

INTERCONTINENTAL HOTELS GROUP PLC /NEW/
Form 20-F
March 03, 2016
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934**
or

b **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2015

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
or

.. **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
Commission file number: 1-10409

InterContinental Hotels Group PLC

(Exact name of registrant as specified in its charter)

England and Wales

(Jurisdiction of incorporation or organization)

Broadwater Park,

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Denham, Buckinghamshire UB9 5HR

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares	New York Stock Exchange
Ordinary Shares of 15 ²⁶⁵ / ₃₂₉ pence each	New York Stock Exchange*

*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares of 15 ²⁶⁵/₃₂₉ pence each **236,117,256**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

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Yes " No þ

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP "

International Reporting Standards as issued by

Other "

the International Standards Accounting Board þ

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Great Hotels

Guests Love[®]

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George Turner, Company Secretary

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See www.ihgplc.com to view both the Annual Report and Responsible Business Report online.

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IHG at a glance

Our strategy for high-quality growth

We have more than 5,000 hotels and over 744,000 guest rooms in our System in nearly 100 countries, and have over 1,300 hotels in our development pipeline.

We are focused on strengthening our portfolio of preferred brands, building and leveraging scale, and delivering revenue to our hotels through the lowest-cost, direct channels. Our proposition to third-party hotel owners is highly competitive and drives superior returns.

We execute an asset-light strategy with a focus on the most attractive, high-growth markets and industry segments. We take a disciplined approach to capital allocation, investing for the future growth of our brands.

This enables us to drive sustainable growth in our profitability and deliver superior shareholder returns over the long term.

Group highlights

Total gross revenue in IHG's System (\$)

24bn (+5.3%)

2014: 23bn

Total operating profit before exceptional items and tax (\$)^a

680m (+4.5%)

2014: 651m

Total underlying operating profit

growth (\$)^{a, b}

67m (+11.5%)

2014: 57m

Revenue per available room (RevPAR) growth^a

+4.4%

2014: +6.1%

Group revenue (\$)

1,803m (-3%)

2014: 1,858m

Full-year dividend (¢/p)

85/58 (+10%)

2014: 77/48.6

Fee revenue^{a, b}

+8%

2014: +7%

Driven by:

4.4% (2014: 6.1%) RevPAR growth; and

4.8% (3.2% excluding the Kimpton acquisition, 2014: 3.4%) net System size growth

Our business model

We predominantly franchise our brands to, and manage hotels on behalf of, third-party hotel owners; our focus is therefore on building preferred brands and strong revenue delivery systems.

Franchised hotels (rooms)

4,219 (530,748)

2014: 4,096 (514,984)

Managed hotels (rooms)

806 (211,403)

2014: 735 (192,121)

Owned and leased hotels (rooms)

7 (2,217)

2014: 9 (3,190)

^a Details of how non-GAAP measures are calculated are set out on page 155.

^b Underlying excludes the impact of owned-asset disposals, managed leases, significant liquidated damages, Kimpton, and exceptional items translated at constant currency by applying prior-year exchange rates.

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Where we operate

We operate in nearly 100 countries globally.

Group revenue 2015 (\$1,803m) **Operating profit before exceptional items and tax 2015 (\$680m)^a** **Number of rooms (744,368)**

^a Details of how non-GAAP measures are calculated are set out on page 155.

^c For details of central revenue and net central costs, see page 46.

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Our preferred brands

Our diverse portfolio of differentiated brands meets the wide-ranging and ever-evolving needs of our guests, and means we have a compelling and preferred offer for our third-party hotel owners.

Underpinned by the IHG[®] parent brand and strengthened by IHG[®] Rewards Club, our powerful loyalty brand, our portfolio of 12 distinct hotel brands has been designed to inspire guests all over the world.

InterContinental[®] Hotels & Resorts: The InterContinental Life

International travel should always be alluring. Pioneers of new international destinations, we have expanded into over 60 countries. We are dedicated to those who appreciate and enjoy the glamour and exhilaration of fascinating places, of important conversations started and new stories written.

Kimpton[®] Hotels & Restaurants: A different way to stay

Heartfelt human connections make people's lives better, and this drives everything we do. We layer our sophisticated yet playful design in our hotels, restaurants and bars with thoughtful amenities and perks to deliver our sincerely personal style of service. Kimpton is where inspired travel begins.

Hotel Indigo[®] Hotels: Inspired by something new

Discovering something new on every trip is inspiring. With over 60 properties in culturally diverse locations across the globe, we are part of the pulse and the rhythm of a place, woven into the fabric, at the heart of it all.

EVEN[®] Hotels:

Where wellness is built in

Being on the road shouldn't disrupt a wellness routine. We know that many travellers wish there were more options to stay healthier and happier away from home. That's why we're here with wellness-savvy staff, a best-in-class fitness experience, healthier food choices and natural,

relaxing spaces.

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Hotel brands	Hotels open	Rooms open	Hotels in pipeline	Rooms in pipeline
InterContinental Hotels & Resorts	184	62,040	52	15,676
Kimpton Hotels & Restaurants	61	10,976	18	3,366
Hotel Indigo Hotels	65	7,664	63	9,208
EVEN Hotels	3	446	8	1,262
HUALUXE Hotels and Resorts	3	798	21	6,632
Crowne Plaza Hotels & Resorts	406	113,284	84	23,181
Holiday Inn Hotels & Resorts	1,163	211,351	242	48,656
Holiday Inn Express Hotels	2,425	236,406	602	75,605
Holiday Inn Resort	47	11,518	14	3,548
Holiday Inn Club Vacations	16	5,231		
Staybridge Suites Hotels Candlewood Suites	220	23,964	114	12,641
Hotels	341	32,328	98	8,720
Other (unbranded)	98	28,362	14	5,421
Total	5,032	744,368	1,330	213,916

HUALUXE™ Hotels and Resorts: Capturing the spirit of Chinese hospitality

HUALUXE Hotels and Resorts is the first upscale international hotel brand designed specifically for Chinese guests. We have woven into every detail of the brand's service and design an acknowledgement of Chinese culture and heritage.

Holiday Inn® Hotels & Resorts: The joy of travel

The joy of travel is for everyone. We threw open the doors of our first hotel in 1952. Since then, we've been making travel a more enjoyable experience for all sorts of people, all over the world. Delivering that experience is what we do every day.

Holiday Inn Express® Hotels: Simple, smart travel

At Holiday Inn Express, we keep it simple and we keep it smart. We've made travel simple so that the basics are done brilliantly. Our mantra is everything you need, nothing you don't. That's what we do. We make travel smarter.

Staybridge Suites® Hotels: Feels like home

We love our guests to feel comfortable in a home-like environment. Staybridge Suites is ideal for upscale business and leisure travellers who want to move in for longer stays and enjoy the best of home and hotel.

Crowne Plaza® Hotels & Resorts: Making business travel work

We believe business travel should work better. In every market in the world, business has changed. It's more digital, more mobile, more connected. But one thing hasn't changed: business people need their hotel to work. We're ready for business 24/7, because when a business hotel works better, business works better.

Holiday Inn Club Vacations®: The joy of lifetime vacations

From the moment we welcome our Holiday Inn Club Vacations owners, we want them to feel proud to be part of a community of people who understand the importance of family. Holiday Inn Club Vacations is an investment in a lifetime of invaluable family memories.

Holiday Inn Resort®: The joy of family holidays

We want families to experience the joy of holidays because spending quality time together is one of life's great pleasures. We pride ourselves on having something for everyone in the family, from kids' clubs and signature swimming pools to informal restaurants and quiet, fireside lounges.

Candlewood Suites® Hotels: Your home base

We believe in the freedom to live, work and relax on your own schedule. All of our 300-plus locations across the US are easily accessible, and we're always opening new hotels so guests can book a spacious suite whenever and wherever it works for them.

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Chairman's statement

I have seen the strong momentum across the business, and have been struck by the energy that our people bring to work each day.

Patrick Cescau

Chairman

We continued to make real progress against our strategy in 2015. There was a focus within the business on becoming more agile, accelerating pace and applying collective energy to build capabilities where it matters.

In 2015, we focused on executing our strategy to deliver high-quality growth at pace. It was also an interesting year for our industry a year where we saw industry consolidation, which arguably began with our acquisition of Kimpton Hotels & Restaurants, and discussion around the importance of building global scale. Scale is, of course, very important in what is a fragmented industry, but we focus on building and leveraging relevant scale, which is not just a numbers game. It is also about building scale in our priority markets, such as Greater China, and building differentiated capabilities in terms of our consumer-technology offer through our digital innovations.

I have seen the strong momentum across the business, and have been struck by the energy that our people bring to work each day. For a business that is about people and delighting our guests, this is critical; ultimately it is our people who deliver a truly memorable experience for our guests. I sincerely admire and appreciate the level of exceptional service our colleagues provide to the guests we welcome into our hotels.

I have also spent time listening to our owners across the world and understanding the challenges that they face. As Chairman, I see it as my duty to bring the perspective of our owners to the fore and ensure that we are building relationships for the long term. It is clear that our owners value the strength of our brand portfolio, and are impressed by our commitment to operational excellence and delivering strong returns. Further building and strengthening our relationships with owners will continue to be a key focus for us and for me personally.

Personal perspective

I spent time on the road during the year, meeting with many of our owners and staying in our hotels across the globe to see first-hand how we are developing and evolving our portfolio of brands. My visits took me to many of our most attractive growth markets, with a particular focus on Greater China, Germany and India, and I visited our regional teams in Atlanta, Delhi, Denham, Frankfurt and Singapore. I also had an opportunity to experience some of our new brands: EVEN Hotels,

Key highlights

HUALUXE Hotels and Resorts and, the newest brand in our portfolio, Kimpton Hotels & Restaurants.

We continued to make real progress against our strategy in 2015. There was a focus within the business on becoming more agile, accelerating pace and applying collective energy to build capabilities where it matters most. And this approach is paying off. I have been particularly impressed by the progress made to develop, implement and execute our commercial strategy, by enhancing our brand portfolio, transforming our loyalty proposition and strengthening our direct channels all underpinned by industry-leading technology.

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There have been three particular highlights for me this year. First, the sale of InterContinental Hong Kong and InterContinental Paris – Le Grand, which signalled the completion of our asset-light strategy. Second, the completion of our acquisition of Kimpton Hotels & Restaurants, which made IHG the clear market leader in the boutique segment (source: Smith Travel Research). Finally, the work we are doing with Amadeus, the world’s leading provider of advanced technology solutions, to develop a next-generation Guest Reservation System that will help us accelerate our efforts to revolutionise and personalise the guest experience. This is a very important piece of work for IHG and will help set us apart from our competitors into the future.

Leading shareholder returns

We are focused on delivering outstanding shareholder value. I am therefore pleased to announce that the Board is recommending a final dividend of 57.5 cents (40.3 pence) per ordinary share, an increase of 11 per cent on the final dividend for 2014, resulting in a full-year dividend of 85 cents (58 pence) per share, up 10 per cent on 2014. The Board has also proposed a \$1.5 billion special dividend, which will take the total funds returned to shareholders since 2003 to more than \$12 billion.

Corporate governance

As a Board, we are committed to maintaining our high standards of corporate governance and I take this commitment very seriously. The Board continues to focus not only on what we deliver as a business, but also how we deliver. Ensuring that there is a high level

of cultural integrity ingrained within the way IHG operates is a key part of this, as is our ability to drive sustainable performance and meaningful shareholder value.

The Board also spends a great deal of time focusing on the macro perspective and ensuring that we are being as competitive as possible. We engage in matters where we can add real value and we spend time and attention shaping, agreeing to and monitoring the implementation of IHG’s strategy. In order to do this, we keep the composition of the Board under constant review to ensure that we have the right breadth of skills and expertise to be truly effective and to deliver real and tangible value. Anne Busquet and Jo Harlow have brought their consumer-facing technology experience to the Board, which has significantly improved the quality of discussion on our technology strategy, at a time when new advances are playing a transformative role in our industry.

Board changes

We formally welcomed Anne Busquet to the Board as a Non-Executive Director in March 2015. Anne has brought her impressive breadth of experience in digital commerce, hospitality, finance and marketing to the Board. She sits on the Audit, Nomination and Corporate Responsibility Committees.

In January 2016, we said goodbye to Tracy Robbins, who stepped down from the Board and from her position as Executive Vice President, Human Resources for health reasons. On behalf of IHG, I want to thank Tracy for her long-standing contribution to the business. Her passion for people and strong commitment to developing talent has played an important role in IHG’s success. We wish her all the best for the future.

In February 2016, we announced that Jennifer Laing and Ying Yeh will be retiring from the Board following the AGM on 6 May 2016. As long-standing members of the Board, Jennifer and Ying have shown real commitment and dedication to IHG. I would like to thank them for the important role they have played in IHG's development over the last decade. Jill McDonald, a Non-Executive Director, will succeed Jennifer as Chairman of the Corporate Responsibility Committee.

A winning team

I would like to close by thanking Richard Solomons for his stewardship and leadership of the business this year, which resulted in *HOTELS Magazine* naming him 2015 Corporate Hotelier of the World. This is a testament to Richard, to the talented and passionate people who bring IHG's brands to life for our guests each and every day, and to our owners, for their continued confidence in our business.

Patrick Cescau

Chairman

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Chief Executive Officer's review

One of our key highlights of the year was welcoming Kimpton Hotels & Restaurants into the IHG family and seeing the business enjoy the best year in its history.

Richard Solomons

Chief Executive Officer

We drove strong momentum in 2015 and delivered excellent financial and operational performance. Our focus on driving growth in markets where we see the greatest opportunity has paid off, and will continue to be a key part of our strategy in the coming years.

Our Winning Model remains at the heart of our success and it continues to help deliver high-quality growth. We made significant progress against each element of the model in 2015, particularly in terms of building and strengthening our portfolio of preferred brands, enhancing our leading loyalty programme, and ensuring that the way we manage our channels is as effective as possible.

Strengthening our brand portfolio

We strengthened our portfolio of preferred brands during the year, and focused on innovating and evolving our brand offer. We opened the first three HUALUXE Hotels and Resorts in Greater China, and a flagship property for EVEN Hotels in New York, with a further six hotels for the EVEN brand signed into the pipeline.

Financial and operational highlights

We continued to drive strong momentum in the year. We delivered double-digit underlying profit growth, opened more hotels into the System than we have since 2009, signed more hotels than we have since 2008, and closed the year with more than 5,000 open hotels in our System – a significant milestone for the business. Our focus on driving growth in priority markets where we see the greatest opportunity has paid off, with 87 per cent of our open rooms and approximately 90 per cent of our pipeline rooms in these markets. This will continue to be a key part of our strategy in the coming years.

A key highlight of the year was welcoming Kimpton Hotels & Restaurants into the IHG family. Boutique is the industry's fastest-growing segment and, with Kimpton and Hotel Indigo, we are uniquely positioned to benefit from this increase in demand. 2015 was Kimpton's best ever year in terms of openings and signings and, in January 2016, we were delighted to announce the brand's first signing outside of The Americas, in Amsterdam, the Netherlands.

This year will see us celebrating the 70th anniversary of InterContinental Hotels & Resorts, the largest luxury hotel brand in the world. Holiday Inn Express, which is part of the

2015 also marked the successful completion of our major asset-disposal programme, with the sale of InterContinental Hong Kong, over which IHG retained a 37-year management contract with three 10-year extension rights. It was fitting that this iconic building should be the last major owned asset in our portfolio. Our asset-light approach is highly cash-generative and delivers a high return on capital employed. It also means that we benefit from the reduced volatility of fee-based income streams so we can focus on growing our fee revenues and fee margins with limited requirements for our capital.

We continued to make excellent progress delivering against our technology strategy, building on our strong track record of innovation and leadership in this space. This includes successfully driving digital revenue growth. In 2015, we leveraged our highly rated mobile app, with over 40 per cent of digital visits on mobile, and we recorded annual mobile revenue of more than \$1 billion, up from less than \$50 million in 2010. This is a remarkable achievement.

Holiday Inn brand family, the world's largest hotel brand, will also be celebrating its 25th birthday in 2016.

Building loyalty and meaningful membership

Building loyalty and lifetime relationships with our guests is an important part of our business and a key growth driver for us. We know that guests are looking for a rewarding relationship built on trust, and respond best to efforts that are focused on building genuine brand loyalty over a sustained period of time. We are constantly looking at ways in which we can enhance our ability to deliver a personalised experience for members, before, during and after their stay. Our insight shows us that frequent travellers want to be given an extra level of reward in return for their continued loyalty, too. As a result, we introduced a new top-tier membership level, Spire Elite, and restructured IHG Rewards Club so that it is easier for our loyal members to reach gold and platinum status.

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IHG's 5,000 Club In 2016, we unveiled Hotel Indigo Lower East Side New York as our 5,000th hotel globally (top). InterContinental London The O2 (centre) and Hotel Van Zandt, a Kimpton Hotel in Austin (TX) (bottom) formed part of our 5,000 Club, a series of landmark hotel openings that contributed to IHG surpassing the 5,000-hotel milestone.

Loyalty was a key theme in the latest IHG Trends Report, which we published in January 2016. The report challenges brands to engage in a way that builds membership communities in The Age of I that is, to encourage consumers to share opinions and insights as they connect around their experience of a brand, while at the same time allowing them to maintain their individuality (see page 22).

In February 2016, we launched the IHG® Foundation, which will build on the hugely positive impact we have driven through our corporate responsibility initiatives over a number of years. IHG Academy and the IHG Green Engage system will continue to be delivered in IHG's hotels. Disaster-relief activity, previously activated through IHG Shelter in a Storm, will be incorporated into the IHG Foundation.

Responsible business agenda

Doing business responsibly is integral to life at IHG and is a principle that guides how all of our colleagues around the world behave from day to day. It helps us build trust and preference for our brands, operate more effectively and create long-term value for our shareholders and stakeholders. Our global scale also means that our influence extends across thousands of communities around the world and sees us interact with millions of people on a daily basis. Our view is that growth is not just about short-term financial and operational performance; it is about nurturing the health of the organisation into the future and staying true to our values. I am very proud of our achievements in 2015, all of which are a result of the efforts of each and every one of the 350,000 colleagues who work in IHG-branded hotels and

Our awards

Independent recognition is an important endorsement of our success, and we are proud of the many awards we won in 2015. *Fortune Magazine* ranked IHG as a world's Most Admired Company 2015; *Forbes* named us one of the world's most reputable companies for 2015; and we were accredited as a Top Employer in 2015 for both the UK and Greater China by the Top Employers Institute.

Our brands have been in the spotlight too. InterContinental Hotels & Resorts won an impressive 28 awards at the World Travel Awards Asia & Australasia 2015, including the coveted Asia's Leading Luxury Business Hotel Brand Award; Holiday Inn won Best

corporate offices worldwide.

We completed the global roll-out of our successful group-wide sustainability programme, the IHG Green Engage system; we celebrated the 10th year of the pioneering IHG® Academy programme, a global collaboration between IHG hotels, local education providers and community organisations, which now has more than 1,200 programmes in 68 countries; and, finally, IHG® Shelter in a Storm responded to 27 disasters in 17 countries in 2015, including supporting the relief work in Nepal following the devastating earthquakes.

In addition, we developed and launched a human rights e-learning module, which is available to all colleagues worldwide, and we led the roll-out of IHG Marketplace, a hotel procurement platform, which incorporates our Vendor Code of Conduct as well as responsible business criteria.

Mid-Market Hotel Brand in the World at the 2015 Business Traveller Asia-Pacific Awards; and IHG was named World's Leading Hotel Brand at the World Travel Awards 2015.

Looking ahead to 2016

We go into 2016 with confidence and in a position of strength. We have a compelling and proven strategy that is delivering. We will continue to focus on building scale where it matters, and on executing our strategy at pace.

As ever, I would like to close by thanking the talented and passionate people who bring IHG's brands to life for our guests each and every day.

Richard Solomons

Chief Executive Officer

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Industry overview

Where the industry is now

The global hotel industry

The global hotel industry comprises approximately 15.9 million rooms, broadly segmented into branded (multiple hotels under the same brand) and independent (non-branded) hotels. Growth in demand is primarily driven by economic growth and an increasing trend for domestic and global travel. Over the long term, the lodging industry has grown broadly in line with gross domestic product (GDP). However, in the US, the largest market in terms of room numbers, growth in consumer spend on lodging has exceeded GDP growth by 2.6 percentage points per annum over the last 50 years.

There are several industry metrics that are widely recognised and used to track performance, including revenue per available room (RevPAR) and rooms supply growth. Globally, both of these indicators have seen robust growth in the last five years. In the US, our largest market, supply growth in the last five years has been significantly below the long-term average of 2 to 2.1 per cent. This, coupled with strong hotel demand in this market (3.3 per cent year-on-year growth over the past five years), has led to RevPAR growth.

