

Registered number: 3130330

IHG HOTELS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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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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IHG HOTELS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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, 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; 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

	2020	2019
	£000	£000
Revenue	95,767	230,900
Operating (loss)/profit	(34,837)	49,444
(Loss)/profit after tax	(29,894)	39,881
Shareholders' funds	533,544	562,126

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.

The loss for the year, after tax, amounted to £29,894,000 (2019: profit £39,881,000), including operating exceptional items of £19,395,000 (2019: £13,603,000), which comprise litigation costs, impairment charges and the cost of a reorganisation. In 2019, operating exceptional items included cost of litigation.

On 14 December 2020, the Company acquired 100% of the share capital of Sustainable Luxury Mauritius Limited ("SLML"), a company incorporated in Mauritius, for consideration of £54,037,000. SLML is an investment holding company and is also engaged in managing and providing services to hotels, resorts and spas.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020 (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 risks of political and economic developments and other events that adversely impact domestic and/or international travel, including climate change and the emerging risk of infectious diseases;
- 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 associated fee revenues;
- The Company is exposed to the risks of overcapacity in the hotel industry;
- 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 exposed to risks relating to cybersecurity and data privacy;
- The Company is exposed to increasing competition from online travel agents and intermediaries;
- The Company is reliant upon the resilience of the Group's reservation system and other key technology platforms;
- The Company is required to comply with existing and changing regulations; and
- The Company is exposed to the risks of failing to build and sustain a resilient corporate culture, failure to recruit or retain key personnel, unexpected loss of key senior employees, failures in the Company's succession planning and incentive plans, or failure to invest in the development of key skills.
- The Company is required to comply with existing and changing regulations.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

**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:

- likely consequences of any decisions in the long-term;
- 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;
- 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, including powers of attorney to file tax returns and signing of franchise and 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. 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 the Annual Report.

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.

During 2020, the Company's Board considered and approved the Company's investment in Sustainable Luxury Mauritius Limited, for consideration of £54,037,000.

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


Melinda Renshaw
Director/Secretary

Date: 29 June 2021

IHG HOTELS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The loss for the year, after tax, amounted to £29,894,000 (2019: profit £39,881,000).

The directors do not propose a dividend for the year ended 31 December 2020 (2019: £nil).

DIRECTORS

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

M Cockcroft
N Henfrey
D Llewellyn
M Renshaw (appointed 24 February 2020)
H Wood

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, as well as managing a number of hotels in the United Kingdom. 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.

GOING CONCERN

The financial statements have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis can be found in note 1.3 to the financial statements.

IHG HOTELS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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.

During 2020, the Board of IHG PLC made decisions and supported management to ensure employee engagement methods were prioritised and effective for working remotely during the pandemic, and concentrated on employee wellbeing and business cohesion. Regular internal communications and Staying In Touch forums were put in place to make sure employees were kept up to date on business performance and developments. Tools and resources were also selected to aid flexible and remote working, as well as the extension of our Employee Assistance Programme to cover mental health and wellbeing.

The Board of IHG PLC took key decisions to temporarily reduce compensation, furlough a large proportion of employees and implement a programme of redundancies. When considering these decisions, the Board of IHG PLC balanced the immediate impact on the affected employees with the broader implications for all stakeholders. Measures to temporarily reduce compensation were taken quickly in recognition of the immediate and severe impact on Group revenues. Decisions on the scale and extent of furlough and redundancies were deferred until informed by a greater understanding of the impact of Covid-19 on the business. The Board of IHG PLC kept all measures under regular review, and with growing confidence in the delivery of cost savings and successful management of cash flows, was able to reverse salary reductions ahead of original expectations. Details of other initiatives and the impact on employees are set out in the Annual Report.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The main customers of the Company are other Group subsidiaries, which includes providing corporate and system fund 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 Annual Report.

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 Annual Report.

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.

