

Registered number: 3130330

**IHG HOTELS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**



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**IHG HOTELS LIMITED**

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**COMPANY INFORMATION**

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|                             |   |
|-----------------------------|---|
| <b>DIRECTORS</b>            | N Gallagher<br>N Henfrey<br>N Stocks<br>G Turner<br>L Werner<br>R Wheeler                   |
| <b>COMPANY SECRETARY</b>    | E Percival  |
| <b>REGISTERED NUMBER</b>    | 3130330   |
| <b>REGISTERED OFFICE</b>    | Broadwater Park<br>Denham<br>Buckinghamshire<br>UB9 5HR                                     |
| <b>INDEPENDENT AUDITORS</b> | Ernst & Young LLP<br>One Colmore Square<br>Birmingham<br>B4 6HQ                             |
| <b>BANKERS</b>              | Lloyds Bank plc<br>PO Box 72<br>Bailey Drive<br>Gillingham Business Park<br>Kent<br>ME8 0LS |

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**IHG HOTELS LIMITED**

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## IHG HOTELS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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#### PRINCIPAL ACTIVITIES

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

#### BUSINESS REVIEW

|                     | 2013<br>£000 | 2012<br>£000 |
|---------------------|--------------|--------------|
| Turnover            | 107,698      | 92,923       |
| Operating profit    | 36,135       | 21,696       |
| Profit after tax    | 27,966       | 21,447       |
| Shareholders' funds | 415,957      | 387,991      |

The Company's key financial performance indicators during the year are shown above.

The Company holds the intellectual property of the Group for Europe and Africa. In Europe, the largest proportion of rooms is operated under the franchise business model and consequently the Company generates a large part of its revenues from franchise fees. Despite challenging conditions in Europe, franchise revenue increased by 17.8% during 2013, from £74,001,000 in 2012 to £87,169,000. Even after excluding the benefit of liquidated damages receipts of £6,702,000, revenue grew by £6,466,000 (8.7%).

The Company also earns revenue from managing hotels in the United Kingdom. Revenue from this source increased by 8.5%, from £18,922,000 in 2012 to £20,529,000 in 2013.

Whilst total revenue grew from £92,923,000 in 2012 to £107,698,000 (an increase of 15.9%), administrative expenses increased only marginally, from £71,227,000 in 2012 to £71,563,000. Consequently the strong growth in revenue is reflected in a 66.6% increase in operating profit from £21,696,000 in 2012 to £36,135,000 in 2013.

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

On 30 November 2013, the Company acquired 56.8% of the issued share capital of BHR Holdings B.V., a company incorporated in the Netherlands, for consideration of £232,364,000.

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**IHG HOTELS LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

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

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

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

By order of the Board:



Signed by

**Nicolette Henfrey**

, Secretary/Director

Date:

**07 AUG 2014**

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## IHG HOTELS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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The directors present their report and the financial statements for the year ended 31 December 2013.

#### RESULTS

The profit for the year, after taxation, amounted to £27,966,000 (2012: £21,447,000).

#### DIRECTORS

The directors during 2013 and since the year end were as follows:

P Edgecliffe-Johnson (resigned 1 January 2014)  
N Gallagher (appointed 30 January 2014)  
N Henfrey  
R Kennedy (resigned 30 April 2013)  
N Stocks  
G Turner  
L Werner (appointed 19 July 2013)  
R Wheeler

#### POST BALANCE SHEET EVENTS

On 25 March 2014, the Company assumed contingent liabilities of £25m in relation to amendments to management agreement contractual obligations.

On 27 May 2014, the Company acquired a 13.0% shareholding in BHR Holdings B.V., a company incorporated in the Netherlands, from another Group undertaking for £51,757,000, bringing its total shareholding in this company to 69.8 %.

#### GOING CONCERN

The Company operates its activities in conjunction with other companies within the Group and therefore relies on the Group for its continued existence.

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 2013. 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 credit risk and liquidity risk is also given in the Annual Report and Form 20-F 2013. The Group refinanced its bank debt in November 2011 and put in place a five-year \$1.07bn facility. In November 2009 the Group issued a seven-year £250m sterling bond and, in November 2012, a 10-year £400m sterling bond. At the end of 2013 the Group was trading significantly within its banking covenants and debt facilities.