The branded hotel market

Within the global hotel market, branded hotels account for 53 per cent of total rooms supply. However, in spite of ongoing consolidation, the market remains fragmented, with five of the leading branded hotel companies

(Hilton, Marriott, IHG, Accor and Starwood) accounting for 36 per cent of total open branded rooms, and 61 per cent of the branded development pipeline (hotels in planning and under construction but not yet opened).

According to Smith Travel Research, branded hotel companies have consistently increased their share of the global hotel market over the past 10 years, in addition to showing an increased resilience through the economic cycles. Larger players are also driving clear revenue outperformance, as well as benefiting from advantages in terms of economies of scale across a broad portfolio of hotels.

The different business models within the hotel industry

Depending on whether a hotel is branded or independent, there are different business models it can adopt. The four models typically seen in the industry are franchised, managed, owned and leased:

- owned hotels are owned and operated by an owner who bears all the costs associated with the hotel but benefits from all of the income;

- a leased model is similar, except the owner-operator of a hotel does not have outright ownership of the hotel but leases it from the owner of the property;

- under a managed model, the owner of a hotel will use a third-party manager to operate the hotel on its behalf and will

- pay the manager management fees and, if the hotel is operated under a third-party brand name, brand licensing fees; and

a franchised hotel is owned and operated by an owner under a third-party brand name and the owner will pay a brand licensing fee to the brand owner.

Whilst an owner-operated hotel enables the owner to have full control over hotel operations, it requires high capital investment. In contrast, for hotel-brand owners, a franchised or managed model enables quicker rooms growth due to lower capital investment, but this requires strong relationships with third-party hotel owners.

Global industry RevPAR (\$)

Global rooms supply (millions of rooms)

<p><i>Key trends shaping the industry</i></p>	<p>is expected to deliver more than half of all online travel bookings in the US in 2016, and a growing number of guests now book their rooms within 24 hours of their arrival.</p>	<p>Owners are increasingly benefiting from new tools and technology applications offered by hotel companies. For example, sophisticated online training platforms and revenue management tools, accessible via cloud computing, are helping hotel companies to drive a more consistent service for guests and more profitable revenue for owners.</p>
<p>In addition to growth drivers, we also see a number of key trends shaping the hotel industry. Developments in digital technology, combined with evolving and ever-changing consumer needs, are transforming guest behaviours and creating a more dynamic competitive environment.</p>	<p>Enabled by technology, travel companies, hotels, review sites and online travel agents have been able to grow their presence online, providing travellers globally with access to compelling content, price transparency and the ability to compare a wealth of travel options.</p>	<p>Advancements within hotel technology are also improving the guest experience.</p>
<p>Technology-based transformation</p>	<p>Technology is fuelling the growth of alternative lodging providers, who have also been effective at opening up a large supply of private urban accommodation by developing and marketing online distribution platforms.</p>	<p>For example, mobile check-in and apps for room service and housekeeping are providing guests with greater flexibility and choice around their stay experience.</p>
<p>Technology continues to have a multifaceted and substantial impact on our industry:</p>	<p>Advances in big data and data analytics are allowing travel companies to develop richer insights into guest needs, enabling more personalised services and tailored offers.</p>	
<p>The prevalence of mobile devices and the accessibility of the internet continue to change how guests engage with, and what they expect from, lodging providers across the entire Guest Journey (which we describe as Dream, Plan, Book, Stay and Share). Technology is enabling</p>		

guests to book their travel with greater control and immediacy, and share their travel experiences in more practical and engaging ways. Mobile, for example,

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Where the industry is heading

Major underlying drivers supporting growth in our industry

At a local-market level, industry performance is impacted by short-term economic and political factors. However, in the long term, growth in the global hotel industry is driven by the following three major underlying drivers.

Economic

Long-term macroeconomic trends substantially benefit the hotel industry. Global GDP growth of circa 2.6 per cent per annum in the last 10 years has contributed to an increase in disposable income and a rise in middle-class households, making travel affordable for more people. This trend can be observed in China, where the number of households earning above \$35,000 per annum (a key income level, at which international travel becomes accessible), rose by 21 million from 2003 to 2013, with an additional 61 million households expected to pass this threshold by 2023.

Demographic

The growth of an ageing population, which has the desire and means to travel, is another

Social

Increased competition and capacity amongst airlines, lower fares, and the relaxation of travel and immigration restrictions in many regions are making international travel more viable for more people. International tourist travel is expected to increase by 3.3 per cent a year from 2010 to 2030, reaching 1.8 billion arrivals by 2030.

The Future of Chinese Travel

In 2015, we partnered with global research company Oxford Economics to produce a comprehensive report evaluating the Chinese outbound travel opportunity.

In this report, we examine historical and current trends in Chinese outbound travel and how economic and demographic developments will shape demand for Chinese travel over the next decade.

Our industry-leading research provides a unique insight into which countries, and, for the first time, which cities, will benefit most from significant growth in Chinese outbound travel globally.

Multi-generational families are a growing guest segment

favourable driver shaping the industry. The global population over the age of 60 is expected to increase from approximately 800 million in 2013 to 2 billion by 2050, increasing overall demand for travel services.

Visit www.ihgplc.com/chinesetravel to download the full report.

Continually evolving consumer needs

The demographic profile of our guests continues to evolve and, in conjunction with the developments in digital technology, these trends are driving different accommodation needs and stay expectations.

This is evident across all age groups, and in particular amongst millennials, who are becoming an increasingly important guest group.

This group is also challenging some of the well-established norms of travel by having more flexible working patterns, seeking more personalised and unique guest experiences, and being more open to using

the sharing economy to meet their accommodation needs.

In addition, there has been a diversification of family travel needs as a result of an ageing population and changes to the traditional family unit. Multi-generational families, for example, are a growing guest segment, with over a third of respondents in a 2014 US AAA survey planning to make at least one multi-generational holiday in the upcoming year.

Another trend we are seeing is the blurring of business and leisure travel, with a growing number of professionals adding leisure days onto business trips.

Furthermore, as a result of these trends, accommodation providers increasingly need to cater for a more diverse set of guest needs and expectations.

A more dynamic competitive environment

These key trends are changing the competitive landscape within the

industry. Hotels compete with each other and with travel intermediaries and companies offering alternative lodging solutions, such as peer-to-peer home rental companies.

While the long-term growth of branded hotels has outpaced that of the home rental market, some peer-to-peer home rental companies have capitalised on the small but fast-growing segment of urban short- to medium-term rentals, offering personalised, home-like stay experiences.

At IHG, we cater for these guest demands through our extended-stay hotel brands, boutique brand portfolio and branded residences offer. We are also investing heavily in our people to ensure they deliver unique and personalised stay experiences. Meanwhile, our proactive approach to building preferred brands, targeted at guest occasion segments, is enabling us to enhance our competitive position.

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Our business model

We predominantly franchise our brands to, and manage hotels on behalf of, third-party hotel owners.

Our asset-light strategy enables us to grow our business while generating high returns on invested capital.

For definitions in this section, please refer to the Glossary on pages 176 and 177.

We franchise and manage hotels depending largely on market maturity, owner preference and, in certain cases, the particular brand. For example, in the US, a mature market, we operate a largely franchised business. By contrast, in Greater China, an emerging market, we operate a predominantly managed business where we are responsible for operating hotels on behalf of our third-party hotel owners.

In a few instances, we also own hotels through recyclable investments in order to drive the growth of our brands and to expand our

presence in priority markets. The key differences between our three main models are summarised below.

	Business model	Hotel ownership	IHG capital intensity	Employees^a	Brand ownership, marketing and distribution
	Franchised	Third party	Low	Third party	
	Managed	Third party	Low	IHG and third party	
	Owned and leased	IHG	High	IHG	

^a For information on who are our employees, see page 153.

The business model is adapted by market as necessary.

IHG revenue and the System Fund

Third-party hotel owners pay:

(i) fees to IHG in relation to the licensing of our brands and, if applicable, hotel management services; and

(ii) assessments and contributions (other than for Kimpton and InterContinental) which are collected by IHG for specific use within the System Fund.

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In 2015, over

90%

of our operating profit was generated from our asset-light franchise and management contracts.

In 2015, approximately

85%

of our fee revenue was derived from hotel revenues.

IHG's fee revenues are derived from payments made by our third-party hotel owners under the terms of their franchise and, where applicable, management agreements with us.

Our asset-light, principally franchised and managed business model:

is highly cash-generative, with a high return on capital employed; and means IHG benefits from the reduced volatility of fee-based income streams and allows us to focus on growing our fee revenues and fee margins with limited requirements for IHG's capital.

Disciplined approach to allocation of capital

Our focus on an asset-light business model is supported by a disciplined, long-term approach to allocating capital and reducing the asset intensity of the business. During 2015, we completed the disposal of InterContinental Paris – Le Grand for \$330 million, and sold InterContinental Hong Kong for \$928 million (after final working capital adjustments and cash tax). We seek to maintain an efficient balance sheet with an investment-grade credit rating.

Our business is highly cash-generative (see page 49), and we have three primary uses for this cash:

Invest in the business to drive growth: this includes acquisitions of businesses and our day-to-day capital expenditures. In 2015, we completed the acquisition of Kimpton Hotels & Restaurants for \$430 million (before working capital).

Maintain sustainable growth in the ordinary dividend: our 2015 full-year dividend will be 85.0 cents (58.0 pence) per share (subject to shareholder approval of the 2015 final dividend) up 10.4 per cent on 2014 (see page 48).

Return surplus funds to shareholders (see page 48): in February 2016, the Board proposed a further \$1.5 billion return of funds to shareholders via a special dividend with share consolidation.

IHG's outlook on capital expenditure

Capital expenditure incurred by IHG can be summarised as follows.

Capital expenditure

Maintenance capital expenditure and key money to access strategic growth

Examples

Maintenance of our owned and leased hotels, which is now reducing as we have become increasingly asset-light.

Corporate infrastructure maintenance for example, in respect of our offices and systems.

Deployment of key money, which is used to access strategic opportunities, particularly in high-quality and sought-after locations when returns are financially and/or strategically attractive.

Recyclable investments to drive the growth of our brands and our expansion in priority markets

Through the acquisition of real estate, investment through joint ventures or via equity capital.

We aim to recycle this capital by selling these investments when the time is right and to reinvest elsewhere in the business and across our portfolio, as we are currently doing for our EVEN and Hotel Indigo brands.

System-Funded capital investments for strategic investment to drive growth at hotel level

The development of tools and systems, such as our revenue management offer, that hotels use to drive performance.

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Our strategy for high-quality growth

We are focused on delivering high-quality growth, which for us means delivering consistent, sustained growth in cash flows and profits over the long term.

Through our Winning Model, we focus on value-creation through building preferred brands, leveraging scale and delivering revenue through the lowest-cost, direct channels. Our Targeted Portfolio, together with Disciplined Execution and a commitment to doing business responsibly, will drive superior returns for our shareholders.

We measure our performance with a set of carefully selected key performance indicators (KPIs), which monitor our success in achieving our strategy and delivering high-quality growth.

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Winning Model

IHG's Winning Model is our framework for delivering superior value-creation through our brands, our people and our systems.

Preferred brands delivered

through our people

Having a strong portfolio of preferred brands is fundamental to our success. In a highly competitive industry, powerful, well-defined, consistent and well-known brands are influential in ensuring both guests and owners choose an IHG brand over a competitor's. Our talented people play a critical role in providing consistently high standards of guest service and delivering each brand promise, and our winning culture encourages and empowers them to bring each of our preferred brands to life.

Strong brands result in increased RevPAR, through higher occupancy rates and guests' greater willingness to pay a premium to stay at their preferred brand. In turn, higher RevPAR results in better returns for our owners and fees for IHG. Informed by guest and owner insights, we are focused on driving brand preference for each of our brands.

See pages 20 and 21 for examples of our actions to build preferred brands in 2015.

Build and

leverage scale

Scale provides significant advantages in the hotel industry at the global, national and city level. The size of the IHG System, and our concentration in attractive markets and key gateway cities, allows us to benefit from economies of scale, which lead to higher margins and operating leverage. Scale also enables us to invest in our brands, including the technology required to support their continued growth, and to implement efficient sales and marketing and procurement practices, thereby increasing the advantages an IHG brand brings to owners.

IHG already benefits from substantial scale advantages, having over 744,000 rooms open at the end of 2015, a top-five market share position by rooms in eight out of our 10 priority markets, and System Funds contributed in 2015 totalling \$1.6 billion. To achieve further targeted-scale benefits, we focus on delivering high-quality growth in the most attractive geographic markets, along with building distribution in global cities that benefit from very large international travel flows, focusing on the luxury segment.

See page 17 for examples of how we maximise the scale and efficiency of our operations and page 38 for details of our key openings in the luxury segment in 2015.

Strong brand portfolio

and loyalty programme

A portfolio of strong, complementary brands allows us to offer solutions for every guest need, which promotes cross-selling across different hotel brands. This, combined with a strong loyalty programme, increases awareness and recognition of the IHG brand, as well as each of the individual hotel brands, helping us to drive business. Whilst we

continue to grow our brands to meet the differentiated needs of our guests, we are also focused on driving long-lasting and deep relationships with guests by recognising and rewarding them for their loyalty. In turn, this is helping to ensure that IHG Rewards Club, which has more than 92 million members worldwide, is one of the largest and most preferred loyalty programmes in the market.

See page 22 for examples of our actions to build a strong brand portfolio and loyalty programme in 2015.

Effective channel

management

We drive demand to our hotel brands through strong brand awareness and effective revenue management practices, reducing distribution costs and delivering better returns for our owners. Our direct channels (digital and voice) are less costly to owners than third-party intermediaries and we therefore drive demand for our hotels through these channels and also manage revenue per booking, delivering the highest-quality revenues to IHG hotels at the lowest possible cost.

See page 23 for examples of our actions to build strong channels in 2015.

Superior owner

proposition

A strong owner proposition, preferred brands, effective operational support and long-standing owner relationships play a vital role in making us the brand of choice for owners. We are committed to delivering a compelling and preferred owner offer, and we continually review and enhance our owner proposition in many ways. Specific examples include the following:

Evolving our hotel support model in The Americas and Europe to deliver a more owner-centric, customised offer. In The Americas, for example, we have introduced dedicated franchise performance support leads who act as a single point of contact for owners, helping to establish strategies and activities that drive superior hotel performance. These leads will also help to navigate owners to IHG specialists in the fields of Revenue Management, Sales and Marketing, Operations and Guest Experience.

Continuing to invest heavily in our training platforms, including IHG Frontline , which will provide critical training to the circa 90,000 employees who will be recruited by IHG in the managed estates, in addition to a large number of staff in our franchised properties. In addition, we also continue to invest in developing our range of proprietary revenue-driving tools and services, such as Revenue Management for Hire, Price Optimisation and IHG Way of Sales.

Running our annual, global Owner HeartBeat satisfaction survey, which yields valuable insight from our owners on the relative strengths and weaknesses of our proposition and enables us to deliver targeted enhancements to our offer.

Maintaining strong owner relationship management and working with the IHG Owners Association (which represents the interests of our hotel owners globally) to deliver joint initiatives.

See www.ihgplc.com/ihgowners for more information.

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Targeted Portfolio

We operate in the most attractive markets for IHG and in the highest opportunity segments based on guests' occasion needs, with an asset-light business model – franchising and managing hotels rather than owning them.

Attractive markets

Achieving scale and driving growth requires IHG to focus on the most attractive markets, where there is the best fit with our strategy and business model. These markets have large inbound and domestic demand for branded hotels or show great potential to have this in the future. Whilst we operate in nearly 100 countries and continue to expand our presence globally, we primarily focus our efforts on 10 priority markets in which we either have a strong existing competitive position or have a compelling opportunity to build one. These include a number of key emerging and developed markets – US, Middle East, Germany, UK, Canada, Greater China, India, Russia, Mexico and Indonesia. These currently represent 87 per cent of the IHG System and approximately 90 per cent of the pipeline.

Our focus on 10 priority markets ensures that we are able to concentrate investment in brand-building and developing critical infrastructure – for instance, by adapting our websites to the local language and deploying dedicated sales teams. This approach helps to drive greater brand awareness, stronger channels and economies of scale, which, in turn, deliver margin growth. Outside

Highest opportunity segments

Typically, the hotel industry is segmented according to price point, and IHG is focused on the three segments that generate over 61 per cent of branded hotel rooms revenue namely, upper midscale, upscale and luxury. We believe these segments have the highest growth opportunity and strongest resilience to industry and economic cycles. However, we also recognise that guests choose a hotel based on their needs and the occasion, resulting in the possibility of the same guest, at different times, staying across multiple hotel segments.

Our portfolio of brands is targeted around differing occasion segments. We tailor each of our brands to meet guests' needs, looking at the occasion they are travelling for and their need for travelling. This approach and segmentation analysis has been used to refine the brand positioning of our existing brand portfolio, was used to develop brand propositions for both the HUALUXE Hotels and Resorts and EVEN Hotels brands, and was an important consideration in the acquisition of Kimpton Hotels & Restaurants.

Priority markets

10

US, Middle East, Germany, UK, Canada, Greater China, India, Russia, Mexico and Indonesia

Representation of the IHG System

87%

Representation of the IHG pipeline

90%

High-quality growth in the most attractive markets

(from top to bottom) Holiday Inn Hotel & Suites Bengaluru

of these 10 markets, we are also focused on building hotel distribution in a network of key global cities with high numbers of international travellers, where we benefit from global brand awareness.

Franchised and managed model

We focus our business model on franchising and managing hotels, thereby enabling us to concentrate on building strong, preferred brands based on guest needs. As discussed on pages 12 and 13, we will choose to franchise or manage hotels depending on a range of factors, including market maturity, owner preference and, in certain cases, the particular brand. We also seek to adapt this business model by market as necessary for example, through the use of managed leases, partnerships and joint ventures.

Whitefield, India; Holiday Inn Express Jakarta Wahid Hasyim, Indonesia; and InterContinental Chennai Mahabalipuram Resort, India, all of which opened in 2015.

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Disciplined Execution

We recognise that successful delivery of our strategy for high-quality growth requires Disciplined Execution. We prioritise investment in our technology platforms and our people, as well as delivering operational efficiencies.

Scale and efficiency of operations

Driving efficient operational processes and managing our costs allows us to contribute to hotel performance through efficient working practices, tools and systems. It also helps us strengthen our revenue delivery systems – for example, our reservations website and offices which means an increase in System contribution to hotel revenue, supporting our owner proposition and maximising our investment in building preferred brands. Careful cost management, leveraging our scale and focusing on productivity improvements also allow us to drive continued improvement in our margin.

To maximise the scale and efficiency of our operations, we:

- focus investment on initiatives which support strategic priorities – for example, in 2015 we launched Procure to Pay, a comprehensive and fully automated online procurement system, allowing us to monitor and control spend, and use our scale to deliver buying advantage;

- have made further improvements to our Hotel Ready processes, to ensure that General Managers and other colleagues in our hotels are focused on

To deliver the highest-quality digital content for our guests, we are ensuring that we have the right technology foundations and infrastructure in place. In 2015, we:

- announced in April the second phase of our strategic relationship with Amadeus to develop a next-generation Guest Reservation System;

- deployed an enhanced customer relationship management system in hotels;

- continued to standardise on property hardware for all IHG hotels in the US, providing a consistent platform that allows us to develop solutions such as mobile check-in and check-out; and

- piloted new connectivity infrastructure, such as IHG Connect, an enhanced Wi-Fi solution for our hotels.

- Improving our technology infrastructure gives us the foundation to transform the guest experience and make it more interactive through digital content. In 2015, we:

Investment in developing great talent

Our people are fundamental to achieving our ambition – they bring our brands to life on a daily basis, delivering on each individual brand promise to enhance the guest experience. They are also, therefore, a critical part of our success. Accordingly, we recognise the importance of attracting, retaining and developing the very best talent in the industry. To achieve this, our people strategy focuses on a number of key areas.

1. Attracting and retaining the best talent

Building a strong employer brand assists us in attracting the best possible talent to meet our strategic objectives. We ask our people to live our Winning Ways (set out below) and act in a responsible way (see page 24 for how acting responsibly is part of our culture). In turn, we offer our people our Room to be yourself commitment, which is brought to life by four promises.

embedding the most critical initiatives, such as our IHG Frontline training platform and enhancements to IHG Rewards Club, in our 5,032 hotels; and

use analytics and data to help enhance our human resources processes for example, in 2015 we launched an analytics dashboard for all line managers, providing greater insight into people data, helping our people make faster and smarter decisions in relation to recruitment, diversity, career progression and performance management.

