis over the lease term.

1.9 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.

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 trade debtors, 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.

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.

1.10 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. ACCOUNTING POLICIES (CONTINUED)

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

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 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.

1.14 PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a payment will be made and a reliable estimate of the amount payable can be made. If the effect of the time value of money is material, the provision is discounted using a current pre-tax discount rate that reflects the risks specific to the liability.

In respect of litigation, provision is made when management consider it probable that payment may occur even though the defence of the related claim may still be ongoing through the court process.

1. ACCOUNTING POLICIES (CONTINUED)

1.15 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.

1.16 EXCEPTIONAL ITEMS

Exceptional items are identified by virtue of either their size or nature so as to facilitate an understanding of the underlying financial performance of the Company.

2. IMPACT OF NEW INTERNATIONAL REPORTING STANDARDS

IFRS 16 'Leases'

IFRS 16, which supersedes IAS 17, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Company has one property lease and equipment leases.

The Company has adopted IFRS 16 using the full retrospective method of adoption with the date of initial application being 1 January 2019. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), lease contracts for which the underlying asset is of low value ('low-value assets'), and leases of intangible assets.

Before the application of IFRS 16, the Company had no lease agreements. Consequently there was no need to restate prior period figures to reflect the adoption of IFRS 16.

Under IFRS 16, the Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased assets at the end of the lease term, recognised right-of-use assets are depreciated to a residual value over the shorter of their estimated useful life or lease term. Right-of-use assets are subject to impairment testing.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including 'in-substance fixed' payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period over which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the 'in-substance fixed' lease payment or a change in the assessment regarding the purchase of the underlying asset. The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

In applying the full retrospective method of adoption there have been no restatements of prior year comparatives, as all leases were acquired on or after 1 January 2019.

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 2019, the Company had intangible assets of £278,009,000 (2018: £277,892,000), none of which were subject to an impairment charge during the current or prior year.

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 three principal areas of activity, the management of hotels, the franchising of hotels and the provision of management and administrative services to fellow Group undertakings. The Company operates within three main geographical markets, United Kingdom and Ireland ("UK&I"), Rest of Europe and Americas and the rest of the world.

An analysis by type of revenue is as follows:

	2019 *£000*	*2018* *£000*
Franchise and base management fees	132,458	115,434
Incentive management fees	1,451	1,677
Provision of management and administrative services	95,024	2,142
Cost reimbursements	1,967	837
	230,900	120,090

Analysis of revenue by country of destination:

	2019 *£000*	*2018* *£000*
UK&I	71,955	47,422
Rest of Europe	81,773	68,502
Americas and the rest of the world	77,172	4,166
	230,900	120,090

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

	2019 *£000*	*2018* *£000*
Trade debtors (note 15)	32,953	31,080
Amounts owed by Group undertakings	23,437	2,057
Contract assets (note 15)	73,149	60,127
Contract costs (note 15)	134	-
Contract liabilities (note 16)	(4,397)	(7,507)

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 17.

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 costs incurred to secure management and franchise agreements are capitalised and amortised over the initial term of the related contract.

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):

	2019 *£000*	*2018* *£000*
Depreciation of tangible fixed assets	3,292	-
Loss on disposal of tangible fixed assets	9	-
Amortisation of intangible assets	605	396
Impairment of trade debtors	(236)	510
Exchange losses/(gains)	1,243	(189)

The Company incurred auditor's remuneration of £11,000 (2018: £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.

6. STAFF COSTS

Staff costs were as follows:

	2019 *£000*	*2018* *£000*
Wages and salaries	42,007	906
Social security costs	4,561	139
Other pension costs	2,712	62
	49,280	1,107

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

	2019 *No.*	*2018* *No.*
Administrative support	485	-
Managed hotel operations	8	8
	493	8

7. DIRECTORS' REMUNERATION

	2019 *£000*	*2018* *£000*
Directors' emoluments	2,396	2,939
Amounts receivable under long-term incentive schemes	959	1,032
Company contributions to defined contribution pension schemes	101	70
	3,456	4,041

During the year retirement benefits were accruing to 5 directors (2018: 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 6 (2018: 5).