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

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

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## IHG HOTELS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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#### EMPLOYMENT POLICIES

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

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

#### QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

#### DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he or she has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

#### AUDITORS

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

By order of the Board:



Signed by

**Nicolette Henfrey**

, Secretary/Director

Date:

**07 AUG 2014**

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**IHG HOTELS LIMITED**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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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 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 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.

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IHG HOTELS LIMITED

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We have audited the financial statements of IHG Hotels Limited for the year ended 31 December 2013, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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.

### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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.

*Ernst & Young LLP*

Lorna McNeil (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham

Date: 14 August 2014

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**IHG HOTELS LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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|  | <i>Note</i> | <i>2013<br/>£000</i> | <i>2012<br/>£000</i> |
|--|-------------|----------------------|----------------------|
| <b>TURNOVER</b>  | 1,2         | 107,698              | 92,923               |
| Administrative expenses  |             | <u>(71,563)</u>      | <u>(71,227)</u>      |
| <b>OPERATING PROFIT</b>  | 3           | 36,135               | 21,696               |
| <b>EXCEPTIONAL ITEMS</b>   |             |                      |                      |
| Net (loss)/profit on sale of fixed asset investments                           | 4           | (233)                | 876                  |
| Impairment of fixed asset investment and intangible fixed asset                | 4           | <u>(547)</u>         | <u>(4,547)</u>       |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE<br/>INVESTMENT INCOME AND INTEREST</b> |             | 35,355               | 18,025               |
| Income from shares in group undertakings                                       |             | -                    | 8,252                |
| Interest receivable  | 7           | 403                  | 194                  |
| Interest payable   | 8           | <u>(251)</u>         | <u>(74)</u>          |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>                           |             | 35,507               | 26,397               |
| Tax on profit on ordinary activities   | 9           | <u>(7,541)</u>       | <u>(4,950)</u>       |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>   | 18, 19      | <u><u>27,966</u></u> | <u><u>21,447</u></u> |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account.

The notes on pages 9 to 21 form part of these financial statements.

**IHG HOTELS LIMITED**  
**REGISTERED NUMBER: 3130330**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2013**

|   | <i>Note</i> | <i>£000</i>   | <i>2013</i><br><i>£000</i> | <i>2012</i><br><i>£000</i> |
|---|-------------|---------------|----------------------------|----------------------------|
| <b>FIXED ASSETS</b>                                   |             |               |                            |                            |
| Intangible fixed assets                               | 10          |               | 279,787                    | 280,045                    |
| Investments   | 11          |               | 261,984                    | 30,167                     |
|   |             |               | <u>541,771</u>             | <u>310,212</u>             |
| <b>CURRENT ASSETS</b>                                 |             |               |                            |                            |
| Stocks  | 12          | 2             |                            | 1                          |
| Debtors   | 13          | 34,736        |                            | 85,074                     |
| Cash at bank  |             | 5,912         |                            | 26,569                     |
|   |             | <u>40,650</u> |                            | <u>111,644</u>             |
| <b>CREDITORS: amounts falling due within one year</b> | 14          | (158,510)     |                            | (26,228)                   |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>               |             |               | <u>(117,860)</u>           | <u>85,416</u>              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |             |               | 423,911                    | 395,628                    |
| <b>PROVISIONS FOR LIABILITIES</b>                     |             |               |                            |                            |
| Deferred tax  | 15          | (5,554)       |                            | (4,733)                    |
| Other provisions                                      | 16          | (2,400)       |                            | (2,904)                    |
|   |             |               | <u>(7,954)</u>             | <u>(7,637)</u>             |
| <b>NET ASSETS</b>                                     |             |               | <u>415,957</u>             | <u>387,991</u>             |
| <b>CAPITAL AND RESERVES</b>                           |             |               |                            |                            |
| Called up share capital                               | 17          |               | 50,797                     | 50,797                     |
| Share premium account                                 | 18          |               | 306,752                    | 306,752                    |
| Profit and loss account                               | 18          |               | 58,408                     | 30,442                     |
| <b>SHAREHOLDERS' FUNDS</b>                            | 19          |               | <u>415,957</u>             | <u>387,991</u>             |

Approved by the Board:

Signed by  Nicolette Henfrey, Director

Date: 07 AUG 2014

The notes on pages 9 to 21 form part of these financial statements.

