Registered number: 3130330

IHG HOTELS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

COMPANY INFORMATION

DIRECTORS	M Cockcroft M Glover N Henfrey D Llewellyn G Turner
COMPANY SECRETARY	F Cuttell
REGISTERED NUMBER	3130330
REGISTERED OFFICE	Broadwater Park Denham Buckinghamshire UB9 5HR
INDEPENDENT AUDITOR	Ernst & Young LLP One Colmore Square Birmingham B4 6HQ

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

	2017	*2016*
	£000	*£000*
Turnover	120,438	109,276
Operating profit	36,122	42,672
Profit after tax	31,456	35,917
Shareholders' funds	489,766	458,310

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

During 2017, the Company earned total revenue of £120,438,000 (2016: £109,276,000). The growth in revenue was largely due to an increase in franchise and license fee revenues from £88,475,000 in 2016 to £100,504,000 in 2017, mainly due to a strong recovery in markets previously impacted by terror attacks.

Operating profit decreased from £42,672,000 in 2016 to £36,122,000 in 2017. The reduction in operating profit was largely due to a decrease in foreign exchange gains arising on trading activities from £4,334,000 in 2016 to £1,763,000 in 2017.

During 2017, the Company recognised a reversal of a previous impairment charge in its investment in IHG Szalloda Budapest Szolgaltato Kft of £517,000 (2016: £nil).

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

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 risk of political and economic developments.

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

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

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

~~Director~~/Secretary JCuttell
Fiona Cuttell

Date: 11 JUN 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £31,456,000 (2016: £35,917,000).

The directors do not propose a dividend for the year ended 31 December 2017 (2016: £nil).

DIRECTORS

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

M Cockcroft
M Glover
N Henfrey
M Izzard (resigned 23 February 2017)
D Llewellyn (appointed 22 January 2018)
N Stocks (resigned 31 December 2017)
G Turner
R Wheeler (resigned 27 February 2017)

FUTURE DEVELOPMENTS

It is the intention of the directors that the Company will continue to operate as the Europe and Africa regional franchisor and as an investment holding company for the foreseeable future.

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

GOING CONCERN

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

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 2017. Information on the Group's treasury management policies, including information on covenants and debt facilities; processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to liquidity risk and credit risk is also given in the Annual Report and Form 20-F 2017. In March 2017, the Group extended the maturity of its $1.275bn facility to March 2022.

At the end of 2017, the Group was trading significantly within its banking covenants and debt facilities.

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

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

AUDITOR

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

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

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

JCuttell

~~Director~~/Secretary Fiona Cuttell

Date: 11 JUN 2018

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

OPINION

We have audited the financial statements of IHG Hotels Limited (the 'Company') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20, 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 this opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted this 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 this report below. We are independent of the Company in accordance with the ethical requirements that are relevant to this audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled this 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 this opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

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

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In this 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 this opinion:

- adequate accounting records have not been kept, or returns adequate for this 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 this audit.

RESPONSIBILITIES OF DIRECTORS

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

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

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 this opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of this 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 this auditor's report.

USE OF OUR REPORT

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

Ernst & Young LLP

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

Date: 11 June 2018

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	*2017* *£000*	*2016* *£000*
Turnover	3	120,438	109,276
Administrative expenses		(84,316)	(66,604)
Operating profit	4	36,122	42,672
Reversal of impairment of fixed asset investments	11	517	-
Interest receivable and other income	7	1,955	1,751
Interest payable and similar expenses	8	(39)	(35)
Profit before taxation		38,555	44,388
Taxation	9	(7,099)	(8,471)
Profit for the year		31,456	35,917

There were no recognised gains and losses for the current or prior year other than those included in the Income Statement.

The notes on pages 12 to 26 form part of these financial statements.