IHG HOTELS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

EVENTS SINCE THE END OF THE YEAR

On 27 April 2021, the Company acquired 10,000 newly issued shares in Sustainable Luxury Mauritius Limited for consideration of £17,973,000.

In June 2021, the Company signed an agreement to lease a new Global Headquarters in the UK for a period of 15 years at an average annual rental of approximately £2m.

AUDITOR

On 26 March 2021 Ernst & Young LLP resigned, and PricewaterhouseCoopers LLP were appointed, as the Group's statutory auditor for the financial year ending 31 December 2021. Accordingly, the Company does not expect to reappoint Ernst & Young LLP.

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/Secretary
Date: 29 June 2021

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26, 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 2020 and of its loss 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for at least a period up to and including 30 June 2022.

Our responsibilities and the responsibilities of the directors with regards to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 within the annual report.

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.

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 themselves. 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.

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

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 7, 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.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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

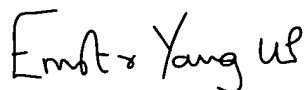
Our procedures focussed on:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct tax regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to health and safety and employee matters.
- We understood how the Company is complying with those frameworks by making enquiries of management, including those charged with governance, to understand how the Company maintains and communicates its policies and procedures in these areas and to understand the controls put in place to reduce the risk of non-compliance. We corroborated our enquiries through our review of board minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, through internal team conversations and inquiry of management, including those charged with governance. We also understood controls put in place by management to reduce the opportunities for fraudulent transactions. We considered the fraud risk to be higher around revenue recognition, and in particular manual journals posted to revenue. We tested specific transactions to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions. In addition we considered the risk of management override by sampling from the entire population of journals, identifying transactions which did not meet our expectations based on specific criteria, and investigated these to gain an understanding and then agree them to source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included verifying that material transactions were recorded in compliance with FRS 101 and, where appropriate, Companies Act 2006.

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: 30/6/21

IHG HOTELS LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Revenue	3	95,767	230,900
Administrative expenses		(111,209)	(167,853)
Exceptional administrative expenses	4	(19,395)	(13,603)
Operating (loss)/profit	5	(34,837)	49,444
Interest receivable and other income	8	747	1,274
Interest payable and similar expenses	9	(345)	(638)
(Loss)/profit before tax		(34,435)	50,080
Tax	10	4,541	(10,199)
(Loss)/profit for the year		(29,894)	39,881

There were no recognised gains and losses for 2020 or 2019 other than those included in the Income Statement.

The notes on pages 14 to 40 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 2020

	<i>Note</i>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Fixed assets			
Intangible assets	11	277,342	278,009
Tangible assets	12	7,962	10,019
Investments	13	115,635	61,547
		<u>400,939</u>	<u>349,575</u>
Current assets			
Stocks		284	
Debtors: Amounts falling due after more than one year	14	74,756	68,242
Debtors: Amounts falling due within one year	14	103,696	235,507
Cash at bank		2,909	5,502
		<u>181,645</u>	<u>309,251</u>
Creditors: Amounts falling due within one year	15	(33,363)	(71,036)
Net current assets		<u>148,282</u>	<u>238,215</u>
Total assets less current liabilities		<u>549,221</u>	<u>587,790</u>
Creditors: Amounts falling due after more than one year	16	(2,868)	(4,475)
		<u>546,353</u>	<u>583,315</u>
Provisions	18	(12,809)	(21,189)
Net assets		<u><u>533,544</u></u>	<u><u>562,126</u></u>
Capital and reserves			
Called up share capital	19	50,797	50,797
Share premium account	20	306,752	306,752
Profit and loss account		175,995	204,577
Total equity		<u><u>533,544</u></u>	<u><u>562,126</u></u>

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


 Director Melinda Renshaw
 Date: 29 June 2021

The notes on pages 14 to 40 form part of these financial statements.