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**1. ACCOUNTING POLICIES****1.1 BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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

The financial statements present information about the Company as an individual undertaking and not as a group. The Company is exempt from preparing consolidated financial statements under Section 400 of the Companies Act 2006 as it is a wholly owned subsidiary of InterContinental Hotels Group PLC, incorporated in England and Wales, which prepares consolidated financial statements.

**1.2 INTANGIBLE FIXED ASSETS AND AMORTISATION****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 profit and loss account as incurred. Costs incurred in the maintenance or re-branding of existing licences are expensed to the profit and loss account as incurred.

**Management contracts**

When assets are sold and a purchaser enters into a management contract with the Company, the Company capitalises as part of the gain or loss on disposal an estimate of the fair value of the contract entered into. This value is amortised over the life of the contract which ranges from 3 to 18 years.

**Other intangible assets**

Amounts paid to hotel owners to secure management contracts and franchise agreements are capitalised and amortised over the shorter of the contracted period and 10 years on a straight-line basis.

Management contracts and other intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The useful economic lives of intangible assets are reviewed at the end of each reporting period and revised if necessary.

**1.3 FIXED ASSET INVESTMENTS AND INVESTMENT INCOME**

Fixed asset investments are stated at cost less any provision for impairment.

Dividend income is recognised when the right to receive payment is established.

**1.4 STOCKS**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

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1. ACCOUNTING POLICIES (continued)

1.5 TRADE DEBTORS

Trade debtors are recognised and carried at original amount earned, less an allowance for any doubtful accounts. An allowance for doubtful accounts is made when collection of the full amount is no longer probable.

1.6 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.

1.7 ONEROUS CONTRACTS

An onerous contract provision is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

1.8 TURNOVER

Turnover comprises revenue earned by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Turnover is derived from the following sources: franchise fees; management fees; and other turnover which is ancillary to the Company's operations. The following is a description of the main components of the turnover of the Company.

**Franchise fees** - received in connection with the Company's brand names, usually under long-term contracts with the hotel owner. The Company charges franchise royalty fees as a percentage of room revenue. Turnover is recognised when earned and realised or realisable under the terms of the agreement.

**Management fees** - earned from hotels managed by the Company, usually under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel turnover, and an incentive fee, which is generally based on the hotel's profitability or cash flows. Turnover is recognised when earned and realised or realisable under the terms of the contract.

1.9 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

1.10 TAXATION

Corporation tax payable is provided on taxable profits at the current rate.

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

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**1. ACCOUNTING POLICIES (continued)****1.11 DEFERRED TAXATION**

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Those timing differences recognised include accelerated capital allowances, unrelieved tax losses and short term timing differences. Timing differences not recognised include those relating to the revaluation of fixed assets in the absence of a commitment to sell the assets and the gain on sale of assets rolled into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**1.12 USE OF ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions that 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.

On an ongoing basis, management evaluates its estimates and judgments, including those relating to income taxes, employee benefits and contingencies and litigation.

Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions and conditions.

**1.13 CASH FLOW**

Under the provisions of Financial Reporting Standard ("FRS") 1 "Cash Flow Statements" (Revised 1996), the Company has not prepared a statement of cash flows because its ultimate parent undertaking, InterContinental Hotels Group PLC, which is incorporated within the European Union, has prepared consolidated financial statements which include the financial statements of the Company for the year and which contain an appropriate statement of cash flows of the Group.

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**2. TURNOVER**

Turnover represents the amounts earned from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax.