All amounts relate to continuing operations.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note		*2017* *£000*		*2016* *£000*
Fixed assets					
Intangible assets	10		327,665		322,374
Investments	11		61,547		60,937
			389,212		383,311
Current assets					
Debtors	12	138,916		121,535	
Cash at bank		6,217		7,581	
		145,133		129,116	
Creditors: Amounts falling due within one year	13	(34,705)		(45,794)	
Net current assets			110,428		83,322
Total assets less current liabilities			499,640		466,633
Deferred tax	14		(9,874)		(8,323)
Net assets			489,766		458,310
Capital and reserves					
Called up share capital	15		50,797		50,797
Share premium account	16		306,752		306,752
Profit and loss account			132,217		100,761
Total equity			489,766		458,310

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

Director Nicolette Henfrey
Date:
11 JUN 2018

The notes on pages 12 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	50,797	306,752	64,844	422,393
Profit for the year	-	-	35,917	35,917
At 1 January 2017	50,797	306,752	100,761	458,310
Profit for the year	-	-	31,456	31,456
At 31 December 2017	50,797	306,752	132,217	489,766

The notes on pages 12 to 26 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 STATEMENT OF COMPLIANCE WITH FRS 101

The Company is incorporated and domiciled in England and Wales.

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

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

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

The Company's ultimate parent undertaking, InterContinental Hotels Group PLC includes the Company in its consolidated financial statements. The consolidated financial statements of InterContinental Hotels Group PLC are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are publicly available and may be obtained from the address given in note 19.

1.2 BASIS OF PREPARATION

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

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

- a Cash Flow Statement and related notes as required by IAS 7 'Statement of Cash Flows';
- comparative period reconciliations for share capital and intangible assets as required by IAS 1 'Presentation of Financial Statements';
- disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- the effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- disclosures in respect of the compensation of Key Management Personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

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

- the requirements of paragraphs 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. ACCOUNTING POLICIES (continued)

1.3 GOING CONCERN

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

1.4 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 and licence 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 licence of the Group's brand names, usually under long-term contracts with the hotel owner. The Company charges franchise royalty fees as a percentage of rooms revenue. Revenue is recognised when the fee is earned in accordance with the terms of the contract.

Licence fees - as the owner of the Group's brand names for the region, the Company charges licence fees as a percentage of room revenue either direct to hotels or managers. Revenue is recognised when earned and realised or realisable under the terms of the contract.

Management fees - earned from hotels managed by the Company, usually under long-term contracts with the hotel owner. Management fees include a base fee, generally a percentage of hotel revenue, which is recognised when earned in accordance with the terms of the contract and an incentive fee, generally based on the hotel's profitability or cash flows and recognised when the related performance criteria are met under the terms of the contract.

Other revenues - recognised when earned in accordance with the terms of the contract.

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.

Where compliance with the provisions of the UK Companies Act is inconsistent with the requirements to give a true and fair view of the state of affairs and profit or loss in accordance with UK GAAP, the directors have invoked the true and fair view. 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', indefinite lived intangible assets are not amortised. Consequently, the Company does not amortise the indefinitely lived intangibles, but reviews them for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the requirement to amortise intangible assets. The Company is not able to determine the financial effect of the impact of non-amortization of indefinite lived intangible assets, which have a carrying amount of £275,593,000 at 31 December 2017 and 31 December 2016.

Management contracts

When hotel assets are sold and a purchaser enters into a franchise or 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. The value of management contracts is amortised on a straight-line basis over the life of the contract including any extension periods at IHG's option up to a maximum of 50 years.

Other

In addition, amounts paid to hotel owners to secure management contracts and franchise agreements are capitalised and amortised on a straight-line basis over their estimated useful lives, being the full contractual term, up to a maximum of 50 years.

Management contracts and other 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. ACCOUNTING POLICIES (continued)

1.6 NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

Investments in equity securities

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

Trade and other debtors

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

Trade and other creditors

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

Amounts due from and amounts due to Group undertakings

Amounts due from and amounts due to Group undertakings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The carrying value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

1.7 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised and subsequently re-measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement.

1.8 FOREIGN CURRENCY

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

1. ACCOUNTING POLICIES (continued)

1.9 OTHER INCOME AND EXPENSES

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

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

1.10 TAXATION

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

Current tax

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

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

Deferred tax

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

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

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

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

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

At 31 December 2017, the Company had intangible assets of £327,664,000 (2016: £322,374,000), none of which were subject to an impairment charge during the current or prior year.

3. ANALYSIS OF 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.

An analysis of turnover by class of business is as follows:

	2017 *£000*	*2016* *£000*
Franchise and license fees	100,504	88,475
Management fees	4,723	4,692
Technology fees	12,609	11,171
Other	2,602	4,938
	120,438	109,276

Analysis of turnover by country of destination:

	2017 *£000*	*2016* *£000*
UK&I	50,225	46,931
Rest of Europe	66,332	58,311
Africa	3,881	4,034
	120,438	109,276

4. OPERATING PROFIT

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

	2017 *£000*	*2016* *£000*
Amortisation of intangible assets	3,259	2,738
Exchange differences	(1,763)	(4,334)

The Company incurred auditor's remuneration of £11,000 (2016: £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.