IHG HOTELS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<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 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 costs	-	-	1,199	1,199
At 1 January 2020	50,797	306,752	204,577	562,126
Loss for the year	-	-	(29,894)	(29,894)
Tax related to share schemes	-	-	39	39
Equity-settled share-based costs	-	-	1,273	1,273
At 31 December 2020	50,797	306,752	175,995	533,544

The notes on pages 14 to 40 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES

1.1 STATEMENT OF COMPLIANCE WITH FRS 101

The Company is incorporated and registered 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, which are prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB and with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, are publicly available and may be obtained from the address given in note 24.

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 adopted International Financial Reporting Standards.

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 reconciliation 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';
- 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'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020, the Company had net current assets of £148,282,000 (2019: £238,215,000).

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 at least a period up to and including 30 June 2022.

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 2020. Information on the Group's liquidity and financial resources, including information on covenants and debt facilities; its capital and 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 2020.

The impact of the Covid-19 pandemic on the hospitality industry has been severe. Through 2020, many of the Group's hotels were temporarily closed, while others experienced historically low levels of occupancy and room rates. The Group's fee-based model and wide geographic spread mean that it is well placed to manage through these uncertain times. The Group has taken various actions to manage cash outflows and strengthen its liquidity during 2020. As at 31 December 2020 the Group had total liquidity of \$2,925m, comprising \$1,350m of undrawn bank facilities and \$1,575m of cash and cash equivalents (net of overdrafts and restricted cash). A £600m UK Government Covid Corporate Financing Facility was repaid, as forecast, in March 2021, which had the effect of reducing liquidity by \$0.8bn.

There remains unusually limited visibility on the pace and scale of market recovery and therefore there are a wide range of possible planning scenarios over the going concern period. The Board of InterContinental Hotels Group PLC, in assessing the Group's going concern status and longer-term viability, considered a number of scenarios including a reverse stress test through to 30 June 2022, which concluded that it is very unlikely bank facilities would need to be drawn and the Group does not need to rely on the additional liquidity provided by the bank facilities to remain a going concern. This means that in the event the covenant tests on the bank facilities were failed, the bank facilities could be cancelled by the lenders but this would not trigger a repayment demand or create a cross-default risk. Further details of the scenarios considered and stress testing performed are disclosed in the InterContinental Hotels Group PLC Annual Report and Form 20-F 2020.

With consideration to the above, the directors have satisfied themselves that InterContinental Hotels Group PLC is capable of providing support to the Company until at least 30 June 2022. Accordingly, these financial statements have been prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020 and 31 December 2019.

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 the Company'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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 are not financial assets as they represent amounts paid at the beginning of a contract, and so are tested for impairment based on value in use rather than with reference to expected credit losses. Contract assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If carrying values exceed the recoverable amount determined by reference to estimated future cash flows discounted to their present value using a pre-tax discount rate, the contract assets are written down to the recoverable amount.

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 only where the Company is reasonably certain that

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES (CONTINUED)

1.8 LEASES (continued)

it will not 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.

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 STOCKS

Stocks comprise consumable stores and are stated at the lower of cost and net realisable value. Provisions are made for obsolete or slow-moving items where appropriate.

1.10 NON-DERIVATIVE FINANCIAL INSTRUMENTS

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.

Trade debtors are recorded initially at fair value and subsequently measured at amortised cost 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 Company uses a provision matrix that is based on its historical credit loss experience and number of days past due. Adjustments are made where management's expectations of credit losses change.

Amounts owed by Group undertakings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for expected credit losses. Allowances for expected credit losses are made based on the risk of non-payment, taking into account ageing, previous experience, economic conditions and forward-looking data. Such allowances are measured as either 12-month expected credit losses or lifetime expected credit losses depending on changes in the credit quality of the counterparty.

Movements in provisions for trade debtors and amounts owed by Group undertakings are recognised in the Income Statement within administrative expenses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Financial liabilities include trade and other creditors and amounts owed to Group undertakings.

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

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

1.11 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.

1.12 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.

1.13 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES (CONTINUED)

1.14 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.

1.15 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.