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

Turnover by origin is analysed as follows:

**Geographical market**

|                | <i>2013</i><br><i>£000</i> | <i>2012</i><br><i>£000</i> |
|----------------|----------------------------|----------------------------|
| UK&I           | 46,660                     | 44,395                     |
| Rest of Europe | 57,917                     | 45,574                     |
| Africa         | 3,121                      | 2,954                      |
| Total          | <u>107,698</u>             | <u>92,923</u>              |

**Class of business**

|                   | <i>2013</i><br><i>£000</i> | <i>2012</i><br><i>£000</i> |
|-------------------|----------------------------|----------------------------|
| Managed hotels    | 20,529                     | 18,922                     |
| Franchised hotels | 87,169                     | 74,001                     |
| Total             | <u>107,698</u>             | <u>92,923</u>              |

**3. OPERATING PROFIT**

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

|  | <i>2013</i><br><i>£000</i> | <i>2012</i><br><i>£000</i> |
|--|----------------------------|----------------------------|
| Amortisation - intangible fixed assets | 3,189                      | 1,623                      |
| Foreign exchange (gains)/losses        | (671)                      | 209                        |
| Write off of intellectual property     | -                          | 706                        |
|  | <u>          </u>          | <u>          </u>          |

The Company incurred auditors' remuneration of £10,000 (2012: £10,000) which was 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.

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**4. EXCEPTIONAL ITEMS**

|   | <i>2013</i> | <i>2012</i>  |
|---|-------------|--------------|
|   | <i>£000</i> | <i>£000</i>  |
| Loss on disposal of shareholding in Inthotel Holdings S.A                           | 233         | 3,316        |
| Profit on disposal of shareholding in Holiday Inns Holdings (Australia) Pty Limited | -           | (4,192)      |
| Impairment of investment in IHG Szalloda Budapest Szolgaltato Kft                   | 547         | 1,602        |
| Impairment of investment in InterContinental Hotels Italia S.r.L.                   | -           | 2,945        |
|   | <u>780</u>  | <u>3,671</u> |

On 12 December 2012, the Company sold its shareholding in Inthotel Holdings S.A. with a carrying value of £6,272,000 for a net consideration of £2,956,000. This resulted in a loss on disposal of £3,316,000. During 2013, the Company incurred additional disposal costs, resulting in a further loss of £233,000.

On 13 December 2012, Holiday Inns (Australia) Pty Limited bought back 58% of the shares held by IHG Hotels Limited, with a carrying value of £27,480,000, for consideration of £31,672,000. This resulted in a profit on disposal of £4,192,000.

**5. STAFF COSTS**

Staff costs were as follows:

|                       | <i>2013</i> | <i>2012</i> |
|-----------------------|-------------|-------------|
|                       | <i>£000</i> | <i>£000</i> |
| Wages and salaries    | 317         | 408         |
| Social security costs | 9           | 10          |
|                       | <u>326</u>  | <u>418</u>  |

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

|                          | <i>2013</i> | <i>2012</i> |
|--------------------------|-------------|-------------|
|                          | <i>No.</i>  | <i>No.</i>  |
| Managed hotel operations | <u>7</u>    | <u>12</u>   |

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**6. DIRECTORS' REMUNERATION**

|   | <i>2013</i> | <i>2012</i> |
|---|-------------|-------------|
|   | <i>£000</i> | <i>£000</i> |
| Basic salaries, fees, performance payments and benefits       | 2,407       | 2,214       |
| Company contributions to defined contribution pension schemes | 137         | 108         |

During the year retirement benefits were accruing to 6 directors (2012: 4) in respect of defined contribution pension schemes.

During the year defined benefits were accruing to 2 directors (2012: 2) in respect of defined benefit pension schemes.

During the year no directors (2012: nil) exercised share options.

The highest paid director received basic salary, performance payment and benefits of £518,000 (2012: £489,000) and did not exercise any share options during the year. The amount of the director's accrued pension under the defined benefit scheme was £nil (2012: £nil).

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.