5. STAFF COSTS

Staff costs were as follows:

	2017 *£000*	*2016* *£000*
Wages and salaries	-	77
Other pension costs	-	7
	-	84

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

	2017 *No.*	*2016* *No.*
Managed hotel operations	-	1

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

6. DIRECTORS' REMUNERATION

	2017 £000	2016 £000
Directors' emoluments	3,028	2,294
Amounts receivable under long-term incentive schemes	1,415	1,540
Company contributions to defined contribution pension schemes	53	65
Compensation for loss of office	288	-
	4,784	3,899

During the year retirement benefits were accruing to 4 directors (2016: 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 7 (2016: 7).

The highest paid director received basic salary, performance payment and benefits of £1,029,000 (2016: £555,000) and company contributions to defined contribution pension schemes of £37,000 (2016: £16,000). 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.

7. INTEREST RECEIVABLE AND OTHER INCOME

	2017 £000	2016 £000
Interest receivable from Group undertakings	1,764	1,479
Other interest receivable	191	272
	1,955	1,751

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £000	2016 £000
Sundry interest payable	39	35

9. TAXATION

	2017 *£000*	*2016* *£000*
Corporation tax		
Current tax on profit for the year	4,909	6,758
Adjustment in respect of prior periods	(353)	(49)
Foreign tax		
Foreign tax on profit for the year	992	749
Total current tax	5,548	7,458
Deferred tax		
Origination and reversal of temporary differences	1,421	1,199
Changes in tax rates	(203)	(420)
Adjustment in respect of prior periods	333	234
Total deferred tax	1,551	1,013
Taxation	7,099	8,471

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2016: lower than) the effective standard rate of corporation tax in the UK of 19.25% (2016: 20%) for the year ended 31 December 2017. The differences are explained below:

	2017 *£000*	*2016* *£000*
Profit before tax	38,555	44,388
Profit multiplied by effective standard rate of corporation tax in the UK of 19.25% (2016: 20%)	7,422	8,878
Effects of:		
Non-deductible expenditure	-	128
Reversal of impairment of fixed asset investments	(100)	-
Change in deferred tax recognition	-	(300)
Changes in tax rate	(203)	(420)
Adjustment in respect of prior periods	(20)	185
Total tax charge for the year	7,099	8,471

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

10. INTANGIBLE ASSETS

	Intellectual property £000	*Management contracts £000*	*Other £000*	*Total £000*
Cost				
At 1 January 2017	275,593	2,835	54,375	332,803
Additions	-	-	9,149	9,149
Disposals	-	-	(761)	(761)
At 31 December 2017	275,593	2,835	62,763	341,191
Amortisation				
At 1 January 2017	-	1,781	8,648	10,429
Charge for the year	-	151	3,108	3,259
Disposals	-	-	(162)	(162)
At 31 December 2017	-	1,932	11,594	13,526
Net book value				
At 31 December 2017	275,593	903	51,169	327,665
At 31 December 2016	275,593	1,054	45,727	322,374

Intellectual property with a net book value of £275,593,000 (2016: £275,593,000) has an indefinite useful life, as having considered all relevant factors there is not considered to be a foreseeable limit to which the brand licences are expected to generate net cash inflows for the Company. On this basis the asset is not amortised and is reviewed for impairment on an annual basis.

The intellectual property net book value of £275,593,000 (2016: £275,593,000) is allocated to the 'Europe franchised and managed operations' cash-generating unit, for which the recoverable amount is determined from value in use calculations. These calculations use pre-tax cash flow forecasts derived from the most recent financial budgets and strategic plans approved by management covering a five-year period and using growth rates based on management's past experience and industry growth forecasts. Impairment was not required at either 31 December 2017 or 31 December 2016.

Other intangible assets comprise mainly amounts paid to hotel owners to secure management contracts and franchise agreements.

11. FIXED ASSET INVESTMENTS

	Investments in subsidiary undertakings £000
Cost	
At 1 January 2017	312,509
Additions	93
At 31 December 2017	312,602
Impairment	
At 1 January 2017	251,572
Reversal of impairment losses	(517)
At 31 December 2017	251,055
Net book value	
At 31 December 2017	61,547
At 31 December 2016	60,937

During the year, the Company subscribed for 100% of the shareholding of four newly incorporated companies, for a total consideration of £93,000.