1.16 TAX

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. 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 tax 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES (CONTINUED)

1.16 TAX (continued)

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.

1.17 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. 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 or 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 future cash flows estimated to be generated by the cash-generating units or assets and discount rates applied in calculating the value in use.

At 31 December 2020, the Company had intangible assets of £277,342,000 (2019: £278,009,000). During the current year, management contracts were impaired by £112,000 (2019: £nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. REVENUE

Revenue represents the amounts earned from the provision of goods and services which fall within the Company's ordinary activities.

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:

	2020 £000	2019 £000
Franchise and base management fees	44,581	132,458
Incentive management fees	32	1,451
Provision of management and administrative services	49,109	95,024
Cost reimbursements	2,045	1,967
	<u>95,767</u>	<u>230,900</u>

Analysis of revenue by country of destination:

	2020 £000	2019 £000
UK&I	28,193	71,955
Rest of Europe	17,126	81,773
Americas and the rest of the world	50,448	77,172
	<u>95,767</u>	<u>230,900</u>

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

	2020 £000	2019 £000
Trade debtors (note 14)	25,477	32,953
Amounts owed by Group undertakings	6,191	23,437
Contract assets (note 14)	80,120	73,149
Contract costs (note 14)	212	134
Contract liabilities (note 15)	<u>(2,647)</u>	<u>(4,397)</u>

IHG HOTELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. 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 16.

4. OPERATING EXCEPTIONAL ITEMS

	2020 £000	2019 £000
Litigation costs	10,492	13,603
Impairment of contract assets (note 14)	3,142	-
Impairment of intangible assets (note 11)	112	-
Impairment of other debtors	457	-
Reorganisation costs	5,192	-
	<u>19,395</u>	<u>13,603</u>

In 2020, litigation costs related to the cost of settlement agreed in the year in respect of a lawsuit. In 2019, litigation costs related to the cost of an arbitration award made against the Company.

Impairment charges were reported against contract assets, intangible assets and trade loans.

The Company has incurred a total cost of £5,192,000 to restructure its operations, reflecting the reassessment of near-term priorities and the resources needed to support reduced levels of demand. The reorganisation was completed in 2020.

5. OPERATING (LOSS)/PROFIT

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

	2020 £000	2019 £000
Depreciation of tangible fixed assets	3,876	3,292
Loss on disposal of tangible fixed assets	3	9
Amortisation of intangible assets	711	605
Impairment of trade debtors	1,913	(236)
Exchange losses	63	1,243
	<u>6,565</u>	<u>5,513</u>

The Company incurred auditor's remuneration of £11,000 (2019: £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 2020**

6. STAFF COSTS

Staff costs were as follows:

	2020 £000	2019 £000
Wages and salaries	36,096	42,007
Social security costs	3,721	4,561
Other pension costs	1,395	2,712
	<u>41,212</u>	<u>49,280</u>

Included above is £5,192,000 relating to reorganisation costs incurred in restructuring the Company (see note 4).

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

	2020 No.	2019 No.
Administrative support	479	485
Managed hotel operations	8	8
	<u>487</u>	<u>493</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. DIRECTORS' REMUNERATION

	2020 £000	2019 £000
Directors' emoluments	1,203	2,396
Amounts receivable under long-term incentive schemes	486	959
Company contributions to defined contribution pension schemes	16	101
	<u>1,705</u>	<u>3,456</u>

During the year retirement benefits were accruing to 4 directors (2019: 5) 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 (2019: 6).