Investment in developing strong technology platforms

Technology is playing an increasingly important role in shaping the travel industry and underpins everything that we do for guests, owners and colleagues around the world. We believe that keeping abreast of trends as they evolve and investing in technology systems will assist us in building brand preference, strengthening our loyalty programme and delivering compelling and engaging digital content across the Guest Journey, enabling us to build lifetime relationships with our guests.

introduced compelling digital content across the Guest Journey, allowing users to explore destinations and create personalised travel guides for more than 50 locations;

made numerous improvements to our award-winning mobile app, with downloads of the app growing by 27 per cent, thereby increasing mobile bookings by 40 per cent to over \$1.2 billion;

launched an Apple Watch version of our highly-rated IHG Translator app;

rolled out single-login guest Wi-Fi for IHG Rewards Club members, allowing guests to seamlessly access hotel internet with their IHG Rewards Club profile; and

piloted the Guest Request tool in the US, giving our guests the ability to make in-hotel requests through the IHG mobile app, which has driven a five percentage point increase in guest satisfaction.

Room to have a great start

We know how important it is to make sure that all our colleagues have a great start to their career with IHG. We ensure that all colleagues have access to the tools and information they need to hit the ground running, and be productive and integrated into their role as quickly as possible.

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Disciplined Execution continued

Employee engagement

87.3%

of survey respondents in 2015 were engaged,

an improvement of

30ppt

since 2007.

Corporate hires

53%

of all positions filled below Executive Committee

level in 2015 have been internal moves.

Awards

15+

received in 2015 for our people practices.

Room to be involved

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We communicate with employees on matters relating to the Group's business and performance, and we share information on people, policies and news across IHG through various channels, including conferences, team meetings and our intranet site. We encourage employees to give regular feedback to ensure IHG meets expectations and delivers on its commitments – this is formally done through the Employee Engagement survey, the results of which are a KPI.

Room to grow

Our people are given access to the required support, experience and training, and are provided with development opportunities.

Room for you

We reward and recognise colleagues for their contributions, and value the significance of their lives beyond work. When our people perform at their best, our business performs at its best.

2. Developing leaders to maximise individual and team performance

We are committed to developing our leaders and launched a number of programmes and tools in 2015 that will ensure that building people capability around leadership becomes an everyday part of working at IHG. One example is the IHG General Manager Development Programme, developed in conjunction with the IHG Owners Association, which develops high-performing General Managers who consistently keep our brand promises, inspire their teams, and deliver great results.

3. Building the right skills in frontline colleagues

As a service business, building the skills of our people to deliver a consistent branded guest experience is crucial. We continue to invest heavily in this area, such as by launching IHG Frontline in 2015, our online platform that enables hotel colleagues to build knowledge and skills around brands, service and operations.

4. Building a strong performance culture

We have established a winning culture and a framework to drive high performance, where regions and functions are aligned to the internal performance measures that most effectively drive business performance across our global organisation. This ensures that our hotels offer great guest experiences through consistent brands, which enable our brands to win and deliver returns to owners, and that our corporate colleagues focus on what matters most to deliver against our priorities.

This framework, together with our hotel and corporate talent and leadership programmes, is designed to enable our colleagues to respond with speed, agility and a strong focus on driving higher performance, which comprises our winning culture.

Diversity and inclusion

As a global organisation operating in nearly 100 countries around the world, we recognise the importance and benefit of ensuring our workforce fully represents the communities in which we operate and the guests who stay in our hotels. As at 31 December 2015:

six of the 12 Directors on the Board were female (50 per cent); however, due to recent changes to the Board, at 22 February 2016, 5 of the 11 Directors on the Board were female (43 per cent) and, after the AGM on 6 May 2016, it is anticipated that 3 of the 9 Directors on the Board will be female (33 per cent);

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33 out of the 130 senior managers employed by the Group (including directors of subsidiaries) were female (25 per cent); and

7,158 out of the 12,727 people employed by the Group and whose costs were borne by the Group or the System Fund were female (56 per cent).

Please see pages 52 and 65 for more information on Board diversity and succession planning.

More information on our employees can be found on page 153 and the **Our people** section of the Responsible Business Report (see www.ihgplc.com/responsiblebusiness).

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Our Winning Model in action: executing our strategy continued

1. Building preferred brands

Holiday Inn hotels refurbished since 2007

3,300+

Hotels signed up to adopt next-generation

Holiday Inn Express hotel design

475+

Crowne Plaza rooms in the pipeline

23,181

Positioned against a differentiated set of guest needs and occasions, EVEN and HUALUXE are clear examples of IHG's strong commitment to innovation.

Strengthening our established brands

Holiday Inn brand family enhancements

With over 460,000 rooms, the Holiday Inn brand family is the largest midscale brand internationally. Since 2007, we have completed the industry's largest ever brand refresh, together with our owners refurbishing over 3,300 hotels, opening 1,500 new hotels and removing 1,100 existing hotels. We continue to innovate on the guest experience for the Holiday Inn brand family, and, in 2015:

We announced the launch of our Holiday Inn H4 Hotel Design Solution (a room design allowing guests to work and relax with greater flexibility) and completed a pilot of a flexible new food and beverage service platform (providing training, innovative menu options, merchandising, financial tools and dedicated IHG support), which will be rolled out across the Holiday Inn estate in the US and Canada during 2016.

In the US and Europe, we launched our next-generation Holiday Inn Express hotel design and procurement solution, aligned closely to the needs of the Holiday Inn Express target guest. Our focus has been to put sleep quality, simplicity and ease of maintenance at the centre of all design decisions, and this solution will become a brand standard for all new build properties. Since launching in 2015, we have seen strong levels of adoption, with 59 US and 10 Europe hotels adopting the full design (or incorporating key design elements). In the US, guests have shown great enthusiasm for this initiative, with 90 per cent of feedback on our brand.com websites being positive. Similarly, our Europe hotels with the new design have seen increases in guest satisfaction by up to 10 percentage points. Over 475 additional hotels have already committed to rolling out the next-generation hotel design in the next three years, and we expect further hotels to sign up in 2016.

We continued to extend our scale in Holiday Inn Club Vacations (HICV) through our strategic relationship with Orange Lake Resorts. In May 2015, it acquired the US timeshare company Silverleaf Resorts, adding 13 properties to its resort portfolio. Three of these properties re-opened under the HICV brand in 2015 and plans are in place to convert further properties in 2016. Together with Orange Lake Resorts, we also opened the 213-unit HICV Scottsdale Resort in Arizona, a key US leisure destination.

Crowne Plaza growth

With 406 open hotels, Crowne Plaza is one of the largest upscale brands globally (source: Smith Travel Research) and our ambition to make it the preferred choice for the modern-day business traveller remains unchanged. In 2015, we made good progress in fulfilling that ambition. For example, we rolled out complimentary Wi-Fi to all our hotels in The Americas and Europe and have begun offering Energy Essentials, our new food and beverage concept for guests to stay focused during the day.

We piloted our new WorkLife room prototype, a flexible room designed to maximise productivity whilst also catering for all the travel needs of a business professional. In addition, we also made important enhancements to our business-to-business meetings proposition, reinforcing Crowne Plaza's position as a leading business-meetings brand.

We continue to focus on driving consistency and greater quality across our portfolio, with over 55 per cent of our US estate built or renovated since 2010. These efforts are now delivering better outcomes for Crowne Plaza, such as a 6.1 per cent increase year on year in global RevPAR and a third consecutive year of improvements in guest satisfaction.

Developing our newer brands

Positioned against a differentiated set of guest needs and occasions, EVEN Hotels (targeting wellness-minded travellers) and HUALUXE Hotels and Resorts (targeting the accomplished Chinese business elite) are clear examples of IHG's strong commitment to innovation. For both of these brands, our focus in 2015 has been on securing distribution in prime locations in order to build equity with guests and owners and to demonstrate the distinct nature of these brands.

EVEN Hotels

Following the opening of our first two EVEN Hotels in Rockville (MD) and Norwalk (CT) in The Americas in 2014, we opened a further property in New York Times Square South in 2015, and completed additional signings in attractive locations, such as Miami and Seattle. These properties, alongside additional pipeline properties in, for example, New York and Omaha, take the total hotel pipeline to eight. Our investment in developing our first two EVEN hotels has allowed us to refine the brand's proposition and commercial proof of concept, which, in turn, is helping to build momentum in signings.

HUALUXE Hotels and Resorts

In 2015, we opened our first three HUALUXE Hotels and Resorts properties in Haikou, Yangjiang and Nanchang (Greater China), which have been well-received by guests. With a further 21 hotels in the pipeline in prime cities, including Shanghai and Beijing, we are focused on building distribution in attractive locations in key cities across Greater China.

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IHG hotels in the boutique segment

126

Boutique hotels in the IHG pipeline

81

Building preferred brands We opened our first three HUALUXE Hotels and Resorts properties in 2015, in Haikou, Yangjiang and Nanchang (all in Greater China).

China-Ready programme

Whilst we continue to deploy brands, such as HUALUXE Hotels and Resorts, to capture growth opportunities in Greater China, we also recognise the importance of the Chinese outbound opportunity. To capture this growing group of potential guests, we have continued in 2015 the roll-out of our China-Ready programme to 84 hotels in key Chinese outbound destinations across The Americas, Europe and AMEA. Our accredited hotels now have Mandarin-speaking staff and frontline teams who have received cultural training in order to better serve our Chinese guests. China-Ready hotels have already seen a 1.5 per cent increase in guest satisfaction, and we expect more hotels to adopt this programme in 2016.

Growing our industry-leading

boutique presence

Together with Hotel Indigo, our recent acquisition of Kimpton Hotels & Restaurants (Kimpton) has given IHG a market-leading position in the boutique segment, with 126 hotels open and 81 hotels in the pipeline (source: Smith Travel Research).

Hotel Indigo

We continue to strengthen the positioning of Hotel Indigo through innovative marketing campaigns such as Flavours of the Neighbourhood and Sounds of the Neighbourhood locally inspired food and music programmes for guests and the wider community. These campaigns allow guests to have unique, local experiences and also drive greater awareness of the Hotel Indigo brand.

Kimpton Hotels & Restaurants

This year, we have also been carefully managing the integration of the Kimpton business with IHG to ensure we preserve the uniqueness and ethos of the brand and its people. By maintaining Kimpton's San Francisco headquarters, we have been able to retain highly talented individuals from across the organisation. In addition, we have also focused on establishing IHG protocols and procedures in relation to our HR, Legal and Finance functions, and putting in place an effective approach to ensure successful integration of commercial platforms (such as mobile and websites).

Powered by IHG's global scale, digital and mobile platforms and complementary brand portfolio, we see significant growth opportunities for Kimpton in the US and globally in 2016. Whilst we saw the exit of seven Kimpton hotels in San Francisco due to specific issues, these exits have not impacted our broader growth plans for the brand. In 2015, we achieved record levels of hotel openings (1,157 rooms) and signings growth (1,532 rooms) for the brand. In January 2016, we also signed our first Kimpton property outside the US, in Amsterdam (the Netherlands).

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Our Winning Model in action: executing our strategy continued

2. Transforming our loyalty proposition

Enhancements to our loyalty programme in 2015 have enabled us to offer more personal, relevant and rewarding connections across our sizeable membership.

Meaningful Membership: Transforming Membership in The Age of I The fourth in our series of Trend Reports.

Making loyalty more customised, tailored and rewarding

By building a strong, complementary brand portfolio, we are able to offer solutions for multiple guest needs, increasing our ability to cross-sell across brands and to establish lifetime relationships with our guests. Guests with increased loyalty to IHG have a higher spend per stay, driving higher RevPAR premiums, lowering distribution costs and consequently strengthening our owner offer. In addition, a strong loyalty programme is also critical to increasing awareness and recognition of the IHG brand portfolio.

Supported by deep consumer insights, including our latest 2016 Trends Report (see box below right), we are enriching our loyalty proposition by taking a more relationship-focused approach. In 2015, we have made important enhancements to IHG Rewards Club, our loyalty programme, enabling us to offer more personal, relevant and rewarding connections across our sizeable membership base.

Introducing a new membership level

Launched in July 2015, our new IHG Rewards Club membership tier, Spire Elite, has been designed to recognise and reward our most loyal guests, building an even deeper relationship with those members who stay with us most frequently.

Through Spire Elite, we are better able to reward members who reach this status, by offering new benefits and choices. For example, these members receive 100 per cent more bonus points on every qualifying stay – an industry first – and, upon reaching Spire Elite status, the choice between receiving 25,000 points or gifting Platinum Elite level status to a friend or family member for a year. We have also restructured qualification requirements for all membership levels in 2015 to make it easier for our members to be rewarded for their loyalty and achieve Gold Elite or Platinum Elite level status.

We also announced that, from May 2016, we will expire all points for IHG Rewards Club members if they have not earned or redeemed any points at all in the previous 12 months, so that we can reward the members who stay with us most often.

More meaningful guest engagement

In 2015, we have enhanced our customer relationship management system, allowing us to offer a more personal experience. Across our hotels, new tools have been introduced to provide hotel staff with more information on arriving guests, including details of previous stay experiences and specific stay preferences. With this information, our hotels are able to provide a more tailored guest experience during the stay.

Through a series of trials with new programme members, we have also refined our communication strategy, to ensure we offer guests the most relevant and timely information across multiple channels, such as mobile, email and web. Also launched in 2015, Accelerate, our multi-brand promotion, is enabling us to engage with IHG Rewards Club members in more appealing ways, by offering a wide range of relevant rewards that appeal across member levels. This promotion has already seen strong uptake among our members.

Relevant rewards

Strategic promotional partnerships play an important role in enhancing, and improving the visibility of, our loyalty proposition, as well as allowing us to provide unique experiences for our members. Our relationship with Uber (US only), announced in 2015, enables IHG Rewards Club members to request cab rides and set ride reminders through the award-winning IHG App. Likewise, new Uber users in the US now receive 2,000 IHG Rewards Club points and \$20 off their first ride with Uber.

Through the launch of IHG Business Rewards in April 2015, an extension of IHG Rewards Club, we have improved our corporate loyalty offer, enabling travel managers to earn IHG

Rewards Club points for their companies' business in a single global programme. IHG Business Rewards is providing opportunities for us to improve relationships with our corporate accounts.

Finally, we have relaunched our Rewarding Experiences online catalogue, which showcases a wide range of points-redemption options, ranging from electronic products through to air miles, available through IHG Rewards Club for members of all levels. Digital Rewards, for example, appeals to guests who only wish to redeem a few points by giving them the ability to instantly download music, books and movies. Meanwhile, IHG Rewards Club Auctions lets members use their points to bid on exclusive once-in-a-lifetime experiences and prize packages.

The enhancements to our loyalty proposition in 2015 are already exciting guests and leading to stronger commercial outcomes. For example, we have experienced a year-on-year increase of 1.2 per cent in the proportion of revenue contributed by loyalty members, alongside a significant acceleration in enrolments to IHG Rewards Club across all regions.

Meaningful Membership: Transforming Membership in The Age of I

We have published the fourth in our series of Trends Reports, which focus on consumer insights impacting the hospitality industry and business more broadly.

Our 2016 report challenges brands to engage with consumers in a way that builds loyal membership communities. It unveils a new set of principles for doing this, as consumers increasingly demand inclusivity and individuality at the same time.

See www.ihgplc.com/trends_report for further details on our series of Trends Reports.

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3. Making our direct channels the preferred way to book

Our pilot Lowest Price Promise campaign for Holiday Inn Express in the UK means the lowest rates on our brand.com website for IHG Rewards Club members.

Lowest Price Promise Our innovative campaign to increase direct bookings.

Driving direct, high-quality

revenues for our owners

Our global scale and the strength of our digital capabilities enable us to offer strong levels of system delivery, with direct and indirect channels delivering 73 per cent of total rooms revenue for our hotels in 2015. We are focused on driving value to our owners through our low-cost direct channels, which, in turn, deliver better owner returns. Enhancements to IHG Rewards Club in 2015 are an important way in which we are driving more profitable, direct bookings to our hotels.

In close collaboration with our owner community, we have also introduced a number of additional initiatives in 2015 (detailed below) which are helping to make our direct channels the preferred way for guests to book their stays with us.

Launching innovative campaigns

In 2015, we piloted our Lowest Price Promise campaign for Holiday Inn Express in the UK and Ireland, where we guarantee the lowest rates on our brand.com website for IHG Rewards Club members, providing a clear incentive for guests to become part of IHG Rewards Club and book through IHG's direct channels. This pilot has driven a material increase in direct bookings, driving a 19 per cent shift to our web channel, and we will be extending this initiative to other markets in 2016.

Embedding revenue management practices

We have delivered revenue management training across each of our regions in 2015, providing hotel staff with insight and guidance on how to optimise the mix of bookings from different sales channels, in order to deliver the most profitable revenues to hotels. In addition, we continue to grow usage of our revenue management service, Revenue

Management for Hire , which provides hotels with dedicated revenue management experts, supported by our proprietary strategic pricing tools, such as Perform with Price Optimisation .

Improving digital channels and driving digital innovation

Our direct digital channels (which include our brand.com websites and mobile app) deliver over 20 per cent of our rooms revenue and have now collectively become IHG 's largest channel. During the year, we have continued to invest in developing compelling content and innovative functionality for these channels, in order to drive more profitable direct bookings and to enhance the guest experience. For example, in 2015 we launched content-rich websites for five brands which provide a more engaging booking experience. We also made multiple enhancements to our award-winning mobile app, such as piloting Mobile Folio (allowing guests to view hotel bills in real time) and IHG Guest Request (allowing guests to make in-stay service requests).

Strategic relationship with Amadeus

In April 2015, we announced the second phase of our strategic relationship with Amadeus to develop a next-generation, cloud-based Guest Reservation System (GRS) to replace HOLIDEX, IHG 's proprietary reservation system. The new state-of-the-art guest reservation solution will be a first for the hotel industry, and will enable us to deliver an enhanced and more personalised guest experience across every stage of the Guest Journey , along with enriched commercial outcomes for owners. The system is currently in development, and a phased roll-out will start in 2017. It will provide our hotels with a robust global platform to manage guest interaction and the personalisation of their experience, and will deliver a standardised, scalable and flexible global technology ecosystem.

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Doing business responsibly

A commitment to operating our business responsibly underpins our entire strategy. It is brought to life

through our culture and is embedded in all aspects

of the way we work.

See www.ihgplc.com/

responsiblebusiness for further information about our commitment to responsible business practices.

Doing the right thing in the right way allows us to have a positive impact on the lives of all those who interact with IHG.

Corporate responsibility

We are committed to making our communities a better place for all. Our colleagues around the world genuinely care about the well-being of our guests and the impact we have on local communities and businesses. We work to develop new and better ways to assist owners to build and operate IHG-branded hotels, creating sustainable shared value for our brands and our stakeholders, as well as addressing social and environmental challenges. Our five-year corporate responsibility targets, released in September 2013, focus on measuring the positive impact we have, which is part of our commitment to responsible business practices (see box to the right).

Social and community

Each one of our hotels is a central part of its community, from creating jobs and stimulating local economic opportunities, to providing shelter in times of need. Our social and communities agenda focuses on two core programmes:

IHG® Academy: a collaboration between our hotels and education providers that helps people develop the skills they need to improve their employability and secure a job in the hotel industry; and

disaster relief and preparedness (IHG® Shelter in a Storm): we empower our hotels to support guests, colleagues and local communities in times of need with financial support, vital supplies and accommodation.

Environment

We take steps to manage our environmental impact in a responsible way. By delivering more environmentally sustainable hotels, we can drive cost efficiencies for owners as well as meet the expectations of all our stakeholders. We achieve this objective through our core environmental initiative:

the IHG Green Engage™ system: our group-wide online sustainability programme helps hotels manage the use of energy, carbon, water and waste, and minimise their overall environmental impact.

Human rights

We focus on those areas of human rights most relevant to our activities, and we work to ensure our values are reflected consistently across our business. Building on our launch of the human rights standard in 2014, in 2015 we

launched an e-learning module to raise further awareness of our human rights approach. We are a signatory to the UN Global Compact, aligning our operations and strategies with the 10 universal principles, which include commitments to human rights and labour standards. We are part of the Business in the Community cross-industry working group on human rights, as well as the International Tourism Partnership's Human Trafficking Working Group.

We report on diversity in our supply chain and set targets to ensure that corporate responsibility criteria, including human rights standards, are integrated into the selection and evaluation process for preferred suppliers. Our Vendor Code of Conduct sets out those standards to which we require our supply-chain operators to adhere.