The Company also recognised a reversal of a previous impairment charge in its investment in IHG Szalloda Budapest Szolgaltato Kft of £517,000 (2016: £nil).

A full list of related undertakings is disclosed in note 20.

12. DEBTORS

	2017 £000	*2016 £000*
Trade debtors	28,028	25,908
Amounts owed by Group undertakings	101,890	87,242
Other debtors	1,998	8,228
Prepayments and accrued income	242	157
Corporation tax recoverable	6,758	-
	138,916	121,535

13. CREDITORS: Amounts falling due within one year

	2017 *£000*	*2016* *£000*
Trade creditors	891	700
Amounts owed to Group undertakings	24,797	30,888
Corporation tax	1,308	6,758
Taxation and social security	5,797	5,403
Other creditors	1,450	1,346
Accruals	462	699
	34,705	45,794

14. DEFERRED TAX

The deferred tax balance is comprised as follows:

	Intangible assets *£000*	*Revenue losses* *£000*	*Other temporary differences* *£000*	*Total* *£000*
At 1 January 2017	8,611	(255)	(33)	8,323
Income Statement	1,282	255	14	1,551
At 31 December 2017	9,893	-	(19)	9,874

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

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

A deferred tax asset of £180,000 (2016: £180,000) relating to capital losses has not been recognised as use of the loss is uncertain or not currently anticipated. The unrecognised deferred tax asset would be recognised if the Company realised capital gains against which these capital losses could be offset.

15. SHARE CAPITAL

	2017	*2016*
	£000	*£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.

16. RESERVES

Share premium

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

17. CAPITAL COMMITMENTS

At 31 December 2017 the Company had capital commitments as follows:

	2017	*2016*
	£000	*£000*
Contracted for but not provided in these financial statements	15,600	10,700

18. 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 2017, the maximum liability under the guarantee amounted to £66,302,000 (2016: £69,123,000).

In limited cases, the Company may provide performance guarantees to third-party owners to secure management contracts. The maximum unprovided exposure under such guarantees is £127,000 (2016: £405,000).

19. CONTROLLING PARTY

As at 31 December 2017, InterContinental Hotels Group PLC, a company incorporated and registered in England and Wales, was the ultimate parent undertaking and controlling party of the Company. The registered office of the ultimate parent undertaking is Broadwater Park, Denham, Buckinghamshire, UB9 5HR.

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

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

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

20. 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 2017 are disclosed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by IHG Hotels Limited.

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

(a) Directly owned by IHG Hotels Limited

Registered addresses

(b) Beograd, Cincar, Jankova 3, Serbia
(c) Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands
(d) Nieuwezijds Voorburgwal 5, 1012 RC, Amsterdam, The Netherlands
(e) Level 11, 20 Bond Street, Sydney, NSW 2000, Australia
(f) Johannesgasse 28, 1030 Wien, Am Heumarkt 4, 1030 Wien, Austria
(g) Avenida da Republica, no 52-9, 1069-211, Lisbon, Portugal
(h) Broadwater Park, Denham, Buckinghamshire, UB9 5HR, UK
(i) 20th Floor, Toranomon Kotohira Tower, 2-8, Toranomon 1-chome, Minato-ku, Tokyo, Japan
(j) 195 Arch. Markarios III Ave., Neocleous House, 3030 Limassol, Cyprus
(k) 1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria
(l) Central Office Park Unit 4, 257 Jean Avenue, Centurion 0157, South Africa
(m) Eski Büyükdere Cd. Park Plaza No:14 K:4 Maslak-Sariyer, Istanbul, Turkey
(n) Cesta v Mestni log 1, 1000 Lubljana, Slovenia
(o) 1052 Budapest, Apáczai Csere János u. 12-14, Hungary
(p) Paseo de la Castellana 49, 28046 Madrid, Spain
(q) Via Settembrini 35, Milano, Italy
(r) 10, V. Sargsyan Str, office 114, Yerevan 0010, Armenia
(s) 4fl. 51B Bulgaria Blvd., Triaditsa, Sofia, Bulgaria
(t) Al. Jerozolimskie 56C, 00-803 Warsaw, Poland