The highest paid director received basic salary, performance payment and benefits of £347,000 (2019: £597,000) and company contributions to defined contribution pension schemes of £nil (2019: £33,000). 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

	2020 £000	2019 £000
Interest receivable from Group undertakings	626	1,118
Other interest receivable	121	156
	<u>747</u>	<u>1,274</u>

IHG HOTELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £000	2019 £000
Bank interest payable	42	42
Interest payable to Group undertakings	62	158
Interest on lease liabilities	241	438
	<u>345</u>	<u>638</u>

10. TAX

	2020 £000	2019 £000
Corporation tax		
Current tax on (loss)/profit for the year	(7,834)	5,957
Adjustments in respect of prior periods	575	1,590
Foreign tax		
Foreign tax on (loss)/profit for the year	749	1,245
Total current tax	<u>(6,510)</u>	<u>8,792</u>
Deferred tax		
Origination and reversal of timing differences	1,044	2,366
Changes in tax rates	898	(175)
Adjustment in respect of prior periods	27	(784)
Total deferred tax	<u>1,969</u>	<u>1,407</u>
Tax (credit)/charge for the year	<u>(4,541)</u>	<u>10,199</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

The tax assessed for the year is higher than (2019: higher than) the effective standard rate of corporation tax in the UK of 19% (2019: 19%) for the year ended 31 December 2020. The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit before tax	(34,435)	50,080
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(6,543)	9,515
Effects of:		
Non-deductible expenditure	145	245
Changes in tax rate	898	(175)
Adjustments to estimated recoverability of deferred tax assets	(250)	(192)
Foreign taxes net of associated reliefs	607	-
Adjustment in respect of prior periods	602	806
Total tax (credit)/charge for the year	(4,541)	10,199

The tax (credit)/charge comprises a tax credit on (loss)/profit before exceptional items of £877,000 (2019: charge of £12,784,000) and a tax credit on exceptional items of £3,664,000 (2019: credit of £2,585,000).

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Legislation to hold the standard rate of corporation tax at 19%, effective from 1 April 2020, was substantively enacted on 17 March 2020; the impact of any resulting changes to the valuation of deferred tax assets and liabilities is reflected within the financial statements.

In his budget of 2021, the Chancellor of the Exchequer proposed to increase the standard rate of corporation tax from the current rate of 19% to 25%, effective 1 April 2023. The change was substantively enacted on 24 May 2021, after the balance sheet date, and therefore does not impact on the carrying value of deferred tax assets and liabilities in the financial statements.

It is estimated that the impact of the proposed change will be to increase the carrying value of the Company's deferred tax liability by approximately £4,600,000. Any changes to deferred tax will be reflected in the 2021 financial year.

IHG HOTELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. INTANGIBLE ASSETS

	<i>Intellectual property £000</i>	<i>Management contracts £000</i>	<i>Other £000</i>	<i>Total £000</i>
Cost				
At 1 January 2020	275,593	2,835	3,044	281,472
Additions	-	-	156	156
At 31 December 2020	275,593	2,835	3,200	281,628
Amortisation				
At 1 January 2020	-	2,233	1,230	3,463
Charge for the year	-	150	561	711
Impairment charge	-	112	-	112
At 31 December 2020	-	2,495	1,791	4,286
Net book value				
At 31 December 2020	275,593	340	1,409	277,342
At 31 December 2019	275,593	602	1,814	278,009

Intellectual property with a net book value of £275,593,000 (2019: £275,593,000) has an indefinite useful life, as having considered all relevant factors there is not considered to be a foreseeable limit to the period over 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 and management contracts 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. During the year, management contracts were impaired by £112,000 (2019: £nil). Impairment of intellectual property was not required at either 31 December 2020 or 31 December 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. TANGIBLE FIXED ASSETS

	<i>Fixtures, fittings and equipment £000</i>	<i>Right-of-use assets £000</i>	<i>Total £000</i>
Cost			
At 1 January 2020	6,881	6,036	12,917
Additions	269	1,556	1,825
Transfers to Group undertakings	(3)	-	(3)
Disposals	(3)	(72)	(75)
At 31 December 2020	7,144	7,520	14,664
Depreciation			
At 1 January 2020	1,144	1,754	2,898
Charge for the year	2,111	-	2,111
Charge for the year on right-of-use assets	-	1,765	1,765
Disposals	(2)	(70)	(72)
At 31 December 2020	3,253	3,449	6,702
Net book value			
At 31 December 2020	3,891	4,071	7,962
At 31 December 2019	5,737	4,282	10,019