**7. INTEREST RECEIVABLE**

|   | <i>2013</i> | <i>2012</i> |
|---|-------------|-------------|
|   | <i>£000</i> | <i>£000</i> |
| Interest receivable from Group undertakings | 324         | 100         |
| Other interest receivable                   | 79          | 94          |
|   | 403         | 194         |

**8. INTEREST PAYABLE**

|  | <i>2013</i> | <i>2012</i> |
|--|-------------|-------------|
|  | <i>£000</i> | <i>£000</i> |
| Sundry interest payable                | 10          | 74          |
| Interest payable to Group undertakings | 241         | -           |
|  | 251         | 74          |

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

|  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| <b>ANALYSIS OF TAX CHARGE IN THE YEAR</b>        |              |              |
| <b>CURRENT TAX</b>                               |              |              |
| UK corporation tax charge on profit for the year | 5,776        | 3,029        |
| Adjustments in respect of prior periods          | (185)        | (3,574)      |
|  | <u>5,591</u> | <u>(545)</u> |
| Foreign tax on income for the year               | 1,129        | 337          |
|  | <u>6,720</u> | <u>(208)</u> |
| <b>DEFERRED TAX</b>                              |              |              |
| Origination and reversal of timing differences   | 1,670        | 1,869        |
| Adjustments in respect of prior periods          | -            | 3,983        |
| Effect of changes in tax rate                    | (849)        | (694)        |
|  | <u>821</u>   | <u>5,158</u> |
| <b>TOTAL DEFERRED TAX</b> (see note 15)          | <u>821</u>   | <u>5,158</u> |
| <b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>      | <u>7,541</u> | <u>4,950</u> |

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2012: lower than) the effective standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

|  | 2013<br>£000  | 2012<br>£000  |
|--|---------------|---------------|
| Profit on ordinary activities before tax   | <u>35,507</u> | <u>26,397</u> |
| Profit on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 23.25% (2012: 24.5%) | 8,255         | 6,467         |
| <b>EFFECTS OF:</b>   |               |               |
| Impairment and disposal of investments   | 181           | 898           |
| Expenses not deductible for tax purposes   | 141           | 278           |
| Tax amortisation of intangible assets  | (1,672)       | (1,740)       |
| Other timing differences   | -             | (130)         |
| Prior period adjustments   | (185)         | (3,574)       |
| Non-taxable income   | -             | (2,407)       |
|  | <u>6,720</u>  | <u>(208)</u>  |
| <b>CURRENT TAX CHARGE/(CREDIT) FOR THE YEAR</b>  | <u>6,720</u>  | <u>(208)</u>  |

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

Decreases in the rate of UK corporation tax to 21%, effective from 1 April 2014, and to 20%, effective from 1 April 2015, were substantively enacted during 2013 and have been reflected in the Company's financial statements.

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**10. INTANGIBLE FIXED ASSETS**

|                       | <i>Intellectual<br/>property<br/>£000</i> | <i>Management<br/>contracts<br/>£000</i> | <i>Other<br/>£000</i> | <i>Total<br/>£000</i> |
|-----------------------|---|--|-----------------------|-----------------------|
| <b>COST</b>           |   |  |                       |                       |
| At 1 January 2013     | 268,508                                   | 3,711                                    | 12,404                | 284,623               |
| Additions             | -   | -  | 2,992                 | 2,992                 |
| Disposals             | -   | (503)                                    | (534)                 | (1,037)               |
| At 31 December 2013   | <u>268,508</u>                            | <u>3,208</u>                             | <u>14,862</u>         | <u>286,578</u>        |
| <b>AMORTISATION</b>   |   |  |                       |                       |
| At 1 January 2013     | -   | 1,782                                    | 2,796                 | 4,578                 |
| Charge for the year   | -   | 201                                      | 2,988                 | 3,189                 |
| Disposals             | -   | (442)                                    | (534)                 | (976)                 |
| At 31 December 2013   | <u>-</u>                                  | <u>1,541</u>                             | <u>5,250</u>          | <u>6,791</u>          |
| <b>NET BOOK VALUE</b> |   |  |                       |                       |
| At 31 December 2013   | <u>268,508</u>                            | <u>1,667</u>                             | <u>9,612</u>          | <u>279,787</u>        |
| At 31 December 2012   | <u>268,508</u>                            | <u>1,929</u>                             | <u>9,608</u>          | <u>280,045</u>        |

Intellectual property is not amortised. It is reviewed for impairment on an annual basis at the end of each reporting period.