Our culture of responsible business

In a climate where employees, guests and other stakeholders are seeking confirmation that companies share their values, the things we do to embed a culture of responsible business across the Group contribute to the credibility and value of IHG's brands. These include:

- strong governance and leadership, which promote responsible business attitudes and behaviours throughout IHG;
- ensuring our colleagues understand key legal and reputational issues and our Winning Ways (see page 17);
- engaging in responsible procurement;
- ensuring the safety and security of employees, guests and other visitors to our hotels and offices; and
- operating effective risk management and internal controls.

More details on how we manage these areas in order to enhance and protect IHG's reputation are provided on pages 25 to 27 and in the Responsible Business Report

(see URL above).

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Risk management

Our robust and effective risk management system continues to evolve, enabling our business to achieve its strategic objectives, and deliver sustainable, long-term growth and a commitment to responsible business practices.

Our Winning Model and risk

The combination of our strategy (see pages 14 and 15) and business model (see pages 12 and 13) creates both opportunities and inherent risks and uncertainties. The Board is ultimately accountable for the effectiveness of the risk management and internal control systems, and is supported by the Audit Committee, the Executive Committee and other delegated committees, which oversee our risk management system and ensure that risks are appropriately identified and managed within IHG's risk appetite.

Risk appetite

IHG's risk appetite is reflective of the nature and extent of risk that the Board and IHG are willing to take and manage in pursuit of our strategic and other objectives. This is then cascaded through the goals we set, the strategy we choose, the decisions we make and how we allocate resources. Specific limits and guidelines for risk-taking are reflected in our governance committees and structures, our policies (eg our delegation of authority policy), and the targets we select.

Our risk management system

Our system for managing risk is fully integrated with the way we run the business through our culture, our management controls and our reporting. Our Global Risk Management function is responsible for the support, enhancement and monitoring of the effectiveness of this system, which encompasses the key areas below.

Risk and culture

Tone, attitudes, ethical values and policies

IHG's culture is supportive of considered and conscious risk-taking in pursuit of business objectives, and is embedded through, for example, our Winning Ways (see page 17) and our Code of Conduct, which consolidates and clarifies our ethical values and expected standards of behaviour.

The Code of Conduct, available at

Governance and committee structures

IHG has an operational committee structure in place, which includes regional operating and expenditure committees, franchise and management deal approval committees, and compliance committees, to ensure effective oversight and review of the Group's activities. These committees oversee, manage and mitigate risk in relation to their activities.

www.ihgplc.com/investors under corporate governance, is applicable to all Directors, officers and employees. It is supported by an e-learning programme and key policies in areas such as bribery, gifts and entertainment, and handling personal data. We also have a confidential disclosure channel to provide employees with a means to report any ethical concerns they may have.

We continue to review and adjust management committees in light of changing business needs and to ensure they support effective and efficient decision-making, including appropriate consideration of risk.

In 2015, we have confirmed and reinforced committee accountabilities in relation to our brand and marketing activities, our programme portfolio management, and our owner strategy.

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Risk and control management

Three lines of defence

As well as continued reinforcement of first line accountability for risk management, we have continued to enhance our capability in second line subject matter expertise. In 2015, this has included enhancements to procurement and HR processes, and continuing focus on regulatory compliance. Third line independent assurance is primarily provided by Global Internal Audit, whose audit plan is aligned with the Group's principal risks.

Risk and strategy

In developing our strategy, we seek to mitigate or exploit a number of strategic risks to our business. Our strategic planning process involves the Executive Committee and relevant regions and functions, who develop plans that consider and address strategic risks, business-as-usual operational risks and financial control and compliance considerations within the framework of our broader risk appetite.

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Risk monitoring and reporting

Risk and performance monitoring

Risk and performance information is crucial to effective management of known risks. Through regular review of key risk indicators and progress against our KPIs (see pages 28 to 31), and our internal performance measures monitored in connection with delivering our winning culture (see page 18), we are able to monitor risk trends and emerging risks effectively.

Principal risk reporting

IHG's principal risk review process engages management to identify, assess, manage and monitor the principal risks and uncertainties affecting the Group, considering risks related to our strategy, operations and to our financial reporting and compliance responsibilities, reporting to the Board and Audit Committee on a biannual basis. Our principal risk review is described overleaf.

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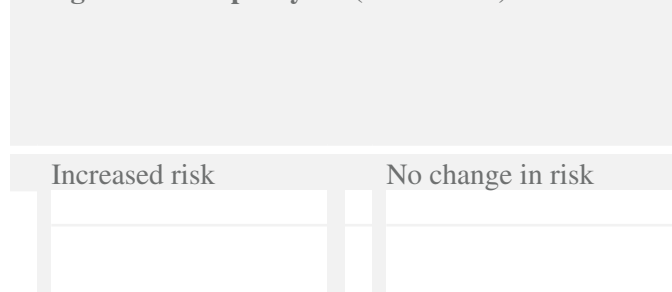
Risk management continued

IHG’s principal risks, uncertainties and review process

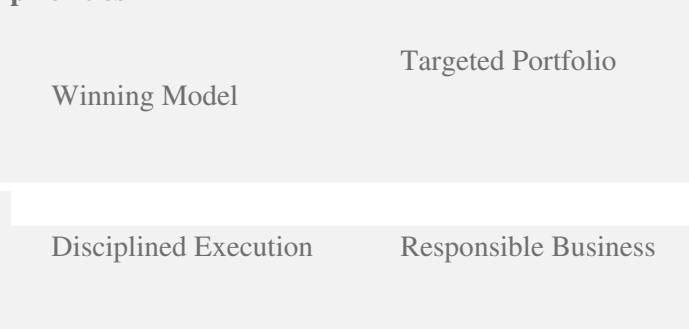
The external risk environment remains dynamic, with changes in political, economic, social, technological, legal and environmental risks. However, the Group’s asset-light business model, diverse brand portfolio and wide geographical spread contribute to IHG’s resilience to events that could affect specific segmental or geographical areas. Our Risk Working Group, chaired by the General Counsel and Company Secretary and comprised of the heads of Global Risk Management, Global Strategy, and Global Internal Audit, provides input on, and oversight of, the principal risk review process, which identifies and assesses risks for ongoing monitoring and review by senior management.

The Directors have carried out an assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. These risks are reviewed formally by the Directors on a biannual basis and are considered in more detail through the activities of the Board and Committees (see pages 61 and 62). The table below describes our principal risks and uncertainties, which align with our strategic priorities (see page 14). These principal risks are supplemented by a broader description of risk factors set out on pages 156 to 159.

How the external environment for each principal risk has changed over the past year (risk trends)



How each principal risk links to our strategic priorities



Risk description

Trend Impact How do we manage these risks?

Preferred brands and loyalty

A portfolio of clearly defined and consistently delivered brands which meet increasingly personalised guest needs and occasions is crucial for creating brand preference, loyalty and advocacy, and failure to deliver this could impact our competitive positioning, our ability to drive growth and our reputation with

Each of the brands in our portfolio is designed to meet specific guest needs and occasions through distinct and complementary brand propositions informed by guest research and insights (see pages 4 and 5).

We continually review ways to increase awareness of, and loyalty to, our brands through our loyalty programme, IHG Rewards Club, as well as global and local marketing promotions, sponsorships and specific brand initiatives (see page 20).

guests, owners and investors.

We manage brand consistency through the entire hotel life cycle, supported by clear contractual terms, new hotel opening processes, brand standard requirements and compliance processes. Tools, training and guidance assist owners and those working at our hotels to deliver brand consistency.

We continue to evaluate our brand portfolio and extend the portfolio where necessary, through developing new brands (HUALUXE, EVEN) or acquisitions (Kimpton). Additionally, significant analysis is given to brand presence in priority markets and the business ability to grow in these markets.

Leadership and talent

Failure to recruit and retain the right leadership talent and to give them the tools, guidance and support to be successful could impact IHG's delivery and ability to drive our strategic ambition.

We have in place a comprehensive global people strategy (see pages 17 and 18) to ensure we are able to recruit, retain and develop talent at our hotels, corporate offices and central reservations offices. Supplementing the global strategy, we have developed localised people strategies for some of our priority markets.

Our leadership framework, support tools, and training and development programmes help our people grow their careers, thereby managing internal talent. We proactively manage succession planning at all levels and consider the diversity (more broadly than gender) of our people and leadership.

IHG Academy assists us to fill our talent pipeline whilst supporting local communities (see page 24).

Channel management and technology platforms

Failure to maintain and enhance our booking and distribution channels and technology infrastructure could impact on our ability to deliver revenue, meet evolving guest expectations and generate returns for our owners and investors.

We recognise that technological advances, the growth of intermediaries and the sharing economy, and changing guest expectations (see pages 10 and 11) mean that we must continually invest in, and improve, our technological systems to deliver across the Guest Journey and to build lifetime relationships with our guests. Our focus is on encouraging guests to use direct booking channels. However, recognising that some travellers use intermediaries, we seek to secure better terms with those intermediaries for our hotels.

Our Global Technology function works collaboratively with specialist third-party technology providers continuously to monitor, manage and optimise our systems and channels to enhance all aspects of the Guest Journey, and this includes testing the resilience of our systems through business continuity practices.

Owner proposition

Failure to maintain strong relationships with owners, and to

We build relationships with owners through a variety of methods, including formal and informal communications and the IHG Owners Association.

demonstrate attractive returns on investment, could impact the retention and growth of IHG's System size and development pipeline.

IHG works closely with the IHG Owners Association to ensure we have insight into owners' perspectives, particularly with respect to new programmes, initiatives and the use of the System Fund (described on page 47).

Long-term franchise and management contracts, new hotel opening teams and processes, Hotel Solutions (our internal online portal which provides tools and guidance to hotels across a number of operational areas) and the wider corporate infrastructure are put in place to leverage scale, support our hotels and maintain relationships with owners throughout the life cycle of the hotel.

We closely monitor the performance of our revenue delivery systems and are focused on delivering a strong return on investment for our hotel owners.

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In 2015, we have assessed in further detail the principal risks relating to IHG’s reputation and how we will enable future performance.

Risk description	Trend	Impact	How do we manage these risks?
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Safety and security

Safety and security risks are inherent to all hotel operations, complicated by continuing geopolitical instability threats in markets where IHG operates. Failure to operate an appropriate risk management system which safeguards our guests and employees could impact IHG’s reputation.

Safety and security is of paramount importance to IHG and an extensive safety and security risk management system is in place.

The safety and security risk management system includes risk and threat assessment, policies and standards, training programmes, performance and risk monitoring, and reporting and analysis.

Our operational safety and security teams comprise team members with extensive subject matter expertise and experience, who provide support to line management to equip them to plan for, and respond to, incidents when they occur.

Cybersecurity and information governance

Threats to the security of guest and other sensitive information held and used by IHG are increasing and failure to manage these could impact our operations, result in fines and undermine stakeholder trust in our business.

We take cybersecurity and information governance very seriously and have applied risk-based methods to build capability and resilience into our systems and processes. We manage information security to contain the risk and reduce the Group’s exposure, tightly controlling sensitive information through limited and monitored access.

We continue to aim to be fully compliant with Payment Card Industry Data Security Standards (PCI DSS), using tools and services with respect to payment-card processing from leading specialist third-party providers.

Programme and project delivery

IHG is currently delivering a number of large and complex business change programmes and failure to manage these effectively could impact the value realised from our investments.

Our programme management capability is overseen by our Strategic Portfolio Management team who ensure strategic alignment and prioritisation of key programmes, develop organisational capability through training and implementation of the Group’s project delivery approaches and tools, and independently monitor the progress of key organisational change programmes.

This team is supported by regional and functional project management teams, who manage and monitor specific programmes and projects.

Legal, regulatory and ethical compliance

While the hotel sector is not subject to stringent industry-specific regulations, the global business environment is evolving, with regulators enhancing their enforcement activity.

Our regulatory compliance programme works to identify and respond to relevant regulatory requirements. These include, but are not limited to, anti-bribery and corruption, data privacy and antitrust. These programmes consist of policies, communications and training, and are supported by confidential disclosure channels and ongoing monitoring procedures.

Additionally, we continue to monitor key legal and ethical developments relevant to our business model, intellectual property and operations.

Financial management and control

Increased public scrutiny, litigation and regulatory investigation have once again highlighted the need for companies to ensure that their financial reporting, controls and management systems are robust.

The maintenance of a sound financial reporting and control environment is achieved through an effective policy framework, training programmes, and layered performance and review processes.

IHG has a mature, experienced and stable global finance function, encompassing specialist groups including, but not limited to, the following teams: Group Tax, Group Treasury, Procurement and Cost Efficiency; Global BSC Operations; Global and Regional Financial Planning and Analysis; Global Financial Reporting; and Governance and Compliance (including compliance with the Sarbanes-Oxley Act 2002).

Viability statement

In assessing the viability of the Group, the Directors have reviewed a number of scenarios, weighting downside risks that would threaten the business model, future performance, solvency and liquidity of the Group more heavily than opportunities. The scenarios included a severe but plausible downturn similar to the financial crisis that occurred from 2008 to 2009 and a reverse stress test of the business starting from the presumption of the Group having insufficient liquidity to continue trading. In the severe scenarios, the Directors also considered actions that would be taken if such events became a reality.

The Directors have determined that the three-year period to 31 December 2018 is an appropriate period to be covered by the viability statement as each year the Group's planning process builds into a robust three-year plan. The detailed three-year plan takes into consideration the principal risks outlined on pages 26 to 27, the Group's strategy, and current market conditions. The plan then forms the basis for strategic actions taken across the business. The plan is reviewed annually by the Directors and approved towards the end of the calendar year. Once approved, the plan is then cascaded to the business and used to set performance metrics and objectives. Performance against those metrics and objectives is then regularly reviewed by the Directors.

The Directors have assessed the viability of the Group over a three-year period to 31 December 2018, taking account of the Group's current position, the Group's strategy and the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018.

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Key performance indicators (KPIs)

We measure our performance through a set of carefully selected KPIs, which monitor our success in achieving our strategy and the progress of our Group to deliver high-quality growth. The KPIs are organised around the framework of our strategy – our Winning Model and Targeted Portfolio – underpinned by Disciplined Execution and doing business responsibly.

	2015	2016 specific
KPIs	status	priorities
<i>Winning Model and Targeted Portfolio</i>		
Net rooms supply	87%	Continue to accelerate growth in our 10 priority markets and key city locations in order to achieve further scale benefits.
Net total number of IHG rooms in the IHG System	of open rooms are in priority markets	Support growth of EVEN and HUALUXE brands in The Americas and Greater China respectively, and Kimpton in The Americas and internationally.
Growth in fee revenues	90%	of pipeline rooms are in priority markets
Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages.	78.4k	rooms signings, the highest in seven years
Total gross revenue from	\$4.2bn	Continue to drive adoption and impact of our revenue management tools, systems and processes amongst our owners.
	digital revenues	

hotels in IHG's System

Total rooms revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels. Other than for owned and leased hotels, it is not revenue wholly attributable to IHG, as it is mainly derived from hotels owned by third parties

delivered in 2015, up by 12% on 2014

58%

of hotels in The Americas adopting IHG's revenue management service

Work collaboratively with Amadeus on the development of our next-generation Guest Reservation System, whilst continuing to build cutting-edge digital technology.

Following our successful pilot in Europe, roll out our Lowest Price Promise initiative in other markets to make our direct channels the preferred way to book.

Focus on driving greater revenue contribution from IHG Rewards Club members.

System contribution to revenue

The percentage of room revenue delivered through IHG's direct and indirect systems and channels.

^a Excluding the acquisition of Kimpton (11,325 rooms), net rooms growth was 3.2%.

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Link between KPIs and Directors remuneration

KPIs which could have an impact on the performance measures for remuneration plans:

- Annual Performance Plan
- Long Term Incentive Plan

KPIs	2015 status	2016 specific priorities
Global RevPAR growth	69 Holiday Inn Express hotels with the next-generation room design opened in 2015	Accelerate the roll-out and adoption of our IHG Frontline training platform across all IHG hotels, enabling our people to deliver consistently great guest experiences that build brand preference. Focus on driving consistency and quality across our Crowne Plaza portfolio in the US.
Revenue per available room: rooms revenue divided by the number of room nights that are available.		
Guest HeartBeat	200+ external recognitions for our brands and hotels in 2015	Continue to invest in brand innovation, such as the Holiday Inn Open Lobby, the Holiday Inn Express next-generation room design, and the Crowne Plaza WorkLife room. Embed further improvements to measuring guest satisfaction in our hotels.
IHG's guest satisfaction measurement indicator.		

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Key performance indicators (KPIs) continued

	2015	2016 specific
KPIs	status	priorities
<i>Disciplined Execution</i>		
Fee margins Operating profit as a percentage of revenue, excluding revenue and operating profit from owned and leased hotels, managed leases and significant liquidated damages.	1.6ppt growth in fee margin in 2015	<p>Accelerate the roll-out of our online procurement system (Procure to Pay), allowing us to monitor and control spend and use our scale to deliver buying advantage.</p> <p>Continue to enhance our Hotel Ready processes and communications with hotels, to ensure effective delivery of the most critical hotel initiatives.</p>
Employee Engagement survey scores Average of our biannual Employee Engagement survey, completed by employees and those who work in our managed hotels (excluding our joint ventures).	2.6ppt increase in Employee Engagement scores in 2015	<p>Continue to focus on developing our winning culture, in particular encouraging more regular and open performance conversations, and on embedding performance management processes.</p> <p>Drive adoption of improvements to our human resources systems to further our ability to develop and retain talent.</p>
<i>Doing business responsibly</i>		
Number of people participating in	1,215 IHG Academy programmes across	Continue to provide skills and improved employability to people via IHG Academy, ensuring a positive impact for local people, our owners and IHG.

**IHG[®] Academy
programmes**

68 countries

Roll out the enhanced IHG Academy online tool to enable quality growth in the programme, including increased engagement with our franchise hotels.

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Link between KPIs and Directors remuneration

KPIs which could have an impact on the performance measures for remuneration plans:

Annual Performance Plan

Long Term Incentive Plan

<p>KPIs <i>Doing business responsibly continued</i></p>	<p>2015 status</p>	<p>2016 specific priorities</p>
<p>Value of monetary donations and in-kind support to communities, including through IHG® Shelter in a Storm</p>	<p>27 disasters in 17 countries responded to by IHG Shelter in a Storm</p>	<p>Continue to enable our hotels to respond quickly and effectively in times of disaster.</p>
<p>Carbon footprint per occupied room</p>	<p>3.9% reduction in carbon footprint per occupied room (to 31.53 kgCO₂e) on a 2012 baseline across our entire estate</p>	<p>Continue to reduce our carbon footprint across our entire estate. Continue to drive adoption and quality use of the IHG Green Engage system across our entire estate.</p>

Water use per occupied room
in water-stressed areas

4.8%^b

reduction in water use
per occupied room (by
0.03m³) on a 2012
baseline in
water-stressed areas

Continue to reduce water use across
our entire estate, with a particular
focus on hotels in water-stressed areas.

Work with the Water Footprint
Network to identify actions that hotels
can adopt to improve their water
stewardship, enabling further
reductions in water use.

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				12 months ended 31 December	
	2015	2014	2015 vs 2014%	2013	2014 vs 2013%
	\$m	\$m	change	\$m	change
Revenue					
Americas	955	871	9.6	916	(4.9)
Europe	265	374	(29.1)	400	(6.5)
AMEA	241	242	(0.4)	230	5.2
Greater China	207	242	(14.5)	236	2.5
Central	135	129	4.7	121	6.6
Total	1,803	1,858	(3.0)	1,903	(2.4)
Operating profit					
Americas	597	544	9.7	550	(1.1)
Europe	78	89	(12.4)	105	(15.2)
AMEA	86	84	2.4	86	(2.3)
Greater China	70	89	(21.3)	82	8.5
Central	(151)	(155)	2.6	(155)	
Operating profit before exceptional items	680	651	4.5	668	(2.5)
Exceptional operating items	819	29		5	480.0
	1,499	680	120.4	673	1.0
Net financial expenses	(87)	(80)	(8.8)	(73)	(9.6)
Profit before tax	1,412	600	135.3	600	
Earnings per ordinary share					
Basic	520.0¢	158.3¢	228.5	140.9¢	12.3
Adjusted	174.9¢	158.3¢	10.5	158.3¢	
Average US dollar to sterling exchange rate	\$1:	\$1:	6.6	\$1:	(4.7)
	£0.65	£0.61		£0.64	

Accounting principles

The Group results are prepared under International Financial Reporting Standards (IFRS). The application of IFRS requires management to make judgements, estimates and assumptions, and those considered critical to the preparation of the Group results are set out on pages 98 and 99 of the Group Financial Statements.