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. FIXED ASSET INVESTMENTS

	<i>Investments in subsidiary companies £000</i>
Cost	
At 1 January 2020	312,602
Additions	54,088
At 31 December 2020	<u>366,690</u>
Impairment	
At 1 January 2020 and 31 December 2020	<u>251,055</u>
Net book value	
At 31 December 2020	<u>115,635</u>
At 31 December 2019	<u>61,547</u>

On 17 January 2020, the Company acquired 100% of the share capital of InterContinental Hotels Management Montenegro d.o.o., a company incorporated in Montenegro, for consideration of £51,000.

On 14 December 2020, the Company acquired 100% of the share capital of Sustainable Luxury Mauritius Limited, a company incorporated in Mauritius, for consideration of £54,037,000.

A full list of related undertakings is disclosed in note 26.

IHG HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14. DEBTORS

	2020 £000	2019 £000
Due after more than one year		
Contract costs	206	130
Contract assets	74,550	68,112
	<u>74,756</u>	<u>68,242</u>
Due within one year		
Trade debtors	25,477	32,953
Amounts owed by Group undertakings	56,864	192,574
Contract costs	6	4
Other debtors	2,467	3,605
Prepayments and accrued income	909	1,334
Corporation tax	12,403	-
Contract assets	5,570	5,037
	<u>103,696</u>	<u>235,507</u>

Trade debtors are stated after provisions for impairment of £5,936,000 (2019: £4,541,000).

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

Other debtors are stated after provisions for impairment of £457,000 (2019: £nil).

	£000
Changes in contract assets balance	
Balance at 1 January 2020	73,149
Key money paid	16,210
Recognised as a deduction to revenue	(5,109)
Transfer to Group undertaking	(988)
Impairment charge	(3,142)
Balance at 31 December 2020	<u>80,120</u>

IHG HOTELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. DEBTORS (CONTINUED)

	£000
Contract assets balance at 31 December 2020	
Current	5,570
Non-current	74,550
	<u>80,120</u>

	£000
Changes in contract costs balance	
Balance at 1 January 2020	134
Costs incurred	78
	<u>212</u>

	£000
Contract costs balance at 31 December 2020	
Current	6
Non-current	206
	<u>212</u>

IHG HOTELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. CREDITORS: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	2,166	2,889
Amounts owed to Group undertakings	16,939	43,118
Corporation tax	-	1,863
Other taxation and social security	1,166	3,165
Lease liabilities (note 17)	2,787	2,630
Other creditors	1,854	1,996
Accruals	6,310	11,815
Contract liabilities	2,141	3,560
	<u>33,363</u>	<u>71,036</u>

	£000
Change in contract liabilities balance	
Balance at 1 January 2020	4,397
Amounts invoiced	1,638
Recognised as revenue	(3,388)
Balance at 31 December 2020	<u>2,647</u>

	£000
Contract liabilities balance at 31 December 2020	
Current	2,141
Non-current (note 16)	506
	<u>2,647</u>

IHG HOTELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

	2020 £000	2019 £000
Lease liabilities (note 17)	2,362	3,638
Contract liabilities (note 15)	506	837
	<u>2,868</u>	<u>4,475</u>

17. LEASES

Lease liabilities are due as follows:

	2020 £000	2019 £000
Not later than one year	2,787	2,630
Between one and five years	2,362	3,638
	<u>5,149</u>	<u>6,268</u>

The following amounts have been recognised in profit or loss:

	2020 £000	2019 £000
Interest expense on lease liabilities	241	438
Depreciation of leased assets	1,765	1,786
Expense relating to short-term leases	<u>56</u>	<u>68</u>

IHG HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18. PROVISIONS

	<i>Deferred tax £000</i>	<i>Litigation £000</i>	<i>Dilapidations £000</i>	<i>Total £000</i>
At 1 January 2020	7,586	13,603	-	21,189
Charged to Income Statement	1,969	774	3,208	5,951
Charged to Other Comprehensive Income	46	-	-	46
Utilised in year	-	(14,377)	-	(14,377)
Balance at 31 December 2020	9,601	-	3,208	12,809

Litigation

During 2019, provision was made for the cost of an arbitration award made against the Company. The provision was settled in 2020.