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**11. INVESTMENTS**

|                       | <i>Investments in<br/>subsidiary<br/>undertakings<br/>£000</i> |
|-----------------------|--|
| <b>COST</b>           |  |
| At 1 January 2013     | 34,714   |
| Additions             | 232,364  |
| At 31 December 2013   | <u>267,078</u>   |
| <b>IMPAIRMENT</b>     |  |
| At 1 January 2013     | 4,547  |
| Charge for the year   | 547  |
| At 31 December 2013   | <u>5,094</u>   |
| <b>NET BOOK VALUE</b> |  |
| At 31 December 2013   | <u>261,984</u>   |
| At 31 December 2012   | <u>30,167</u>  |

**SUBSIDIARY UNDERTAKINGS**

At 31 December 2013, the Company was the beneficial owner of all (unless specified) of the ordinary share capital of the following companies:

***Directly held***

InterContinental Hotels Group Services Company  
(incorporated and registered in England and Wales)

Holiday Inns Holdings (Australia) Pty Limited  
(incorporated in Australia)

InterContinental Hotels Italia S.r.L.  
(incorporated in Italy)

IHG Szalloda Budapest Szolgaltato Kft  
(incorporated in Hungary)

IHG Japan (Management) LLC  
(incorporated in Japan)

IC Hotels Management Portugal Unipessoal Limited  
(incorporated in Portugal)

IHG Istanbul Otel Yönetim Limited Sirketi (incorporated in Turkey) - the Company directly owns 99% of the ordinary share capital with 1% owned by another subsidiary undertaking.

IHG Hotels Nigeria Limited (incorporated in Nigeria) - the Company directly owns 99.99% of the ordinary share capital with the remaining share capital held by another subsidiary undertaking.

BHR Holdings B.V. (incorporated in the Netherlands) - the Company directly owns 56.8% of the ordinary share capital with the remaining share capital held by other Group companies.

The nature of the business of all of the above subsidiary undertakings is in the hotel and resort industry.

The directors are of the opinion that the aggregate value of the Company's investments is not less than the amount at which they are stated in the financial statements.

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**11. INVESTMENTS (continued)**

On 30 November 2013, the Company acquired 56.8% of the issued share capital of BHR Holdings B.V., a company incorporated in the Netherlands, for consideration of £232,364,000.

The undertakings listed above include only those which principally support the carrying value above or are directly held.

**12. STOCKS**

|                   | 2013<br>£000 | 2012<br>£000 |
|-------------------|--------------|--------------|
| Consumable stores | 2            | 1            |

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**13. DEBTORS**

|                                    | 2013<br>£000  | 2012<br>£000  |
|------------------------------------|---------------|---------------|
| Trade debtors                      | 25,677        | 30,034        |
| Amounts owed by Group undertakings | 6,744         | 52,293        |
| Other debtors                      | 2,173         | 2,691         |
| Prepayments and accrued income     | 142           | 56            |
|                                    | <u>34,736</u> | <u>85,074</u> |

**14. CREDITORS:  
AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                    | 2013<br>£000   | 2012<br>£000  |
|------------------------------------|----------------|---------------|
| Trade creditors                    | 240            | 204           |
| Amounts owed to Group undertakings | 142,173        | 13,862        |
| Corporation tax                    | 5,667          | 3,029         |
| Other taxation and social security | 6,187          | 5,417         |
| Other creditors                    | 457            | 458           |
| Accruals and deferred income       | 3,786          | 3,258         |
|                                    | <u>158,510</u> | <u>26,228</u> |

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**15. DEFERRED TAXATION**

|                     | 2013<br>£000 | 2012<br>£000 |
|---------------------|--------------|--------------|
| At 1 January        | 4,733        | (425)        |
| Charge for the year | 821          | 5,158        |
|                     | <hr/>        | <hr/>        |
| At 31 December      | 5,554        | 4,733        |
|                     | <hr/> <hr/>  | <hr/> <hr/>  |

The deferred tax liability is comprised as follows:

|                                | 2013<br>£000 | 2012<br>£000 |
|--------------------------------|--------------|--------------|
| Intangible assets              | 5,698        | 4,899        |
| Accelerated capital allowances | (1)          | (1)          |
| Other timing differences       | (143)        | (165)        |
|                                | <hr/>        | <hr/>        |
|                                | 5,554        | 4,733        |
|                                | <hr/> <hr/>  | <hr/> <hr/>  |

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

A deferred tax asset of £208,000 (2012: £239,000) relating to capital losses has not been recognised as their use is uncertain at the balance sheet date.