The Group discloses certain financial information both including and excluding exceptional items. For comparability of the periods presented, some of the performance indicators in this Performance review are calculated after eliminating these exceptional items. Such indicators are prefixed with *adjusted*. An analysis of exceptional items is included in note 5 on page 107 of the Group Financial Statements.

Highlights for the year ended 31 December 2015

During the year ended 31 December 2015, revenue decreased by \$55m (3.0%) to \$1,803m primarily as a result of the disposal of owned hotels in line with the Group's asset-light strategy. Operating profit before exceptional items increased by \$29m (4.5%) to \$680m.

On 16 January 2015, the Group completed the acquisition of Kimpton Holding Group LLC (Kimpton) for cash consideration of \$430m before working capital adjustments and cash acquired, resulting in the addition of 62 hotels (11,325 rooms) into the IHG System.

On 20 May 2015, the Group completed the sale of InterContinental Paris Le Grand for gross proceeds of 330m and, on 30 September 2015, the Group completed the sale of InterContinental Hong Kong for proceeds of \$928m after final working capital adjustments and cash tax.

On an underlying basis, revenue and operating profit increased by \$113m (8.0%) and \$67m (11.5%) respectively. The underlying results exclude the impact of owned hotel disposals in 2015 and the prior year, the results of managed-lease hotels, Kimpton, and significant liquidated damages receipts (2015: \$3m; 2014: \$7m).

Comparable Group RevPAR increased by 4.4% (including an increase in average daily rate of 3.1%), with growth across all regions. IHG System size increased by 4.8% (3.2% excluding the Kimpton acquisition) to 744,368 rooms, whilst Group fee revenue increased by 7.5% (3.0% excluding Kimpton).

At constant currency, net central overheads increased by \$5m (3.2%) to \$160m compared to 2014 (but at actual currency decreased by \$4m (2.6%) to \$151m).

Group fee margin was 46.3%, up 1.6 percentage points (up 1.3 percentage points at constant currency) on 2014, after adjusting for owned and leased hotels, managed leases, Kimpton, and significant liquidated damages. Group fee margin benefited from strong growth in IHG's scale markets, reflecting scale benefits and tight overhead control.

Profit before tax increased by \$812m to \$1,412m, primarily due to the gain on the sale of InterContinental Paris Le Grand and InterContinental Hong Kong. Basic earnings per ordinary share increased by 228.5% to 520.0¢, whilst adjusted earnings per ordinary share increased by 10.5% to 174.9¢.

For definitions in this section, please refer to the Glossary
on pages 176 and 177.

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Table of Contents**Highlights for the year ended 31 December 2014**

Revenue decreased by \$45m (2.4%) to \$1,858m and operating profit before exceptional items decreased by \$17m (2.5%) to \$651m during the year ended 31 December 2014, due in part to the disposal of owned hotels in line with the Group's asset-light strategy.

On 27 March 2014, IHG completed the disposal of its freehold interest in InterContinental Mark Hopkins San Francisco for gross proceeds of \$120m and a long-term contract to manage the hotel. On 31 March 2014, IHG completed the disposal of 80% of its interest in InterContinental New York Barclay for gross proceeds of \$274m and a 30-year management contract with two 10-year extension rights, retaining the remaining 20% in a joint venture set up to own and refurbish the hotel.

On 7 August 2014, the Group received a binding offer to acquire InterContinental Paris – Le Grand for gross proceeds of \$330m and a 30-year management contract with three 10-year extension rights. The offer was subsequently accepted on 8 December 2014, with the transaction expected to complete by the end of the first half of 2015, subject to the satisfaction of certain standard conditions.

On an underlying^a basis, revenue and operating profit increased by \$94m (6.0%) and \$57m (9.6%) respectively. The underlying results exclude InterContinental Mark Hopkins San Francisco and InterContinental New York Barclay whilst under IHG ownership, the results of managed-lease hotels, and the benefit of \$7m liquidated damages receipts in 2014 and \$46m liquidated damages receipts in 2013.

Comparable Group RevPAR increased by 6.1% (including an increase in average daily rate of 2.7%), led by particularly strong growth of 7.4% in The Americas. Group System size increased by 3.4% to 710,295 rooms, whilst Group fee revenue^b increased by 6.7%.

At constant currency, net central overheads decreased by \$3m (1.9%) to \$152m compared to 2013 (but at actual currency remained flat at \$155m), helped by continued cost control, as well as additional technology fee income.

Group fee margin was 44.7%, up 1.5 percentage points on 2013, after adjusting for owned and leased hotels, managed leases, and significant liquidated damages. Group fee margin benefited from strong growth in IHG's scale markets.

Profit before tax of \$600m was unchanged on 2013. Basic earnings per ordinary share increased by 12.3% to 158.3¢, whilst adjusted earnings per ordinary share remained flat at 158.3¢.

Global total gross revenue

12 months ended 31 December		
2015	2014	%
\$bn	\$bn	change

InterContinental	4.5	4.7	(4.3)
Kimpton	1.1		
Crowne Plaza	4.2	4.2	
Hotel Indigo	0.3	0.3	
Holiday Inn	6.2	6.4	(3.1)
Holiday Inn Express	6.1	5.7	7.0
Staybridge Suites	0.8	0.7	14.3
Candlewood Suites	0.7	0.6	16.7
Other	0.1	0.2	(50.0)
Total	24.0	22.8	5.3

One measure of IHG System performance is the growth in total gross revenue, defined as total rooms revenue from franchised hotels, and total hotel revenue from managed, owned and leased hotels. Other than owned and leased hotels, total gross revenue is not revenue attributable to IHG, as it is derived mainly from hotels owned by third parties.

Total gross revenue increased by 5.3% (11.4% increase at constant currency) to \$24.0bn, driven by IHG System size and comparable RevPAR growth, partially offset by the negative impact of foreign exchange movements.

^a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

^b Fee revenue is defined as Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages.

Table of Contents*Performance continued**Group continued***Global hotel and room count**

At 31 December	2015	Hotels Change over 2014	2015	Rooms Change over 2014
Analysed by brand				
InterContinental	184	4	62,040	805
Kimpton	61	61	10,976	10,976
HUALUXE	3	3	798	798
Crowne Plaza	406		113,284	(278)
Hotel Indigo	65	4	7,664	933
EVEN Hotels	3	1	446	150
Holiday Inn ^a	1,226	14	228,100	2,941
Holiday Inn Express	2,425	60	236,406	7,296
Staybridge Suites	220	15	23,964	1,555
Candlewood Suites	341	19	32,328	1,620
Other	98	11	28,362	7,277
Total	5,032	192	744,368	34,073
Analysed by ownership type				
Franchised	4,219	123	530,748	15,764
Managed	806	71	211,403	19,282
Owned and leased	7	(2)	2,217	(973)
Total	5,032	192	744,368	34,073

^a Includes 47 Holiday Inn Resort properties (11,518 rooms) and 16 Holiday Inn Club Vacations properties (5,231 rooms) (2014: 42 Holiday Inn Resort properties (9,904 rooms) and 12 Holiday Inn Club Vacations properties (4,027 rooms)).

During 2015, the global IHG System (the number of hotels and rooms which are franchised, managed, owned or leased by the Group) increased by 192 hotels (34,073 rooms) to 5,032 hotels (744,368 rooms).

Openings of 273 hotels (44,427 rooms) were 8.2% higher than in 2014 and the highest level since 2009. Openings in The Americas included 130 hotels (14,963 rooms) in the Holiday Inn brand family and seven Kimpton hotels (1,157 rooms). 32 hotels (9,380 rooms) were opened in Greater China in 2015, with the Europe and AMEA regions contributing openings of 36 hotels (5,493 rooms) and 22 hotels (6,612 rooms) respectively. 143 hotels (21,679 rooms) were removed in 2015, an increase from the previous year (123 hotels, 17,630 rooms), demonstrating our continued commitment to quality.

Global pipeline

At 31 December	2015	Hotels Change over 2014	2015	Rooms Change over 2014
Analysed by brand				
InterContinental	52	2	15,676	12
Kimpton	18	18	3,366	3,366
HUALUXE	21	(3)	6,632	(919)
Crowne Plaza	84	(8)	23,181	(2,155)
Hotel Indigo	63		9,208	112
EVEN Hotels	8	5	1,262	678
Holiday Inn ^b	256	(13)	52,204	(509)
Holiday Inn Express	602	80	75,605	12,651
Staybridge Suites	114	15	12,641	1,733
Candlewood Suites	98	9	8,720	1,003
Other	14	4	5,421	4,172
Total	1,330	109	213,916	20,144
Analysed by ownership type				
Franchised	905	62	102,169	7,439
Managed	424	47	111,545	12,707
Owned and leased	1		202	(2)
Total	1,330	109	213,916	20,144

^b Includes 14 Holiday Inn Resort properties (3,548 rooms) (2014: 18 Holiday Inn Resort properties (4,412rooms)). At the end of 2015, the global pipeline totalled 1,330 hotels (213,916 rooms) including 18 Kimpton hotels (3,366 rooms), an increase of 109 hotels (20,144 rooms) on 31 December 2014. The IHG pipeline represents hotels where a contract has been signed and the appropriate fees paid. Approximately 90% of the closing pipeline at 31 December 2015 is in our 10 priority markets.

Group signings increased from 463 hotels (69,696 rooms) in 2014 to 474 hotels (78,438 rooms) in 2015, the strongest level since 2008. This included 306 hotels (47,676 rooms) signed for the Holiday Inn brand family, up by 4.7% compared to 2014, 27.0% of which were contributed by Greater China (48 hotels, 12,878 rooms).

Active management of the pipeline to remove deals that have become dormant or no longer viable reduced the pipeline by 108 hotels (17,004 rooms), compared to 96 hotels (15,333 rooms) in 2014.

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The Americas

Maximise the performance and growth of our portfolio of preferred brands, focusing on our core upper midscale and upscale segments, mostly through franchise agreements, over the next three years.

Industry performance in 2015

In 2015, industry RevPAR in The Americas increased by 6.7%, driven by a 2.3% increase in demand and a 5.5% increase in average daily rate. On the supply side, the number of available rooms increased by 1.3%, the first time in five years that supply growth has exceeded 1%. All industry segments experienced robust RevPAR growth driven by growth in average daily rate. RevPAR in the upper midscale segment, where the Holiday Inn and Holiday Inn Express brands operate, increased by 5.5%, driven by a 4.0% increase in average daily rate.

In the US, the lodging industry demand continued to outpace GDP, which increased 2.4% – the same level as 2014. Industry room demand set records in all months this year apart from August, while supply growth continued to move upwards, reaching 1.1%, (still below the 1.9% per annum historic average). Average daily rate growth of 4.4% drove a 6.3% increase in US RevPAR. US upper midscale RevPAR increased 6.3%, while US upscale RevPAR increased 5.6%. In Canada, industry RevPAR increased by 3.4%, driven by a 4.2% increase in average daily rate, and in Mexico, RevPAR increased by 19.1%, due to an 18.6% increase in average daily rate.

IHG's regional performance in 2015

IHG's comparable RevPAR in The Americas increased 4.6%, driven by 3.8% average daily rate growth. The region is predominantly represented by the US, where comparable RevPAR increased 4.7%. RevPAR in our upper midscale brands in the US increased slightly behind the segment, with RevPAR for the Holiday Inn brand increasing 5.0% whilst that for the Holiday Inn Express brand increased by 4.3%, however our absolute occupancy was higher than the industry. Our US upscale brands (Crowne Plaza and Hotel Indigo) performed ahead of the upscale segment, increasing

RevPAR by 6.6% and 7.5% respectively. Our US upper upscale brand, Kimpton, saw RevPAR increase by 4.1%. In Canada, our RevPAR increased by 0.9%, and Mexico increased by 10.1%, both behind industry growth.

Strong demand for IHG-branded hotels continued, with 37,655 rooms signed, and the pipeline increasing by 10,189 rooms during 2015. We continued to demonstrate our commitment to quality, with 14,709 rooms leaving the IHG System.

Americas comparable RevPAR movement on previous year

		12 months ended 31 December 2015	
Franchised		Managed	
Crowne Plaza	6.7%	InterContinental	2.4%
		Kimpton	4.1%
Holiday Inn	4.6%	Crowne Plaza	9.6%
Holiday Inn Express	4.1%	Holiday Inn	5.7%
All brands	4.6%	Staybridge Suites	4.2%
		Candlewood Suites	6.7%
		All brands	4.7%
		Owned and leased	
		All brands	6.7%

Progress against 2015 regional priorities

Increased System size by opening 183 new hotels (including 93 Holiday Inn Express and 33 Holiday Inn hotels) and signing 325 additional hotels.

Expanded distribution in New York City by opening three key hotels (under the EVEN, Hotel Indigo and Holiday Inn brands) and also commenced renovation of InterContinental New York Barclay. IHG now has 34 hotels open and 15 hotels in its pipeline in New York City.

Progressed the multi-year Crowne Plaza transformation by adding five pipeline hotels, achieving a record level of guest satisfaction for the brand and driving improved revenue performance through new marketing campaigns and focused hotel action-planning.

Built strong momentum with Holiday Inn Express through implementation of the brand's new hotel design (see page 20). 59 open hotels have adopted the full design or incorporated key design elements in 2015 and an additional 318 hotels signed up during the year.

IHG's 2016 regional priorities

1. Grow quality System size through driving signings, working with owners to accelerate openings, assisting hotels to improve their performance, and continuing to support hotel performance.
2. Increase brand quality and differentiation with a focus on installing new room designs across Holiday Inn and Crowne Plaza (see page 20), implementing a full hotel design for Holiday Inn Express and continuing to increase the quality and delivery of food and beverage offerings.
3. Deliver superior revenue contribution through an improved owner-centric hotel support model and sales and revenue management capabilities.

Source: Smith Travel Research for all of the above industry facts.

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	2015	2014	12 months ended 31 December		
			2015 vs 2014%	2013	2014 vs 2013%
	\$m	\$m	change	\$m	change
Revenue					
Franchised	661	630	4.9	576	9.4
Managed	166	103	61.2	128	(19.5)
Owned and leased	128	138	(7.2)	212	(34.9)
Total	955	871	9.6	916	(4.9)
Percentage of Group revenue	53.0	46.9	6.1	48.1	(1.2)
Operating profit before exceptional items					
Franchised	575	544	5.7	499	9.0
Managed	64	47	36.2	74	(36.5)
Owned and leased	24	18	33.3	30	(40.0)
	663	609	8.9	603	1.0
Regional overheads	(66)	(65)	(1.5)	(53)	(22.6)
Total	597	544	9.7	550	(1.1)
Percentage of Group operating profit before central overheads and exceptional items	71.9	67.5	4.4	66.8	0.7

Highlights for the year ended 31 December 2015

With 3,840 hotels (479,575 rooms), The Americas represented 64% of the Group's room count and 72% of the Group's operating profit before central overheads and exceptional operating items for the year ended 31 December 2015. The key profit-producing region is the US, although the Group is also represented in Latin America, Canada, Mexico and the Caribbean. 88% of rooms in the region are operated under the franchise business model, primarily in the upper midscale segment (the Holiday Inn brand family). In the upscale segment, Crowne Plaza is predominantly franchised whereas, in the luxury segment, InterContinental-branded hotels are operated under both franchise and management agreements. Kimpton operates under the managed model within the upper upscale segment. 11 of the Group's 12 hotel brands are represented in The Americas.

Revenue and operating profit before exceptional items increased by \$84m (9.6%) to \$955m and by \$53m (9.7%) to \$597m respectively. On an underlying^a basis, revenue increased by \$71m (8.8%), while operating profit increased by \$53m (9.9%), driven predominantly by strong RevPAR growth in the fee business and an increase in net rooms. The underlying results exclude both InterContinental Mark Hopkins San Francisco and InterContinental New York Barclay whilst under IHG ownership, managed leases, Kimpton, and the benefit of significant liquidated damages receipts (2015: \$3m; 2014: \$7m).

Franchised revenue increased by \$31m (4.9%) to \$661m, including the impact of the \$7m liquidated damages receipts in 2014 (7.9% excluding these liquidated damages and on a constant currency basis). Royalties^b growth of 5.1% was driven by comparable RevPAR growth of 4.6%, including 4.6% for Holiday Inn and 4.1% for Holiday Inn Express, together with 1.2% rooms growth. Operating profit increased by \$31m (5.7%) to \$575m, including an \$8m increase in fees associated with the initial franchising and relicensing of hotels. Excluding the benefit of significant liquidated damages (2015: \$nil; 2014: \$7m), and on a constant currency basis, operating profit increased by \$47m (8.8%) to \$584m.

Managed revenue increased by \$63m (61.2%) to \$166m, and operating profit increased by \$17m (36.2%) to \$64m. Revenue and operating profit included \$38m (2014: \$38m) and \$nil (2014: \$nil) respectively from one managed-lease property. Kimpton contributed \$59m to managed estate revenue and \$18m to operating profit, including \$3m of significant liquidated damages. Managed operating profit was impacted by costs relating to our 20% interest in InterContinental New York Barclay during its refurbishment (2015: \$4m; 2014: \$5m). Excluding results for both Kimpton and managed-lease hotels and on a constant currency basis, revenue increased by \$9m (13.8%) and operating profit increased by \$2m (4.3%).

Owned and leased revenue decreased by \$10m (7.2%) to \$128m, and operating profit increased by \$6m (33.3%) to \$24m, following the disposal of two owned hotels (InterContinental Mark Hopkins San Francisco and an 80% interest in InterContinental New York Barclay) during 2014. Excluding these two hotels and on a constant currency basis, owned and leased revenue and operating profit increased by \$13m and \$5m, respectively, reflecting improved trading at InterContinental Boston and at Holiday Inn Aruba.

Highlights for the year ended 31 December 2014

Revenue and operating profit before exceptional items decreased by \$45m (4.9%) to \$871m and by \$6m (1.1%) to \$544m respectively. On an underlying basis, revenue increased by \$71m (9.7%), while operating profit increased by \$39m (7.8%), driven predominantly by strong RevPAR growth in the fee business and an increase in net rooms. Regional overheads increased by 22.6% to \$65m following investment in IHG's development and quality teams and unusually high healthcare costs. Revenue and operating profit were negatively impacted by the disposal of an 80% interest in InterContinental New York Barclay and the disposal of InterContinental Mark Hopkins San Francisco during the year, by a combined \$95m and \$21m respectively compared to 2013. Conversely, revenue and operating profit were positively impacted by the benefit of \$7m liquidated damages receipts in 2014 in the franchised business relating to two exited hotels, compared to \$31m in the managed business in 2013.

Franchised revenue increased by \$54m (9.4%) to \$630m including the benefit of the \$7m liquidated damages receipts (8.2% excluding these liquidated damages). Royalties growth of 7.6% was driven by comparable RevPAR growth of 7.2%, including 7.9% for Holiday Inn and 7.0% for Holiday Inn Express, together with 2.0% rooms growth. Operating profit increased by \$45m (9.0%) to \$544m.

Managed revenue decreased by \$25m (19.5%) to \$103m and operating profit decreased by \$27m (36.5%) to \$47m. Revenue and operating profit included \$38m (2013: \$34m) and \$nil (2013: \$nil) respectively from one managed-lease property. Excluding results from this hotel, as well as the \$31m liquidated damages in 2013 (2014: \$nil), revenue increased by \$3m (4.8%) and operating profit increased by \$4m (9.3%) on a constant currency basis.

Owned and leased revenue decreased by \$74m (34.9%) to \$138m and operating profit decreased by \$12m (40.0%) to \$18m. The decrease in revenue and operating profit were driven by the disposal of an 80% interest in InterContinental New York Barclay, and the disposal of InterContinental Mark Hopkins San Francisco (combined negative impact of \$95m and \$21m respectively). Excluding these two hotels, owned and leased revenue and operating profit increased by \$21m and \$9m respectively reflecting strong trading at InterContinental Boston and post refurbishment performance at Holiday Inn Aruba.

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At 31 December	2015	Hotels Change over 2014	2015	Rooms Change over 2014
Analysed by brand				
InterContinental	50		17,109	212
Kimpton	61	61	10,976	10,976
Crowne Plaza	172	(9)	46,316	(2,050)
Hotel Indigo	40	1	5,071	520
EVEN Hotels	3	1	446	150
Holiday Inn ^c	772	2	135,995	(285)
Holiday Inn Express	2,106	46	186,972	4,371
Staybridge Suites	211	14	22,662	1,462
Candlewood Suites	341	19	32,328	1,620
Other	84	6	21,700	2,582
Total	3,840	141	479,575	19,558
Analysed by ownership type				
Franchised	3,548	71	422,230	5,015
Managed	287	70	55,715	14,543
Owned and leased	5		1,630	
Total	3,840	141	479,575	19,558
Percentage of Group hotel and room count	76.3	(0.1)	64.4	(0.4)

^c Includes 23 Holiday Inn Resort properties (5,902 rooms) and 16 Holiday Inn Club Vacations properties (5,231 rooms) (2014: 20 Holiday Inn Resort properties (4,864 rooms) and 12 Holiday Inn Club Vacations properties (4,027 rooms)).