The highest paid director received basic salary, performance payment and benefits of £597,000 (2018: £1,052,000) and company contributions to defined contribution pension schemes of £33,000 (2018: £47,000). 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

	2019 *£000*	*2018* *£000*
Interest receivable from Group undertakings	1,118	2,411
Other interest receivable	156	124
	1,274	2,535

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 *£000*	*2018* *£000*
Bank interest payable	42	38
Interest payable to Group undertakings	158	76
Interest on lease liabilities	438	-
	638	114

10. TAXATION

	2019 *£000*	*2018* *£000*
Corporation tax		
Current tax on profits for the year	5,957	5,512
Adjustments in respect of previous periods	1,590	375
Foreign tax		
Foreign tax on profit for the year	1,245	878
Total current tax	8,792	6,765
Deferred tax		
Origination and reversal of timing differences	2,366	1,422
Changes in tax rates	(175)	(287)
Adjustment in respect of prior periods	(784)	2
Total deferred tax	1,407	1,137
Tax charge for the year	10,199	7,902

10. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2018: higher than) the effective standard rate of corporation tax in the UK of 19% (2018: 19%) for the year ended 31 December 2019. The differences are explained below:

	2019 *£000*	*2018* *£000*
Profit before tax	50,080	39,021
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	9,515	7,414
Effects of:		
Non-deductible expenditure	245	398
Changes in tax rate	(175)	(287)
Adjustments to estimated recoverability of deferred tax assets	(192)	-
Adjustment in respect of prior periods	806	377
Total tax charge for the year	10,199	7,902

The tax charge/(credit) comprises tax on profit before exceptional items of £12,784,000 (2018: £7,902,000) and tax on exceptional items of £(2,585,000) (2018: £nil).

The Company acquired the UK trade and assets of InterContinental Hotels Group Services Company ("IHGSC") on 1 January 2019 (see note 23). Under the terms of the Business Transfer Agreement, the Company is required to compensate IHGSC for any additional tax liabilities that arise after the transfer date, pertaining to the transferred trade. A prior year adjustment of £1,197,000 has therefore been included above, reflecting additional corporation tax arising on submission of IHGSC's 2018 tax return in December 2019. A corresponding prior year deferred tax credit of £784,000 has also been included, reflecting adjustments to the carrying value of transferred-in deferred tax assets following submission of the IHGSC 2018 tax return.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A reduction in the rate of corporation tax to 17% (effective 1 April 2020) was enacted in 2016. The impact of any resulting changes to the valuation of any deferred tax assets and liabilities is reflected within the financial statements.

In his budget of 2020, the Chancellor of the Exchequer proposed measures to hold the rate of corporation tax at 19%, effective 1 April 2020. The change was substantively enacted on 17 March 2020, after the balance sheet date and therefore does not impact on the carrying value of deferred tax assets and liabilities in the financial statements. However, the forecast impact would be a £892,000 increase in the carrying value of the Company's deferred tax liability.

11. EXCEPTIONAL ITEMS

	2019 £000	2018 £000
Cost of arbitration award made against the Company	13,603	-

12. INTANGIBLE ASSETS

	Intellectual property £000	Management contracts £000	Other £000	Total £000
Cost				
At 1 January 2019	275,593	2,835	2,322	280,750
Additions	-	-	834	834
On acquisition of trade and assets (note 23)	-	-	1,311	1,311
Transfers to Group undertakings	-	-	(801)	(801)
Disposals	-	-	(1)	(1)
Reclassified in tangible fixed assets	-	-	(621)	(621)
At 31 December 2019	275,593	2,835	3,044	281,472
Amortisation				
At 1 January 2019	-	2,083	775	2,858
Charge for the year	-	150	455	605
At 31 December 2019	-	2,233	1,230	3,463
Net book value				
At 31 December 2019	275,593	602	1,814	278,009
At 31 December 2018	275,593	752	1,547	277,892

12. INTANGIBLE ASSETS (CONTINUED)

On 1 January 2019, the Company acquired the trade and assets of InterContinental Hotels Group Services Company. The book value of intangible assets acquired was £1,311,000.

Intellectual property with a net book value of £275,593,000 (2018: £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 2019 or 31 December 2018.

13. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £000	*Right-of-use assets £000*	*Total £000*
Cost			
At 1 January 2019	-	-	-
Additions	2,604	126	2,730
On acquisition of trade and assets (note 23)	4,108	5,951	10,059
Transfer to Group undertaking	(90)	-	(90)
Disposals	(362)	(41)	(403)
Reclassified from intangible assets	621	-	621
At 31 December 2019	6,881	6,036	12,917
Depreciation			
At 1 January 2019	-	-	-
Charge for the year	1,506	-	1,506
Charge for the year on right-of-use assets	-	1,786	1,786
Disposals	(362)	(32)	(394)
At 31 December 2019	1,144	1,754	2,898
Net book value			
At 31 December 2019	5,737	4,282	10,019
At 31 December 2018	-	-	-

On 1 January 2019, the Company acquired the trade and assets of InterContinental Hotels Group Services Company. The book value of fixtures, fittings and equipment, and right-of-use assets acquired was £10,059,000.

The net book value of right-of-use assets at 31 December 2019 is summarised below.

	£000
Property	4,139
Fixtures, fittings and equipment	143
	4,282

14. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost	
At 1 January 2019 and 31 December 2019	312,602
Impairment	
At 1 January 2019 and 31 December 2019	251,055
Net book value	
At 1 January 2019 and 31 December 2019	61,547

A full list of related undertakings is disclosed in note 28.

15. DEBTORS

	2019 £000	*2018 £000*
Due after more than one year		
Contract costs	130	-
Contract assets	68,112	56,070
	68,242	56,070

	2019 £000	*2018 £000*
Due within one year		
Trade debtors	32,953	31,080
Amounts owed by Group undertakings	192,574	110,384
Contract costs	4	-
Other debtors	3,605	2,759
Prepayments and accrued income	1,334	138
Contract assets	5,037	4,057
	235,507	148,418

15. DEBTORS (CONTINUED)

Trade debtors are stated after provisions for impairment of £4,531,000 (2018: £4,543,000).

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

	£000
Changes in contract assets balance	
Balance at 1 January 2019	60,127
Key money paid	17,402
Recognised as a deduction to revenue	(4,380)
Balance at 31 December 2019	73,149

	£000
Contract assets balance at 31 December 2019	
Current	5,037
Non-current	68,112
	73,149

	£000
Changes in contract costs balance	
Balance at 1 January 2019	-
Costs incurred	134
Balance at 31 December 2019	134

	£000
Contract costs balance at 31 December 2019	
Current	4
Non-current	130
	134

16. CREDITORS: Amounts falling due within one year

	2019 *£000*	*2018* *£000*
Trade creditors	2,889	1,182
Amounts owed to Group undertakings	43,118	9,125
Corporation tax	1,863	2,191
Other taxation and social security	3,165	4,923
Lease liabilities (note 18)	2,630	-
Other creditors	1,996	1,819
Accruals	11,815	641
Contract liabilities	3,560	6,359
	71,036	26,240

	£000
Change in contract liabilities balance	
Balance at 1 January 2019	7,507
Amounts invoiced	3,614
Recognised as revenue	(6,724)
Balance at 31 December 2019	4,397

	£000
Contract liabilities balance at 31 December 2019	
Current	3,560
Non-current (note 17)	837
	4,397

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

	2019 *£000*	*2018* *£000*
Lease liabilities (note 18)	3,638	-
Contract liabilities (note 16)	837	1,148
	4,475	1,148

18. LEASES

Lease liabilities are due as follows:

	2019 *£000*
Not later than one year	2,630
Between one year and five years	3,638
	6,268

The following amounts have been recognised in profit or loss:

	2019 *£000*
Interest expense on lease liabilities	438
Depreciation of leased assets	1,786
Expense relating to short-term leases	68

19. PROVISIONS

	Deferred tax *£000*	*Litigation* *£000*	*Total* *£000*
At 1 January 2019	11,011	-	11,011
Charged to Income Statement	1,407	13,603	15,010
Charged to Other Comprehensive Income	90	-	90
On acquisition of trade and assets	(4,922)	-	(4,922)
Balance at 31 December 2019	7,586	13,603	21,189

Litigation

Provision has been made for the cost of an arbitration award made against the Company during the year. The provision has been settled subsequent to the year-end.