Dilapidations

The dilapidation provision is expected to be utilised over a two to three-year period.

Deferred tax

The deferred tax balance is comprised as follows:

	<i>Intangible assets £000</i>	<i>Fixed assets £000</i>	<i>Share based payments £000</i>	<i>Leases £000</i>	<i>Other temporary differences £000</i>	<i>Total £000</i>
At 1 January 2020	12,267	(3,445)	(794)	(397)	(45)	7,586
Charged to Income Statement	2,845	(704)	(177)	171	(166)	1,969
Charged to Profit and loss reserve	-	-	46	-	-	46
Balance at 31 December 2020	15,112	(4,149)	(925)	(226)	(211)	9,601

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 (2019: £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.

IHG HOTELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. SHARE CAPITAL

	2020 £000	2019 £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.

20. RESERVES**Share premium account**

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

21. 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 £1,273,000 (2019: £1,199,000) in operating (loss)/profit related to these equity-settled share-based payment transactions during the year.

The Group operates the Annual Performance Plan ("APP"), Long Term Incentive Plan (including performance-related rewards and restricted stock units) and the Colleague Share Plan, 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 24.

The weighted average share price at the date of exercise of share awards vested during the year was £49.55 (2019: £45.87).

The share awards outstanding at the year end have a weighted average contractual life of 1.0 years (2019: 1.0 years) for the APP scheme, 1.3 years (2019: 1.3 years) for performance-related awards and 1.3 years (2019: 1.2 years) for restricted stock units.

22. CAPITAL COMMITMENTS

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

	2020 £000	2019 £000
Tangible fixed assets	82	343

23. 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 2020, the maximum liability under the guarantee amounted to £31,559,000 (2019: £55,162,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

24. CONTROLLING PARTY

As at 31 December 2020, 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 Six Continents Holdings Limited, a company registered in England and Wales. The registered office of the immediate parent undertaking is Broadwater Park, Denham, Buckinghamshire, UB9 5HR.

25. EVENTS SINCE THE END OF THE YEAR

On 27 April 2021, the Company acquired 10,000 newly issued shares in Sustainable Luxury Mauritius Limited for consideration of £17,973,000.

In June 2021, the Company signed an agreement to lease a new Global Headquarters in the UK for a period of 15 years at an average annual rental of approximately £2m.

IHG HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. 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 2020 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
BHR Holdings B.V. (a) (b)	70%
Holiday Inn Cairns Pty. Limited (c)	100%
Holiday Inns Holdings (Australia) Pty Limited (a) (c)	100%
IC Hotelbetriebsführungs GmbH (d)	70%
IC Hotels Management (Portugal) Unipessoal, Lda (a) (e)	100%
IHC London (Holdings) (f)	70%
IHG Amsterdam Management BV(b)	70%
IHG ANA Hotels Group Japan LLC (g)	75%
IHG ANA Hotels Holdings Co., Limited (g)	66%
IHG Hotels Management (Australia) Pty Limited (c)	100%
IHG Hotels Nigeria Limited (a) (h)	100%
IHG Hotels South Africa (Pty) Limited (a) (i)	100%
IHG Istanbul Otel Yönetim Limited Sirketi (a) (j)	100%
IHG Japan (Management) LLC (a) (g)	100%
IHG Japan (Osaka) LLC (g)	100%
IHG Management (Netherlands) B.V. (b)	70%
IHG Management d.o.o. Beograd (k)	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 (c)	100%
InterContinental Hotels Group Services Company (a) (f)	100%
InterContinental Hotels Italia, S.r.L. (a) (o)	100%
InterContinental Hotels Management Montenegro d.o.o. (a) (p)	100%
InterContinental Management AM LLC (a) (q)	100%
InterContinental Management Bulgaria EOOD (a) (r)	100%
InterContinental Management Poland sp. z.o.o (a) (s)	100%
Luxury Resorts and Spas (France) SAS (t)	100%
SLC Sustainable Luxury Cyprus Limited (u)	100%
SPHC Group Pty Limited (c)	100%
Sustainable Luxury Gravity Global Private Limited (v)	49%
Sustainable Luxury Holding (Thailand) Limited (w)	49%
Sustainable Luxury Hospitality (Thailand) Limited (w)	74%
Sustainable Luxury Maldives Private Limited (x)	99%
Sustainable Luxury Management (Thailand) Limited (w)	74%
Sustainable Luxury Mauritius Limited (a) (y)	100%
Sustainable Luxury Operations (Thailand) Limited (w)	100%
Sustainable Luxury Singapore Private Limited (z)	100%
Sustainable Luxury UK Limited (aa)	100%
Sustainable Luxury USA Limited (ab)	100%