The Americas System size increased by 141 hotels (19,558 rooms), including the acquisition of 62 Kimpton hotels (11,325 rooms), to 3,840 hotels (479,575 rooms) during 2015. 183 hotels (22,942 rooms) opened in the year, compared to 178 hotels (20,823 rooms) in 2014. Openings included 130 hotels (14,963 rooms) in the Holiday Inn brand family, representing 65.2% of the region's openings, and seven Kimpton hotels (1,157 rooms).

104 hotels (14,709 rooms) were removed from The Americas System in 2015, demonstrating our continued commitment to quality, compared to 95 hotels (12,230 rooms) in 2014. 44.0% of 2015 room removals were Holiday Inn rooms in the US (31 hotels, 6,466 rooms) compared to 45.0% in 2014 (34 hotels, 5,499 rooms). Eight Kimpton hotels (1,506 rooms) exited The Americas System in 2015.

Americas pipeline

At 31 December	2015	Hotels Change over 2014	2015	Rooms Change over 2014
Analysed by brand				
InterContinental	4	(3)	1,545	(792)
Kimpton	18	18	3,366	3,366
Crowne Plaza	15	(3)	2,490	(716)
Hotel Indigo	30	(1)	4,024	(235)
EVEN Hotels	8	5	1,262	678
Holiday Inn ^d	125	(14)	18,203	(1,952)
Holiday Inn Express	449	60	43,945	6,820
Staybridge Suites	105	15	11,230	1,636
Candlewood Suites	98	9	8,720	1,003
Other	13	3	1,599	381
Total	865	89	96,384	10,189
Analysed by ownership type				
Franchised	809	69	85,863	6,883
Managed	55	20	10,319	3,308
Owned and leased	1		202	(2)
Total	865	89	96,384	10,189

^d Includes seven Holiday Inn Resort properties (1,657 rooms) (2014: nine Holiday Inn Resort properties (1,916 rooms)).

At 31 December 2015, The Americas pipeline totalled 865 hotels (96,384 rooms), including 18 Kimpton hotels (3,366 rooms), representing an increase of 89 hotels (10,189 rooms) over the prior year. Strong signings of 325 hotels (37,655 rooms) were ahead of last year by six hotels, but lower by 453 rooms. The majority of 2015 signings were within the Holiday Inn brand family (208 hotels, 22,826 rooms) but also included 10 Kimpton hotels (1,532 rooms) and 78 hotels (7,607 rooms) for our extended-stay brands, Staybridge Suites and Candlewood Suites.

69 hotels (7,661 rooms) were removed from the pipeline in 2015, up slightly in terms of both hotels and rooms from 2014 (64 hotels, 7,108 rooms).

^a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

^b Royalties are fees, based on rooms revenue, that a franchisee pays to the brand owner for use of the brand name.

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Continue to grow in priority markets and key cities, whilst driving brand preference, focusing on quality and innovation in guest experience, over the next three years.

Industry performance in 2015

The hotel industry in Europe is influenced by the larger markets in the region, in particular the UK and Germany. In 2015, RevPAR increased 7.5% across the region, driven by a 2.8% increase in demand and a 5.4% growth in average daily rate. RevPAR growth in the UK was 4.5%, driven by a 3.9% increase in average daily rate and a 2.3% increase

in demand. In Germany, RevPAR saw strong growth of 6.5%, driven by a 4.3% growth in average daily rate and a 2.8% increase in demand. Russia saw growth of 11.9% driven by a 6.0% increase in average daily rate.

IHG's regional performance in 2015

IHG's regional comparable RevPAR increased by 5.4%, driven by average daily rate growth of 3.9%. The UK achieved strong growth of 5.1%, ahead of the industry, led by average daily rate driven growth in both London and the provinces. In Germany, RevPAR increased by 4.4%, and in Russia, RevPAR declined slightly by 1.6% both behind the market. Across the rest of Europe, our RevPAR increased by mid-single digits, despite challenging trading conditions in Paris in the last quarter of the year.

Europe comparable RevPAR movement on previous year

	12 months ended 31 December 2015
Franchised	
All brands	5.3%
Managed	
All brands	6.2%

Progress against 2015 regional priorities

Signed 48 hotels, of which 11 are in the UK, 14 are in Germany, and 8 are in Russia and the Commonwealth of Independent States (CIS). It was our largest number of signings in Germany for the second year running. Achieved an excellent year for InterContinental in Europe, with five hotel signings and three openings, including the landmark InterContinental London The O2 and InterContinental Bordeaux Le Grand. Improved guest experience through the implementation of the new Holiday Inn Express hotel design (see page 20). Launched the Lowest Price Promise campaign, providing a clear incentive for guests to become part of IHG Rewards Club and book through our direct channels. 10 properties completed the roll-out of the next-generation design in 2015 and an additional 83 hotels signed up during the year. Enhanced operations support with a dedicated Luxury and Boutique Operations division, restructured the franchise support teams and introduced a central operations support team.

IHG's 2016 regional priorities

1. Continue to build IHG System size through driving growth in our priority markets of the UK, Germany, and Russia and the CIS, and across key cities, localising our brands as necessary.
2. Continue to improve guest experience and increase satisfaction by focusing on quality and driving innovation to ensure our brands are preferred.
3. Roll out our Lowest Price Promise initiative into additional markets in Europe post the successful pilot in the UK (see page 23).

Source: Smith Travel Research for all of the above industry facts.

Table of Contents**Europe results**

	12 months ended 31 December				
	2015	2014	2015 vs 2014%	2013	2014 vs 2013%
	\$m	\$m	change	\$m	change
Revenue					
Franchised	104	104		104	
Managed	131	159	(17.6)	156	1.9
Owned and leased	30	111	(73.0)	140	(20.7)
Total	265	374	(29.1)	400	(6.5)
Percentage of Group revenue	14.7	20.1	(5.4)	21.0	(0.9)
Operating profit before exceptional items					
Franchised	77	78	(1.3)	79	(1.3)
Managed	28	30	(6.7)	30	
Owned and leased	1	14	(92.9)	30	(53.3)
Total	106	122	(13.1)	139	(12.2)
Regional overheads	(28)	(33)	15.2	(34)	2.9
Total	78	89	(12.4)	105	(15.2)
Percentage of Group operating profit before central overheads and exceptional items	9.4	11.0	(1.6)	12.8	(1.8)

Highlights for the year ended 31 December 2015

Comprising 660 hotels (106,711 rooms) at the end of 2015, Europe represented 14% of the Group's room count and 9% of the Group's operating profit before central overheads and exceptional operating items for the year ended 31 December 2015. Revenues are primarily generated from hotels in the UK and continental European gateway cities. The largest proportion of rooms in Europe are operated under the franchise business model primarily in the upper midscale segment (Holiday Inn and Holiday Inn Express). Similarly, in the upscale segment, Crowne Plaza is predominantly franchised, whereas, in the luxury segment, the majority of InterContinental-branded hotels are operated under management agreements.

Revenue and operating profit before exceptional items decreased by \$109m (29.1%) to \$265m and by \$11m (12.4%) to \$78m respectively. This was primarily due to InterContinental Paris – Le Grand becoming a managed property and the negative impact of significant foreign exchange translation movement. On an underlying basis, revenue and operating profit increased by \$13m (7.5%) and \$17m (23.3%) respectively, with the transition of 61 UK managed hotels to franchise contracts driving an increase in underlying franchise fees, and cost efficiencies reducing regional overheads. Overall, comparable RevPAR in Europe increased by 5.4%, with the UK increasing by 5.1%, led by rate growth in both London and the provinces, and Germany growing by 4.4%.

Franchised revenue remained flat at \$104m, whilst operating profit decreased by \$1m (1.3%) to \$77m. On a constant currency basis, revenue and operating profit increased by \$15m (14.4%) and \$11m (14.1%) respectively, following the transition of UK managed hotels to franchise contracts.

Managed revenue decreased by \$28m (17.6%) and operating profit decreased by \$2m (6.7%). Revenue and operating profit included \$75m (2014: \$90m) and \$1m (2014: \$2m) respectively from managed leases. Excluding properties operated under this arrangement, and on a constant currency basis, revenue decreased by \$2m (2.9%) and operating profit increased by \$3m (10.7%), impacted by the transition of UK managed hotels to franchise contracts.

The one remaining hotel in the owned and leased estate,

InterContinental Paris Le Grand, was sold on 20 May 2015 for gross proceeds of 330m. Owned and leased revenue decreased by \$81m (73.0%) to \$30m and operating profit decreased by \$13m (92.9%) to \$1m.

Highlights for the year ended 31 December 2014

Revenue and operating profit before exceptional items decreased by \$26m (6.5%) to \$374m and by \$16m (15.2%) to \$89m respectively. On an underlying basis, revenue and operating profit increased by \$4m (1.4%) and \$3m (3.5%) respectively. Overall, comparable RevPAR in Europe increased by 5.1%. The UK achieved a particularly strong comparable RevPAR growth of 8.9%, with double-digit growth in the first and third quarters. Comparable RevPAR in Germany was also strong, increasing by 4.1%, driven by continued growth in domestic output and a rise in employment, whilst IHG hotels in the Commonwealth of Independent States (CIS) collectively experienced a comparable RevPAR decline of 4.0%, reflecting a challenging economic climate in the region during 2014.

Franchised revenue remained flat at \$104m, whilst operating profit decreased by \$1m (1.3%) to \$78m. Excluding the benefit of a \$9m liquidated damages receipt in 2013, revenue and operating profit increased by \$8m (8.4%) and \$8m (11.4%) respectively at constant currency. This underlying growth was mainly driven by an increase in royalties of 8.0%, reflecting comparable RevPAR growth of 5.3%, together with 5.7% rooms growth.

Managed revenue increased by \$3m (1.9%) to \$159m, whilst operating profit was flat with 2013 at \$30m. Revenue and operating profit included \$90m (2013: \$89m) and \$2m (2013: \$2m) respectively from managed leases. Excluding properties operated under this arrangement and on a constant currency basis, revenue increased by \$3m (4.5%), whilst operating profit was flat. At the end of 2014, IHG commenced a process to restructure the majority of its UK managed hotels to new franchised contracts.

In the owned and leased estate, revenue decreased by \$29m (20.7%) to \$111m and operating profit decreased by \$16m (53.3%) to \$14m. At constant currency and excluding the impact of the disposal of InterContinental London Park Lane (which contributed revenue and operating profit of \$22m and \$8m respectively in 2013), owned and leased revenue and operating profit both decreased by \$7m. These declines were driven by InterContinental Paris Le Grand due to the refurbishment of the Salon Opera ballroom in the first half of 2014. The hotel delivered revenue and operating profit of \$111m and \$15m respectively, a decrease of 5.9% and 34.8% compared to 2013, whilst RevPAR decreased by 4.7%.

^a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

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Table of Contents*Performance continued**Europe continued***Europe hotel and room count**

		Hotels		Rooms
		Change		Change
At 31 December	2015	over 2014	2015	over 2014
Analysed by brand				
InterContinental	32	2	9,886	514
Crowne Plaza	88	5	20,269	874
Hotel Indigo	19	2	1,790	222
Holiday Inn ^a	285	1	46,150	428
Holiday Inn Express	228	2	27,525	387
Staybridge Suites	6	1	877	93
Other	2		214	(15)
Total	660	13	106,711	2,503
Analysed by ownership type				
Franchised	615	50	94,410	10,394
Managed	45	(36)	12,301	(7,421)
Owned and leased		(1)		(470)
Total	660	13	106,711	2,503
Percentage of Group hotel and room count	13.1	(0.3)	14.3	(0.4)

^a 2015 and 2014 include two Holiday Inn Resort properties (212 rooms).

During 2015, Europe System size increased by 13 hotels (2,503 rooms) to 660 hotels (106,711 rooms). The Group opened 36 hotels (5,493 rooms) in Europe in 2015, compared to 35 hotels (5,353 rooms) in 2014. Openings included the landmark 453-room InterContinental London – The O2 and the 130-room InterContinental Bordeaux – Le Grand.

23 hotels (2,990 rooms) left the Europe System in the period, compared to 17 hotels (3,211 rooms) in the previous year.

Europe pipeline

		Hotels		Rooms
		Change		Change
At 31 December	2015	over 2014	2015	over 2014
Analysed by brand				

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InterContinental	5	2	882	37
Crowne Plaza	11	(3)	2,673	(244)
Hotel Indigo	11	(1)	1,403	35
Holiday Inn	37		7,834	890
Holiday Inn Express	45	1	7,198	824
Staybridge Suites	4		511	97
Other			31	
Total	113	(1)	20,532	1,639

Analysed by ownership type

Franchised	88	(7)	14,127	131
Managed	25	6	6,405	1,508
Total	113	(1)	20,532	1,639

The Europe pipeline totalled 113 hotels (20,532 rooms) at 31 December 2015, representing a decrease of one hotel (although an increase of 1,639 rooms) over 31 December 2014. New room signings reached their highest level since 2007 with 8,826 rooms, an increase of 1,022 rooms from the prior year (although number of hotels remained flat at 48). Signings included 11 hotels (2,444 rooms) in the UK and 14 hotels (2,371 rooms) in Germany, a record number in the latter country for the second year running.

13 hotels (1,694 rooms) were removed from the pipeline in 2015, compared to nine hotels (1,337 rooms) in 2014.

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Asia, Middle East and Africa (AMEA)

Execute our strategic plans to strengthen our brands and increase our revenue share through enhanced guest satisfaction and greater loyalty contribution, over the next three years.

Industry performance in 2015

RevPAR growth in AMEA was 3.6%, driven primarily by a 3.2% gain in average daily rate. In line with improving GDP growth, Japan saw strong RevPAR growth of 14.8% due to both average daily rate, which increased by 13.1%, and demand, which increased by 2.8%. In contrast, Australia saw RevPAR increase 3.2%, composed of a 1.9% growth in average daily rate and a 3.0% increase in demand. Thailand saw RevPAR increase by a strong 13.1%, driven by 15.1% demand growth.

Growth was more modest in India and Saudi Arabia, where RevPAR increased by 5.0% and 0.9% respectively. RevPAR in the United Arab Emirates (UAE) declined by 6.7%, driven by a 6.2% decrease in average daily rate. In Indonesia, RevPAR declined by 6.1% due to a 5.3ppt decrease in occupancy.

IHG's regional performance in 2015

Across this large region, IHG is widely represented both geographically and by brand, and comparisons across the industry are hard to make. Overall, IHG regional comparable RevPAR increased 4.5%, driven through both occupancy and average daily rate growth. Performance was led by strong positive trading in the mature market of Japan, where RevPAR increased by 14.6%, marginally below the market. Australia increased ahead of the industry at 4.5%; however the Middle East increased by 0.2%, impacted by declining oil prices. Our RevPAR growth in India and Indonesia was significantly ahead of the industry at 6.4% and 1.3%, respectively.

AMEA comparable RevPAR movement on previous year

12 months ended 31 December 2015

Franchised
All brands
Managed

(0.5)%

All brands

5.4%

Progress against 2015 regional priorities

Strengthened our position in the region's priority markets and gateway cities with the opening of 22 hotels, including new InterContinental hotels in the UAE, Indonesia and India.

Increased our hotel pipeline by over 3,800 rooms with 35 new signings, eight of which were converted and rebranded within the year.

Continued to expand our brand portfolio in AMEA with the successful launch of Hotel Indigo Bangkok Wireless Road which opened in the first quarter of 2015, with additional Hotel Indigo properties in Dubai, Bali and Phuket entering the pipeline.

Delivered RevPAR growth of 4.5%, supported by targeted marketing investments in the Middle East and South East Asia, despite challenging economic and security conditions in parts of the region.

IHG's 2016 regional priorities

1. Further accelerate System size growth across our brand portfolio in established, and emerging, key gateway cities and resort destinations through new constructions and hotel conversions.
2. Deliver above-market RevPAR growth through enhanced levels of guest satisfaction and loyalty contribution, particularly for the InterContinental and Holiday Inn brands.
3. Continue to invest in our people across the region to enable their ability to deliver excellent guest service, innovative marketing and promotional partnerships and superior financial performance for our owners.
4. Build upon the momentum of our winning culture (see page 18), which is focused on driving performance and empowering the business to respond with speed and agility in a diverse and dynamic region.

Source: Smith Travel Research for all of the above industry facts.

Table of Contents*Performance continued**Asia, Middle East and Africa (AMEA) continued***AMEA results**

	12 months ended 31 December				
	2015	2014	2015 vs 2014%	2013	2014 vs 2013%
	\$m	\$m	change	\$m	change
Revenue					
Franchised	16	16		16	
Managed	189	187	1.1	170	10.0
Owned and leased	36	39	(7.7)	44	(11.4)
Total	241	242	(0.4)	230	5.2
Percentage of Group revenue	13.3	13.0	0.3	12.1	0.9
Operating profit before					
exceptional items					
Franchised	12	12		12	
Managed	90	88	2.3	92	(4.3)
Owned and leased	3	3		4	(25.0)
Total	105	103	1.9	108	(4.6)
Regional overheads	(19)	(19)		(22)	13.6
Total	86	84	2.4	86	(2.3)
Percentage of Group operating profit before central overheads and exceptional items	10.4	10.5	(0.1)	10.4	0.1

Highlights for the year ended 31 December 2015

Comprising 267 hotels (72,573 rooms) at 31 December 2015, AMEA represented 10% of the Group's room count and contributed 10% of the Group's operating profit before central overheads and exceptional operating items during the year. 83% of rooms in AMEA are operated under the managed business model.

Revenue decreased by \$1m (0.4%) to \$241m, whilst operating profit before exceptional items increased by \$2m (2.4%) to \$86m, both adversely impacted by foreign exchange translation. On an underlying basis, revenue and operating profit increased by \$13m (6.5%) and \$7m (8.7%) respectively.

Comparable RevPAR increased 4.5%, driven by growth in both rate and occupancy. Performance was led by strong positive trading in the mature markets of Japan, which grew by 14.6%, and Australia, which increased by 4.5%. South East Asia exhibited growth of 5.7%, however the Middle East increased by 0.2%, impacted by declining oil prices.

Franchised revenue and operating profit remained flat at \$16m and \$12m respectively. On a constant currency basis, revenue and operating profit increased by \$1m (6.3%) and \$1m (8.3%) respectively.

Managed revenue increased by \$2m (1.1%) to \$189m and operating profit increased by \$2m (2.3%) to \$90m. Comparable RevPAR increased by 5.4%, with the majority of rooms opening in the last quarter of 2015. Revenue and operating profit included \$46m (2014: \$41m) and \$5m (2014: \$4m) respectively from one managed-lease property. Excluding results from this hotel and on a constant currency basis, revenue increased by \$9m (6.2%), whilst operating profit increased by \$6m (7.1%).

In the owned and leased estate, revenue decreased by \$3m (7.7%) to \$36m and operating profit remained flat at \$3m. On a constant currency basis, revenue increased by \$3m (7.7%) and operating profit increased by \$1m (33.3%).

Highlights for the year ended 31 December 2014

Revenue increased by \$12m (5.2%) to \$242m whilst operating profit before exceptional items decreased by \$2m (2.3%) to \$84m. On an underlying basis, revenue increased by \$5m (2.5%) and operating profit increased by \$4m (5.1%). The results included a \$6m benefit from liquidated damages received in 2013 (2014: \$nil). AMEA is a geographically diverse region and performance was impacted by political and economic factors, affecting different countries.

Comparable RevPAR increased 3.8% driven by 2.4% rate growth. Performance was led by the Middle East, up 5.6%, driven by a solid performance in Saudi Arabia and a recovery in Egypt. This was supported by positive trading in the mature markets of Japan, which grew by 6.7%, and Australia, which grew by 3.9%. Elsewhere, both India and South East Asia exhibited steady growth, with the exception of Thailand, which suffered from political instability in the first half of the year.

Franchised revenue and operating profit remained flat at \$16m and \$12m respectively.

Managed revenue increased by \$17m (10.0%) to \$187m, whilst operating profit decreased by \$4m (4.3%) to \$88m. Revenue and operating profit included \$41m (2013: \$21m) and \$4m (2013: \$1m) respectively from one managed-lease property. Excluding results from this hotel, as well as the benefit of \$6m liquidated damages in 2013 (2014: \$nil), revenue increased by \$7m (4.9%) whilst operating profit increased by \$2m (2.4%) on a constant currency basis. Comparable RevPAR increased by 4.4%, with room count increasing by 5.9%.