Deferred tax

The deferred tax balance is comprised as follows:

	Intangible assets *£000*	*Fixed assets* *£000*	*Share based payments* *£000*	*Leases* *£000*	*Other temporary differences* *£000*	*Total* *£000*
At 1 January 2019	11,011	-	-	-	-	11,011
Charged to Income Statement	1,256	(6)	(51)	153	55	1,407
Charged to Other Comprehensive Income	-	-	90	-	-	90
On acquisition of trade and assets	-	(3,439)	(833)	(550)	(100)	(4,922)
Balance at 31 December 2019	12,267	(3,445)	(794)	(397)	(45)	7,586

On 1 January 2019, the Company acquired the UK trade and assets of InterContinental Hotels Group Services Company, a fellow Group company.

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 arising in respect of gross capital losses of £1,039,000 (2018: £1,039,000) 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 gains against which these capital losses could be offset.

20. SHARE CAPITAL

	2019 £000	2018 £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.

21. RESERVES

Share premium account

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

22. 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 £1,199,000 (2018: £nil) 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 rewards 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 26.

The weighted average share price at the date of exercise of share awards vested during the year was £45.87 (2018: £nil).

The share awards outstanding at the year end have a weighted average contractual life of 1.0 years (2018: nil years) for the APP scheme, 1.3 years (2018: nil years) for performance-related awards and 1.2 years (2018: nil years) for restricted stock units.

23. BUSINESS COMBINATION

On 1 January 2019, the Company acquired the UK trade and assets of its subsidiary undertaking, InterContinental Hotels Group Services Company, for consideration of £110,363,000. 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.

The acquired business contributed revenue of £103,720,000 and an operating profit of £7,788,000 for the year.

The values of acquired assets and liabilities were as follows:

	£000
Assets	
Intangible assets	1,311
Tangible fixed assets	10,059
Deferred tax	4,922
Debtors	131,568
Cash at bank	500
	148,360
Liabilities	
Creditors	(37,997)
Net assets	110,363

24. CAPITAL COMMITMENTS

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

	2019 *£000*	*2018* *£000*
Contract assets	22,497	16,686
Tangible fixed assets	343	-
Intangible assets	-	233
	22,840	16,919

25. 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 2019, the maximum liability under the guarantee amounted to £55,162,000 (2018: £71,943,000).

26. CONTROLLING PARTY

As at 31 December 2019, 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.

27. EVENTS SINCE THE END OF THE YEAR

The impact of the COVID-19 pandemic is discussed on page 16.

The Company has concluded that the COVID-19 crisis is a non-adjusting post balance sheet event as at 31 December 2019 on the basis that the World Health Organisation was first informed of cases of a new virus in Wuhan on 31 December and as such had not declared a global health emergency at that date. Consequently, no adjustments have been made to the Company's reported results or financial position as a result of COVID-19.

The future financial impact cannot presently be estimated as it is highly dependent on the severity and duration of the pandemic, but it could be material to the Company's results and could result in the revision of certain estimates, in particular the recoverable value of intangible assets and other non-current assets.

28. 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 2019 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 Hotelbetriebsfuhrungs 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
(c) Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands
(d) Level 11, 20 Bond Street, Sydney, NSW 2000, Australia
(e) Johannesgasse 28, 1030 Wien, Am Heumarkt 4, 1030 Wien, Austria
(f) Avenida da Republica, no 52-9, 1069-211, Lisbon, Portugal
(g) Broadwater Park, Denham, Buckinghamshire, UB9 5HR, UK
(h) 20th Floor, Toranomon Kotohira Tower, 2-8, Toranomon 1-chome, Minato-ku, Tokyo, Japan
(i) 1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria
(j) Central Office Park Unit 4, 257 Jean Avenue, Centurion 0157, South Africa
(k) Eski Büyükdere Cd. Park Plaza No:14 K:4 Maslak-Sariyer, Istanbul, Turkey
(l) Cesta v Mestni log 1, 1000 Ljubljana, Slovenia
(m) 1052 Budapest, Apáczai Csere János u. 12-14, Hungary
(n) Paseo de la Castellana 49, 28046 Madrid, Spain
(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