(a) Directly owned by IHG Hotels Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

26. RELATED UNDERTAKINGS (CONTINUED)

Registered addresses

- | | |
|---|--|
| (b) Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands | (q) 10, V. Sargsyan Str, office 114, Yerevan 0010, Armenia |
| (c) Level 11, 20 Bond Street, Sydney, NSW 2000, Australia | (r) 4fl. 51B Bulgaria Blvd., Triaditsa, Sofia, Bulgaria |
| (d) Johannesgasse 28, 1030 Wien, Am Heumarkt 4, 1030 Wien, Austria | (s) Al. Jerozolimskie 56C, 00-803 Warsaw, Poland |
| (e) Avenida da Republica, no 52-9, 1069-211, Lisbon, Portugal | (t) 95 Blvd. Berthier, 78017 Paris, France |
| (f) Broadwater Park, Denham, Buckinghamshire, UB9 5HR, UK | (u) ATS Services Limited, Capital Center, 9th Floor, 2-4 Arch. Makarios III Ave., 1065 Nicosia, Cyprus |
| (g) 20th Floor, Toranomon Kotohira Tower, 2-8, Toranomon 1-chome, Minato-ku, Tokyo, Japan | (v) B-11515 Bhikaj Cama Place, New Delhi, South Delhi, India, 110066 |
| (h) 1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria | (w) 57, 9th Floor, Park Ventures Ecoplex, Unit 902-904, Wireless Road, Limpini, Pathum Wan Bangkok 10330, Thailand |
| (i) Central Office Park Unit 4, 257 Jean Avenue, Centurion 0157, South Africa | (x) Premier Chambers, M.Lux Lodge, 1st Floor, Orchid Magu, Republic of Maldives |
| (j) Eski Büyükdere Cd. Park Plaza No:14 K:4 Maslak-Sariyer, Istanbul, Turkey | (y) Venture Corporate Services (Mauritius) Limited, Level 3, Tower 1, Nexteracom Towers, Cybercity, Ebene, Mauritius |
| (k) Beograd, Cincar, Jankova 3, Serbia | (z) 230 Victoria Street, #13-00 Bugis Junction Towers, 188024, Singapore |
| (l) Cesta v Mestni log 1, 1000 Ljubljana, Slovenia | (aa) Berg Kaprow Lewis LLP, 35 Ballards Lane, DX 57284 Finchley 2, London, N3 1XW, UK |
| (m) 1052 Budapest, Apáczai Csere János u. 12-14, Hungary | (ab) 251 Little Falls Drive, Wilmington, DE19808, USA |
| (n) Paseo de la Castellana 49, 28046 Madrid, Spain | |
| (o) Via Settembrini 35, Milano, Italy | |
| (p) Bulevar Svetog Petra Cetinjskog 149-81000 Podgorica, Montenegro | |