In the owned and leased estate, revenue and operating profit decreased by \$5m (11.4%) to \$39m and by \$1m (25.0%) to \$3m respectively, due to a 6.3% decrease in RevPAR.

Table of Contents**AMEA hotel and room count**

At 31 December	2015	Hotels Change over 2014	2015	Rooms Change over 2014
Analysed by brand				
InterContinental	68	1	21,238	(186)
Crowne Plaza	71	2	20,011	323
Hotel Indigo	1	1	192	192
Holiday Inn ^b	91	6	20,984	1,234
Holiday Inn Express	27	3	5,886	591
Staybridge Suites	3		425	
Other	6	1	3,837	2,543
Total	267	14	72,573	4,697
Analysed by ownership type				
Franchised	52	2	11,924	355
Managed	213	12	60,062	4,342
Owned and leased	2		587	
Total	267	14	72,573	4,697
Percentage of Group hotel and room count	5.3	0.1	9.8	0.3

^b Includes 15 Holiday Inn Resort properties (3,169 rooms) (2014: 14 Holiday Inn Resort properties (3,003 rooms)). The AMEA System size increased by 14 hotels (4,697 rooms) to 267 hotels (72,573 rooms) as at 31 December 2015. Openings increased by three hotels (2,384 rooms) to 22 hotels (6,612 rooms) in 2015, the highest level of room openings in AMEA since 2006. Openings in 2015 included Hotel Indigo Bangkok Wireless Road, the first Hotel Indigo in the region.

Eight hotels (1,915 rooms) were removed from the AMEA System in 2015, compared to 10 hotels (1,190 rooms) in 2014.

AMEA pipeline

At 31 December	2015	Hotels	2015	Rooms
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		Change over 2014		Change over 2014
Analysed by brand				
InterContinental	22		5,349	(455)
Crowne Plaza	19	3	5,301	889
Hotel Indigo	13	3	2,281	458
Holiday Inn ^c	45	(5)	11,529	(1,701)
Holiday Inn Express	43	4	9,344	1,167
Staybridge Suites	5		900	
Other			3,512	3,512
Total	147	5	38,216	3,870
Analysed by ownership type				
Franchised	8		2,179	425
Managed	139	5	36,037	3,445
Total	147	5	38,216	3,870

^c Includes four Holiday Inn Resort properties (1,071 rooms) (2014: seven Holiday Inn Resort properties (1,729 rooms)).

At 31 December 2015, the AMEA pipeline totalled 147 hotels (38,216 rooms) compared to 142 hotels (34,346 rooms) as at 31 December 2014. Room signings in AMEA were at their highest since 2008 with 35 hotels (12,441 rooms), an increase of three hotels (4,411 rooms) from the level seen in 2014. Signings in 2015 included 17 hotels (5,650 rooms) in the Holiday Inn brand family and five InterContinental hotels (833 rooms).

Eight hotels (1,959 rooms) were removed from the pipeline in 2015, compared to eight hotels (1,530 rooms) in 2014.

^a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

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Performance continued

Greater China

Further grow System size, particularly

in tier 2 and 3 cities and in the growing midscale segment, whilst developing a strong local talent pipeline for our hotels, over the next three years.

Industry performance in 2015

GDP in mainland China increased by 6.9% in 2015, continuing to slow from the 2010-2014 average of 8.6%. The decline can be attributed to decreased exports caused by slowing global demand and a strong Renminbi; however, private consumption remains solid, which helped to mitigate this trend. Hotel industry RevPAR in Greater China declined 3.4% in the year, predominately driven by average daily rate, which declined by 3.3%. Industry rooms supply growth of 4.0% slightly exceeded rooms demand growth of 3.9% in the year, resulting in an occupancy decline. RevPAR in the People's Republic of China (excluding Taiwan) decreased by 3.5% in 2015, driven by average

daily rate declining by 3.4%. The country's two largest cities in terms of hotel rooms, Beijing and Shanghai, both increased RevPAR. The former increased on robust demand growth and the latter on growth in both demand and average daily rate. The two other largest markets in the country, the wider East China and South Central China, both saw a decline in RevPAR in the year. RevPAR in Hong Kong and Macau declined by 11.5% and 13.7% respectively, both driven by declines in average daily rate and demand. In Hong Kong, average daily rate and demand decreased by 8.8% and 2.4% respectively, whilst Macau average daily rate and demand decreased by 8.6% and 0.3% respectively.

IHG's regional performance in 2015

IHG's regional comparable RevPAR increased 0.3% in 2015, significantly ahead of the industry. Our RevPAR growth was driven by occupancy, which increased by 3.4%, whilst average daily rate decreased by 3.0% – both better than the industry, reflecting our scale and management strength in the region. Trading in mainland tier 1 cities was strongest, up 6.0% whilst trading in the rest of mainland China showed only marginal increases. Hong Kong and Macau experienced significant trading declines of 9.4% and 12.8% respectively. Total RevPAR was down 2.3% impacted by our strategy of using mainstream brands in less-developed cities.

Greater China comparable RevPAR movement on previous year

12 months ended 31 December 2015

Managed
All brands

1.1%

Progress against 2015 regional priorities

Opened 32 hotels in 2015, with more than 90% of rooms in tier 2 and 3 cities – we also signed 28 Holiday Inn Express and 20 Holiday Inn hotels, driving further growth in the Chinese midscale segment. Expanded our new HUALUXE brand with three openings, all of which received strong guest feedback both in terms of overall guest satisfaction scores and ratings from external review sites – there are now 21 properties in the pipeline (including Beijing and Shanghai). Implemented a talent secondment programme for our hotel General Managers and hotel leadership teams, so that our high-potential talent can learn best practices from high-performing hotels. 39 IHG Academy programmes were completed in 2015, helping to enhance our local talent pipeline.

IHG's 2016 regional priorities

1. Further increase IHG System size, with deeper penetration in tier 2 and 3 cities and strengthen the distribution of the Holiday Inn and Holiday Inn Express brands to capture the growing midscale segment opportunity.
2. Continue to build awareness and a strong pipeline for the HUALUXE brand (see page 20) and drive operational performance of opened hotels.
3. Further grow our talent and build a strong local talent pipeline, particularly in tier 2 and 3 cities.

Source: Smith Travel Research for all of the above industry facts.

Table of Contents**Greater China results**

	12 months ended 31 December				
	2015	2014	2015 vs 2014%	2013	2014 vs 2013%
	\$m	\$m	change	\$m	change
Revenue					
Franchised	4	4		3	33.3
Managed	105	99	6.1	92	7.6
Owned and leased	98	139	(29.5)	141	(1.4)
Total	207	242	(14.5)	236	2.5
Percentage of Group revenue	11.5	13.0	(1.5)	12.4	0.6
Operating profit before exceptional items					
Franchised	5	5		5	
Managed	59	63	(6.3)	51	23.5
Owned and leased	29	42	(31.0)	47	(10.6)
	93	110	(15.5)	103	6.8
Regional overheads	(23)	(21)	(9.5)	(21)	
Total	70	89	(21.3)	82	8.5
Percentage of Group operating profit before central overheads and exceptional items	8.4	11.0	(2.6)	10.0	1.0

Highlights for the year ended 31 December 2015

Comprising 265 hotels (85,509 rooms) at 31 December 2015, Greater China represented approximately 12% of the Group's room count and contributed approximately 9% of the Group's operating profit before central overheads and exceptional operating items for the year ended 31 December 2015. 97% of rooms in Greater China are operated under the managed business model.

Revenue and operating profit before exceptional items decreased by \$35m (14.5%) to \$207m and by \$19m (21.3%) to \$70m respectively. On an underlying basis, revenue increased by \$8m (7.8%) due to the addition of over 20,000 rooms into the managed estate over the last two years. Underlying operating profit decreased by \$5m (10.6%), impacted by \$5m of ongoing investment into building long-term people capability, as well as the year-on-year impact from \$5m of previously disclosed one-off upsides in 2014. Overall, the region achieved comparable RevPAR growth of 0.3%, significantly ahead of the industry, reflecting our scale and management strength in the region. Trading in mainland tier 1 cities was particularly strong, whilst the rest of mainland China showed marginal increases. Trading in Hong Kong and Macau significantly declined. Total RevPAR in Greater China decreased by 2.3% as more hotels opened into developing markets.

Franchised revenue and operating profit remained flat at \$4m and \$5m respectively.

Managed revenue increased by \$6m (6.1%) to \$105m, whilst operating profit decreased by \$4m (6.3%) to \$59m, impacted by the above-mentioned investment in people capability and previously disclosed one-off upsides in 2014. Comparable RevPAR increased by 1.1%, whilst the Greater China System size grew by 10.4%, driving a 4.8% increase in total gross revenue derived from rooms business. Total gross revenue derived from non-rooms business increased by 7.9%, due primarily to increased food and beverage revenue. On a constant currency basis, revenue increased by \$8m (8.1%) to \$107m, whilst operating profit decreased by \$3m (4.8%) to \$60m.

The one remaining hotel in the owned and leased estate, InterContinental Hong Kong, was sold on 30 September 2015 for proceeds of \$928m after final working capital adjustments and cash tax. Owned and leased revenue decreased by \$41m (29.5%) to \$98m and operating profit decreased by \$13m (31.0%) to \$29m.

Highlights for the year ended 31 December 2014

Revenue and operating profit before exceptional items increased by \$6m (2.5%) to \$242m and by \$7m (8.5%) to \$89m respectively. Overall, the region achieved comparable RevPAR growth of 1.6%, slightly stronger than the 1.0% growth achieved in 2013. This performance was significantly ahead of the industry, reflecting IHG's scale and management strength in the region, and was achieved in a challenging environment with slower macroeconomic conditions, government austerity measures and protests in Hong Kong. Trading was strongest in tier 1 cities, especially Shanghai and Guangzhou, with good levels of transient and corporate business. Performance in tier 2 and 3 cities continues to be impacted by new supply as these markets develop. Total RevPAR in the region decreased by 3.4% as hotels opened in these lower RevPAR markets.

Franchised revenue increased by \$1m (33.3%) to \$4m whilst operating profit was flat at \$5m. Operating profit was higher than revenue in both 2014 and 2013 due to joint-venture dividend income received from a hotel in Hong Kong.

Managed revenue increased by \$7m (7.6%) to \$99m, whilst operating profit increased by \$12m (23.5%) to \$63m, reflecting improvements in operating margin, net rooms growth, and a small number of one-off items that contributed approximately \$5m to the result. Comparable RevPAR increased by 1.3%, whilst the Greater China System size grew by 14.7%, driving a 8.5% increase in total gross revenue derived from rooms business. Total gross revenue derived from non-rooms business increased by 7.8%.

Owned and leased revenue decreased by \$2m (1.4%) to \$139m, driven by a RevPAR decrease of 1.0% at InterContinental Hong Kong. Operating profit decreased by \$5m (10.6%) to \$42m. The decrease in revenue and operating profit at the hotel was driven primarily by the ongoing development of the area adjacent to the hotel and protests in central Hong Kong.

^a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

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Table of Contents*Performance continued**Greater China continued***Greater China hotel and room count**

At 31 December	2015	Hotels Change over 2014	2015	Rooms Change over 2014
Analysed by brand				
InterContinental	34	1	13,807	265
HUALUXE	3	3	798	798
Crowne Plaza	75	2	26,688	575
Hotel Indigo	5		611	(1)
Holiday Inn ^a	78	5	24,971	1,564
Holiday Inn Express	64	9	16,023	1,947
Other	6	4	2,611	2,167
Total	265	24	85,509	7,315
Analysed by ownership type				
Franchised	4		2,184	
Managed	261	25	83,325	7,818
Owned and leased		(1)		(503)
Total	265	24	85,509	7,315
Percentage of Group hotel and room count	5.3	0.3	11.5	0.5

^a Includes seven Holiday Inn Resort properties (2,235 rooms) (2014: six Holiday Inn Resort properties (1,825 rooms)).

The Greater China System size increased by 24 hotels (7,315 rooms) in the year to 265 hotels (85,509 rooms). 32 hotels (9,380 rooms) opened during 2015, two hotels and 1,268 rooms lower than 2014. Recent growth in the region has focused on tier 2 and 3 cities, which now represent approximately 68% of our open rooms. The first three HUALUXE Hotels and Resorts properties (798 rooms) opened in the year. 19 Holiday Inn brand family hotels (4,567 rooms) were also added in the year, compared to 19 hotels (4,445 rooms) in 2014.

Eight hotels (2,065 rooms) were removed in 2015, compared to one hotel (999 rooms) in 2014.

Greater China pipeline

At 31 December	2015	Hotels Change over 2014	2015	Rooms Change over 2014

Analysed by brand

InterContinental	21	3	7,900	1,222
HUALUXE	21	(3)	6,632	(919)
Crowne Plaza	39	(5)	12,717	(2,084)
Hotel Indigo	9	(1)	1,500	(146)
Holiday Inn ^b	49	6	14,638	2,254
Holiday Inn Express	65	15	15,118	3,840
Other	1	1	279	279
Total	205	16	58,784	4,446

Analysed by ownership type

Managed	205	16	58,784	4,446
Total	205	16	58,784	4,446

^b Includes three Holiday Inn Resort properties (820 rooms) (2014: two Holiday Inn Resort properties (767 rooms)). At 31 December 2015, the Greater China pipeline totalled 205 hotels (58,784 rooms) compared to 189 hotels (54,338 rooms) at 31 December 2014. Signings (66 hotels, 19,516 rooms) were the highest since 2007, and increased from 64 hotels (15,754 rooms) in 2014. 48 hotels (12,878 rooms) were signed for the Holiday Inn brand family, with the Holiday Inn Express pipeline increasing to 65 hotels.

18 hotels (5,690 rooms) were removed from the pipeline in 2015, compared to 15 hotels (5,358 rooms) in 2014.

*Central***Central results**

	2015	2014	12 months ended 31 December		
			2015 vs 2014%	2013	2014 vs 2013%
	\$m	\$m	change	\$m	change
Revenue	135	129	4.7	121	6.6
Gross central costs	(286)	(284)	(0.7)	(276)	(2.9)
Net central costs	(151)	(155)	2.6	(155)	

Highlights for the year ended 31 December 2015

Net central costs decreased by \$4m (2.6%) compared to 2014 (a \$5m or 3.2% increase to \$160m at constant currency). Central revenue, which mainly comprises technology fee income, increased by \$6m (4.7%) to \$135m, driven by increases in both comparable RevPAR (4.4%) and IHG System size (4.8%, 3.2% excluding Kimpton). At constant currency, gross central costs increased by \$13m (4.6%) compared to 2014 (a \$2m or 0.7% increase at actual currency).

Highlights for the year ended 31 December 2014

Central revenue, which mainly comprises technology fee income, increased by \$8m (6.6%) to \$129m, driven by increases in both comparable RevPAR (6.1%) and IHG System size (3.4%) in 2014 compared to 2013. At constant currency, gross central costs increased by \$4m (1.4%) compared to 2013 (an \$8m or 2.9% increase at actual currency).

Table of Contents*System Fund***System Fund assessments**

	12 months ended 31 December				
	2015	2014	2015 vs 2014%	2013	2014 vs 2013%
	\$m	\$m	change	\$m	change
Assessment fees and contributions received from hotels	1,351	1,271	6.3	1,154	10.1
Proceeds from sale of IHG Rewards Club points	222	196	13.3	153	28.1
Total	1,573	1,467	7.2	1,307	12.2

In addition to franchise or management fees, hotels within the IHG System pay assessments and contributions (other than for Kimpton and InterContinental) which are collected by IHG for specific use within the System Fund. The System Fund also receives proceeds from the sale of IHG Rewards Club points. The System Fund is managed for the benefit of hotels in the IHG System with the objective of driving revenues for the hotels.

The System Fund is used to pay for marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System. The operation of the System Fund does not result in a profit or loss for the Group and consequently the revenues and expenses of the System Fund are not included in the Group Income Statement.

Highlights for the year ended 31 December 2015

In the year to 31 December 2015, System Fund income increased by 7.2% to \$1,573m primarily as a result of a 6.3% increase in assessment fees and contributions from hotels resulting from increased hotel room revenues, reflecting increases in RevPAR and IHG System size. Continued strong performance in co-branded credit card schemes drove the 13.3% increase in proceeds from the sale of IHG Rewards Club points.

Highlights for the year ended 31 December 2014

In the year to 31 December 2014, System Fund income increased by 12.2% to \$1,467m, primarily as a result of a 10.1% increase in assessment fees and contributions from hotels resulting from increased hotel room revenues, reflecting increases in RevPAR and IHG System size. Continued strong performance in co-branded credit card schemes drove the 28.1% increase in proceeds from the sale of IHG Rewards Club points.

*Other financial information***Exceptional operating items**

Exceptional operating items totalled a net gain of \$819m. The gain included \$871m related primarily to the profit on sale of InterContinental Paris Le Grand and InterContinental Hong Kong, and \$9m related to the sale of an associate investment. Exceptional charges included \$6m reorganisation costs relating to the completion of a project to

implement more efficient processes and procedures in the Global Technology function; \$5m corporate development costs; \$10m Kimpton integration costs; and \$36m impairment charges relating to two hotels in The Americas and an associate investment in the AMEA region. See note 5 to the Group Financial Statements which provides further detail.

Exceptional operating items are treated as exceptional by reason of their size or nature and are excluded from the calculation of adjusted earnings per ordinary share in order to provide a more meaningful comparison of performance.

Net financial expenses

Net financial expenses increased by \$7m to \$87m, reflecting the issue of £300m 3.75% public bonds in August 2015, that were used to refinance the bridging loan used to acquire Kimpton.

Financing costs included \$2m (2014: \$2m) of interest costs associated with IHG Rewards Club where interest is charged on the accumulated balance of cash received in advance of the redemption of points awarded. Financing costs in 2015 also included \$20m (2014: \$19m) in respect of the InterContinental Boston finance lease.

Taxation

The effective rate of tax on operating profit excluding the impact of exceptional items was 30% (2014: 31%). Excluding the impact of prior-year items, the equivalent tax rate would be 36% (2014: 35%). This rate is higher than the average UK statutory rate of 20.25% (2014: 21.5%), due mainly to certain overseas profits (particularly in the US) being subject to statutory rates higher than the UK statutory rate, unrelieved foreign taxes and disallowable expenses.

Taxation within exceptional items totalled a charge of \$8m (2014: \$29m). In 2015, the charge comprised \$56m relating to the disposal of InterContinental Hong Kong and InterContinental Paris Le Grand, a credit of \$21m in respect of the 2014 disposal of an 80% interest in InterContinental New York Barclay reflecting the judgement that state tax law changes would now apply to the deferred gain and credits of \$27m for current and deferred tax relief on other operating exceptional items of current and prior years. In 2014, the charge comprised \$56m relating to the disposal of an 80% interest in InterContinental New York Barclay, offset by a credit of \$27m relating to a restructuring of the UK hotel portfolio and other reorganisation costs.

Net tax paid in 2015 totalled \$110m (2014: \$136m) including \$1m (2014: \$nil) in respect of disposals. Tax paid represents an effective rate of 8% (2014: 23%) on total profits and is lower than the effective income statement tax rate of 30% (2014: 31%), primarily due to exceptional accounting gains taxable on a deferred basis, without which the equivalent effective rate would be 20%. The remaining difference is primarily due to the impact of deferred taxes (including the realisation of assets such as tax losses), the receipt of refunds in respect of prior years, and provisions for tax for which no payment of tax has currently been made.

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Performance continued

IHG pursues a tax strategy that is consistent with its business strategy and its overall business conduct principles. This strategy seeks to ensure full compliance with all tax filing, payment and reporting obligations on the basis of communicative and transparent relationships with tax authorities. Policies and procedures related to tax risk management are subject to regular review and update and are approved by the Board.

Tax liabilities or refunds may differ from those anticipated, in particular as a result of changes in tax law, changes in the interpretation of tax law, or clarification of uncertainties in the application of tax law. Procedures to minimise risk include the preparation of thorough tax risk assessments for all transactions carrying tax risk and, where appropriate, material tax uncertainties are discussed and resolved with tax authorities in advance.

IHG's contribution to the jurisdictions in which it operates includes a significant contribution in the form of taxes borne and collected, including taxes on its revenues and profits and in respect of the employment its business generates. IHG earns approximately 75% of its revenues in the form of franchise, management or similar fees, with almost 85% of IHG-branded hotels being franchised. In jurisdictions in which IHG does franchise business, the prevailing tax law will generally provide for IHG to be taxed in the form of local withholding taxes based on a percentage of fees rather than based on profits. Costs to support the franchise business are normally incurred regionally or globally, and therefore profits for an individual franchise jurisdiction cannot be separately determined.