**16. PROVISIONS**

|                         | <i>Management<br/>Contracts</i><br>£000 | <i>Other</i><br>£000 | <i>Total</i><br>2013<br>£000 | <i>Total</i><br>2012<br>£000 |
|-------------------------|---|----------------------|------------------------------|------------------------------|
| At 1 January            | 2,852                                   | 52                   | 2,904                        | 4,095                        |
| Charged during the year | 422                                     | -                    | 422                          | -                            |
| Utilised                | (926)                                   | -                    | (926)                        | (1,191)                      |
|                         | <hr/>                                   | <hr/>                | <hr/>                        | <hr/>                        |
| At 31 December          | 2,348                                   | 52                   | 2,400                        | 2,904                        |
|                         | <hr/> <hr/>                             | <hr/> <hr/>          | <hr/> <hr/>                  | <hr/> <hr/>                  |

***Management Contracts***

Provision has been made for the net cash outflows expected to be incurred under performance guarantees associated with two management contracts. The provision has been calculated based on net present value cash flow projections up to the end of each contract. It is expected that costs will be incurred in each year up to the end of the contracts in 2020.

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**17. SHARE CAPITAL**

|   | <i>2013</i><br><i>£000</i> | <i>2012</i><br><i>£000</i> |
|---|----------------------------|----------------------------|
| <b>ALLOTTED, CALLED UP AND FULLY PAID</b> |                            |                            |
| 50,797,204 ordinary shares of £1 each     | 50,797                     | 50,797                     |

**18. RECONCILIATION OF MOVEMENTS IN RESERVES**

|                               | <i>Share<br/>premium<br/>account<br/>£000</i> | <i>Profit and loss<br/>account<br/>£000</i> |
|-------------------------------|---|---|
| At 1 January 2013             | 306,752                                       | 30,442                                      |
| Profit for the financial year | -   | 27,966                                      |
| At 31 December 2013           | 306,752                                       | 58,408                                      |

**19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

|                               | <i>2013</i><br><i>£000</i> | <i>2012</i><br><i>£000</i> |
|-------------------------------|----------------------------|----------------------------|
| Opening shareholders' funds   | 387,991                    | 366,544                    |
| Profit for the financial year | 27,966                     | 21,447                     |
| Closing shareholders' funds   | 415,957                    | 387,991                    |

**20. OTHER FINANCIAL COMMITMENTS**

The Company has entered into a composite guarantee with Lloyds Bank plc to guarantee amounts due on overdrafts of other companies in the Group to the extent of any credit balance of the Company held by Lloyds Bank plc. At 31 December 2013 the maximum liability under the guarantee amounted to £ 10,105,126 (2012: £23,801,200).

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 2013 the maximum liability under the guarantee amounted to £49,544,675 (2012: £88,380,449).

In limited cases, the Company may provide performance guarantees to third-party owners to secure management contracts. The maximum unprovided exposure under such guarantees is £20,388,000 (2012: £22,020,000).

**21. RELATED PARTY TRANSACTIONS**

As the Company was a wholly owned subsidiary of InterContinental Hotels Group PLC at 31 December 2013, the Company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group, headed by InterContinental Hotels Group PLC.

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**IHG HOTELS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**22. POST BALANCE SHEET EVENTS**

On 25 March 2014, the Company assumed contingent liabilities of £25m in relation to amendments to management agreement contractual obligations.

On 27 May 2014, the Company acquired a 13.0% shareholding in BHR Holdings B.V., a company incorporated in the Netherlands, from another Group undertaking for £51,757,000, bringing its total shareholding in this company to 69.8 %.

**23. PARENT UNDERTAKING AND CONTROLLING PARTY**

As at 31 December 2013, 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 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.