Dividends

The Board has proposed a final dividend per ordinary share of 57.5¢ (40.3p). With the interim dividend per ordinary share of 27.5¢ (17.7p), the full-year dividend per ordinary share for 2015 will total 85.0¢ (58.0p), an increase of 10.4% over 2014.

In February 2016, the Board proposed a \$1.5bn return of funds to shareholders by way of a special dividend and share consolidation.

Earnings per ordinary share

Basic earnings per ordinary share increased by 228.5% to 520.0¢ from 158.3¢ in 2014. Adjusted earnings per ordinary share increased by 10.5% to 174.9¢ from 158.3¢ in 2014.

Share price and market capitalisation

The IHG share price closed at £26.58 on 31 December 2015, up from £25.95 on 31 December 2014. The market capitalisation of the Group at the year end was £6.3bn.

Liquidity and capital resources

Sources of liquidity

The Group successfully refinanced its bank debt in March 2015, putting in place a \$1.275bn revolving syndicated bank facility which matures in March 2020 (the Syndicated Facility), with two one-year extension options exercisable in 2016 and 2017. The Group also put in place a \$75m revolving bilateral facility (the Bilateral facility) in October

2015 which also matures in March 2020 and has two one-year extension options exercisable in 2016 and 2017. The facilities were undrawn at 31 December 2015.

The Syndicated and Bilateral facilities contain the same terms and two financial covenants; interest cover; and net debt divided by earnings before interest, tax, depreciation and amortisation (EBITDA). The Group is in compliance with all of the financial covenants in its loan documents, none of which is expected to present a material restriction on funding in the near future.

In August 2015, the Group issued £300m of public bonds at a 3.750% coupon rate, the lowest funding rate the Group has achieved in the sterling bond market. The bonds are repayable in 2025, extending the maturity profile of the Group's debt. This is in addition to £250m of public bonds which are repayable on 9 December 2016 and £400m of public bonds which are repayable on 28 November 2022.

Additional funding is provided by the 99-year finance lease (of which 90 years remain) on InterContinental Boston and other uncommitted bank facilities (see note 21 to the Group Financial Statements). In the Group's opinion, the available facilities are sufficient for the Group's present liquidity requirements.

Net debt of \$529m (2014: \$1,533m) is analysed by currency as follows.

	2015	2014
	\$m	\$m
Borrowings		
Sterling	1,405	1,028
US dollar	253	557
Euros	4	103
Other	4	7
Cash and cash equivalents		
Sterling	(619)	(21)
US dollar	(460)	(54)
Euros	(15)	(25)
Canadian dollar	(8)	(14)
Chinese renminbi	(4)	(8)
Other	(31)	(40)
Net debt	529	1,533
Average debt level	1,420	1,322

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Borrowings included bank overdrafts of \$39m (2014: \$107m), which were matched by an equivalent amount of cash and cash equivalents under the Group's cash pooling arrangements. Under these arrangements, each pool contains a number of bank accounts with the same financial institution, and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed daily as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash-positive position, with the most significant balances in the US, Canada, and Singapore, and the matching overdrafts are held by the Group's central treasury company in the UK.

Cash and cash equivalents include \$1m (2014: \$4m) that is not available for use by the Group due to local exchange controls.

Information on the maturity profile and interest structure of borrowings is included in notes 20 and 21 to the Group Financial Statements.

The Group had net assets of \$319m at 31 December 2015, (net liabilities of \$717m at 31 December 2014), with the increase primarily as a result of the profit on disposal of InterContinental Hong Kong. At the end of 2015, the Group was trading significantly within its banking covenants and facilities.

Cash from operating activities

Net cash from operating activities totalled \$628m for the year ended 31 December 2015, up \$85m on the previous year (largely due to reduced cash flows relating to exceptional operating items).

Cash flow from operating activities is the principal source of cash used to fund the ongoing operating expenses, interest payments, maintenance capital expenditure and normal dividend payments of the Group. The Group believes that the requirements of its existing business and future investment can be met from cash generated internally, disposition of assets, and external finance expected to be available to it.

Cash from investing activities

Net cash inflows from investing activities totalled \$589m, an increase of \$466m over 2014. \$1,314m of disposal proceeds primarily related to the disposal of InterContinental Paris – Le Grand and InterContinental Hong Kong. Investing expenditure includes \$438m, net of working capital adjustments and cash acquired, on the acquisition of Kimpton Hotels & Restaurants. Capital expenditure on property, plant and equipment decreased from \$84m in 2014 to \$42m, as the prior year included capital expenditure on InterContinental Paris – Le Grand and on the first two hotels under conversion to the Group's EVEN Hotels brand.

The Group had committed contractual capital expenditure of \$76m at 31 December 2015 (2014: \$117m).

Cash used in financing activities

Net cash used in financing activities totalled \$110m, which was \$626m lower than 2014, mainly due to \$763m special dividends paid and \$110m shares repurchased in 2014. Net inflows from borrowings were \$279m lower than in 2014.

Overall net debt reduced during the year by \$1,004m to \$529m as at 31 December 2015.

Off-balance sheet arrangements

At 31 December 2015, the Group had no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual obligations

The Group had the following contractual obligations outstanding as of 31 December 2015.

	\$m				
	Total amounts committed	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt obligations ^{a, b}	1,407	370			1,037
Interest payable ^b	343	62	79	79	123
Derivatives	3	3			
Finance lease obligations ^c	3,350	17	33	32	3,268
Operating lease obligations	608	47	84	75	402
Agreed pension scheme contributions ^d	9	9			
Capital contracts placed	76	76			
Total	5,796	584	196	186	4,830

^a Repayment period classified according to the related facility maturity date.

^b Excluding bank overdrafts.

^c Mainly represents the minimum lease payments related to the 99-year lease (of which 90 years remain) on InterContinental Boston. Payments under the lease step up at regular intervals over the lease term.

^d Largely relates to US pension obligations.

Contingent liabilities

Contingent liabilities include performance guarantees with possible cash outflows totalling \$13m, guarantees over the debt of equity investments of \$30m, outstanding letters of credit of \$37m, and an indemnity over a \$43m bank loan made to an associate. See note 30 to the Group Financial Statements for further details.

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Governance

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Chairman's overview

Our governance framework supports IHG's values, culture and commitment to doing business responsibly.

Dear Shareholder

We pride ourselves on our commitment to maintaining the highest standards of corporate governance. We firmly believe that good corporate governance is about fostering the right behaviours, and that it underpins our long-term success. Our governance framework, which is led by the Board, supports IHG's values, culture and commitment to conducting business responsibly. We have in place strong and effective practices and policies, and a robust system of governance, to maintain sound and effective controls and internal reporting. This facilitates a strong flow of information and enhanced communication at all levels across the Group.

The Board is responsible and accountable for the long-term success of the Group. It leads the Group's strategic direction and long-term objectives and monitors Group performance, risk and internal management controls through effective oversight and review. In doing so, the Board considers both what we aim to deliver as a company and how we deliver it, recognising the importance of instilling a culture of strong values, ethics and integrity.

The Board's annual agenda is carefully planned, allowing time to consider and review strategic, operational, financial and performance-related agenda items. See pages 60, 61 and 67 for details of the items discussed by the Board during the year, and the information and support provided to the Board to ensure meetings are run effectively.

Compliance and our dual listing

As a dual-listed company with a premium listing on the London Stock Exchange and a secondary listing on the New York Stock Exchange, we are required to file both an Annual Report in the UK and an Annual Report on Form 20-F in the US. Our statement of compliance with the UK Corporate Governance Code (the Code) is located on pages 66 and 67. I am pleased to report that, during 2015, we complied fully with all principles and provisions of the Code, with the exception of the provision relating to audit tendering (see page 66), as we believe that it would not be in the best interests of the Group to undertake an audit tender at this time (see pages 62 to 63).

To ensure continued consistency of information provided to both UK and US investors for 2015, we have again produced a combined Annual Report and Form 20-F this year. As required by the SEC, a statement outlining the differences between the Group's UK corporate governance practices and those followed by US companies is located on pages 167 and 168.

Governance structure and Board composition

As of 31 December 2015, the Board comprised eight Non-Executive Directors, myself as Chairman, and three Executive Directors,

reflecting 50 per cent female representation. During 2015, we said goodbye to Kirk Kinsell as he departed IHG in February, and, in March, we were delighted to welcome Anne Busquet as a new Non-Executive Director. Anne's impressive experience, predominantly in the financial, branded and digital-commerce sectors, is a real asset to the Board.

We were also very sorry to lose Tracy Robbins from the Board, as she stepped down from her role as Executive Vice President, Human Resources, on 15 January 2016 for health reasons. Tracy has made a tremendous contribution to the Board over the years, and we wish her all the best for the future.

Jennifer Laing and Ying Yeh will also retire from the Board following the AGM on 6 May 2016. On behalf of IHG I would like to thank both Jennifer and Ying for their invaluable contributions to IHG over the years, having served on the Board for 10 and eight years respectively. Jill McDonald, a Non-Executive Director, will succeed Jennifer as Chairman of the Corporate Responsibility Committee. We wish Jennifer and Ying all the very best for the future.

Further details of our Board structure and composition can be found on pages 53 to 57, and details of our approach to succession planning are located in the Nomination Committee Report on page 65.

Diversity

We are proud to be a diverse company and value the benefits that diversity brings. We approach diversity in its widest sense because we believe that, by ensuring that different genders, backgrounds, ages and nationalities are appropriately represented, both in the composition of the Board and throughout the organisation as a whole, we ensure that corporate decision-making is informed by the widest possible range of knowledge, skills and experience. While recent changes to the Board have reduced the level of female representation, our commitment to diversity is undiminished. Please refer to page 65 for more details.

Training, development and Board performance review

The Board's training needs are reviewed regularly as part of our agenda-setting and the annual Board performance review process. In 2015, the Directors received training on a variety of topics, including updates on technology, accounting and anti-bribery, in addition to regular briefings on legal and corporate governance developments. Directors who are newly appointed to the Board undergo a full induction programme that is tailored to their personal requirements. Further information about inductions for new Directors, including details of Anne Busquet's induction programme, and our ongoing training arrangements for all Directors can be found on page 59. In 2015 we conducted an internal assessment of the Board's performance, supported by an external facilitator. More information on the Board's annual effectiveness evaluation, including the process, our performance against our 2014 action plan, and the recommendations made for 2016, is on page 60.

Priorities for 2016

This year, we will continue to drive the execution of our strategy, and increase our speed and agility in anticipating and responding to the challenges and opportunities facing us. The Board's agenda over the coming year will allow continued focus on shaping how we deploy our strategy, including the evolution of our brand portfolio and our emphasis on meaningful and sustainable growth.

Patrick Cescau

Non-Executive Chairman

22 February 2016

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Corporate Governance

Our Board and Committee governance structure

The Board and its Committees

The Board is responsible for ensuring leadership through effective oversight and review of the Group's activities.

Supported by its principal Committees (the Audit, Corporate Responsibility, Nomination and Remuneration Committees), the Board sets the strategic direction of the Group and aims to deliver sustainable shareholder value for the long term. See pages 60 and 61 for details on the Board and how it spent its time during 2015.

The Audit Committee: monitors the effectiveness of the Group's system of internal controls and risk management framework, the Group's risk appetite, and the integrity of the Group's financial reporting, whistleblowing and regulatory compliance. The Audit Committee Report is on pages 62 and 63.

The Corporate Responsibility Committee: provides direction, oversight and advice to the Board on the Group's corporate responsibility objectives and strategy, including its environmental impact, social and community impact, human rights considerations and stakeholder engagement. The Corporate Responsibility Committee Report is on page 64.

The Nomination Committee: reviews and considers the size, structure and composition of the Board and its Committees, giving due regard to ongoing succession planning, and makes recommendations to the Board. The Nomination Committee Report is on page 65.

The Remuneration Committee: reviews all aspects of Executive remuneration, reviewing trends across the industry and setting Executive remuneration policies, which are designed to incentivise and retain talent to support the delivery of our long-term strategy. The Remuneration Committee Chairman's statement is on pages 68 and 69.

Please see the corporate governance section on the Company's website at www.ihgplc.com/investors for the schedule of matters reserved for the Board, which sets out those matters that are not delegated by the Board to its Committees, and the terms of reference for each Board Committee, which set out their respective roles and responsibilities in more detail.

Our management Committees

The Executive Committee: has responsibility for implementing operational decisions. Day-to-day management of the business is delegated to the Chief Executive Officer and the Executive Committee. There is clear delegation and oversight from the Board to the Executive Committee, which strengthens decision-making across key areas of the business.

The General Purposes Committee: attends to business of a routine nature with parameters set by the Board or an appropriate Committee.

The Disclosure Committee: ensures proper procedures are in place for information disclosures required pursuant to UK and US accounting, statutory or listing requirements.

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Corporate Governance continued

Board Committee membership key		
Audit Committee member	Nomination Committee member	Chairman of a Board Committee
Corporate Responsibility Committee member	Remuneration Committee member	

Board and Committee membership and attendance in 2015

	Appointment date	Committee appointments	Board	Meetings		Nomination Committee ^c	Remuneration Committee ^d
				Audit Committee ^a	Corporate Responsibility Committee ^b		
Meetings held			8	5	3	3	
Executive Director Gillespie	01/01/13		8			3	
Executive Director Polomons	10/02/03		8		3		
Executive Director Johnson	01/01/14		8				
Executive Director Robins ^e	09/08/11		2				
Executive Director Ell ^f	01/08/10		1				
Executive Director Mason ^g	01/06/11		8	5	1	3	
Executive Director Quet ^h	01/03/15		7	4	2	2	
	01/09/13		8	5		3	
	01/09/14		8	5		3	
Executive Director Maing	25/08/05		8	5	3	3	

new
aldⁱ

01/07/11	8		3	3
01/06/13	8	5	2	3
01/12/07	7		3	3

- ^a At the invitation of the Committee, the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Head of Global Internal Audit (GIA), Group Financial Controller and external Auditor, EY, attended all meetings in 2015. EY provided a report on the progress of, and insights from, the annual audit in 2015. Other attendees are invited to meetings as appropriate, to provide a deeper insight into, and understanding of, key decisions. At each meeting, GIA and EY have had the opportunity to meet with the Non-Executive Directors without the presence of management.
- ^b The Heads of Corporate Responsibility and the Chairman of the Board also attended all meetings in 2015.
- ^c The Chief Executive Officer also attended all meetings in 2015.
- ^d The Chairman of the Board and the Chief Executive Officer also attended all meetings in 2015. The Executive Vice President, Human Resources is invited to attend all meetings, but attended one meeting in 2015 due to health reasons. The Senior Vice President, Global Reward & HR Capability provided advice to the Committee on remuneration issues as required.
- ^e Tracy Robbins was present at two Board meetings in 2015 prior to her resignation in 2016 due to health reasons.
- ^f Kirk Kinsell was present at one Board meeting prior to his resignation from the Board in 2015.
- ^g Dale Morrison was present at one Corporate Responsibility Committee meeting prior to, and four Remuneration Committee meetings following, changes to his Board Committee duties in 2015.
- ^h Anne Busquet was present at seven Board meetings, four Audit Committee meetings, two Corporate Responsibility meetings, and two Nomination Committee meetings during 2015, as she was appointed to the Board during the year.
- ⁱ Jill McDonald was present at two Corporate Responsibility Committee meetings following her appointment to that Committee in 2015.
- ^j Ying Yeh was absent from one Board meeting in 2015 due to conflicting commitments.
- Details of changes to the Board and Executive Committee during 2015 and to 22 February 2016 are set out on page 55.

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Our Board of Directors

Patrick Cescau

Non-Executive Chairman

Appointed to the Board: 1 January 2013

Skills and experience: From 2005 to 2008, Patrick was Group Chief Executive of Unilever Group, having previously been Chairman of Unilever PLC, Vice-Chairman of Unilever NV and Foods Director, following a progressive career with the company, which began in France in 1973. Prior to being appointed to the board of Unilever PLC and Unilever NV in 1999, as Finance Director, he was Chairman of a number of the company's major operating companies and divisions, including in the US, Indonesia and Portugal. He was formerly a Senior Independent Director and Non-Executive Director of Pearson plc and Tesco PLC, and a Director at INSEAD.

Board contribution: Patrick has held board positions for nearly 15 years in leading global businesses and brings extensive international experience in strategy, brands, consumer products, and finance. As Chairman, Patrick is responsible for leading the Board and ensuring it operates in an effective manner, and promoting constructive relations with shareholders. As Chairman of the Nomination Committee, he is responsible for reviewing and making recommendations on the Group's leadership needs.

Other appointments: Currently a Non-Executive Director of International Airlines Group, Patrick is also a trustee of The Leverhulme Trust, Patron of the St Jude India Children's Charity and Member of the TEMASEK European Advisory Panel.

Paul Edgecliffe-Johnson

Chief Financial Officer

Appointed to the Board: 1 January 2014

Skills and experience: Paul is a chartered accountant and a fellow of the Institute of Chartered Accountants. He was previously Chief Financial Officer of IHG's Europe and Asia, Middle East and Africa regions, a position he held since September 2011. He joined IHG in August 2004 and has held a number of senior-level finance positions, including Head of Investor Relations, Head of Global Corporate Finance and Financial Planning & Tax, and Head of Hotel Development, Europe. Paul also acted as Interim Chief Executive Officer of the Europe, Middle East and Africa region (prior to the reconfiguration of our operating regions).

Board contribution: Paul is responsible, together with the Board, for overseeing the financial operations of the Group and setting its financial strategy.

Richard Solomons

Chief Executive Officer

Appointed to the Board: 10 February 2003

Skills and experience: Richard has led the continued growth of IHG, including the launch of our two newest brands, HUALUXE Hotels and Resorts and EVEN Hotels, and IHG's acquisition of Kimpton Hotels & Restaurants. Before being appointed Chief Executive Officer, Richard served as Chief Financial Officer and Head of Commercial Development. Richard was integral in shaping and implementing IHG's asset-light strategy, which has helped the business grow significantly since it was formed in 2003, as well as supporting the return of \$10.4 billion to shareholders. In 2008, he served as Interim President of our Americas region. Richard is a member of the Industry Real Estate Financing Advisory Council and a Governor of the Aviation and Travel Industry Group of the World Economic Forum.

Board contribution: Richard is responsible for the executive management of the Group and ensuring the implementation of Board strategy and policy.

Other appointments: Currently a Non-Executive Director of Marks and Spencer Group plc.

Changes to the Board and Executive Committee

Kirk Kinsell	Kirk resigned as President, The Americas effective as of 13 February 2015.
Anne Busquet	Anne was appointed as a Non-Executive Director of IHG effective as of 1 March 2015. Anne joined the Audit Committee, Corporate Responsibility Committee and Nomination Committee on her appointment.
Dale Morrison	Dale was appointed to the Remuneration Committee, and resigned from the Corporate Responsibility Committee, on 19 March 2015.
Jill McDonald	Jill was appointed to the Corporate Responsibility Committee on 19 March 2015.
Tracy Robbins	Tracy resigned from the Board and her role as Executive Vice President, Human Resources on 15 January 2016 due to health reasons.
Lori Gaytan	Due to Tracy's resignation, Lori was appointed as interim Executive Vice President, Human Resources on 15 January 2016.
Jennifer Laing	Jennifer will retire from the Board following the AGM on 6 May 2016.
Ying Yeh	Ying will retire from the Board following the AGM on 6 May 2016.

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Corporate Governance continued

Our Board of Directors continued

Dale Morrison

Senior Independent

Non-Executive Director

Appointed to the Board: 1 June 2011

Anne Busquet

Independent

Non-Executive Director

Appointed to the Board: 1 March 2015

Skills and experience: Dale is a founding partner of TriPointe Capital Partners, a private equity firm. Dale was previously President and Chief Executive Officer of McCain Foods Limited and President and Chief Executive Officer of Campbell Soup Company.

Board contribution: Dale has over 10 years' experience in sales and marketing positions, and over 25 years' experience in general management, having held senior positions in the branded foods sector. Dale's role as Senior Independent Non-Executive Director is fundamental to the successful operation of the Board; more details are provided on page 66.

Other appointments: Currently a Non-Executive Director of International Flavors & Fragrances Inc., and Non-Executive Chairman of Young's Seafood International Holdings Ltd.

Skills and experience: Anne began her career at Hilton International in Paris, before joining American Express Company in New York, where she held several executive positions and served for 23 years. Anne was also the Chief Executive Officer of Local and Media Services at InterActiveCorp, an internet commerce conglomerate.

Board contribution: Anne brings more than 20 years' experience in senior positions in multinational companies, predominantly in the financial, branded and digital-commerce sectors.

Other appointments: Anne is currently the President of AMB Advisors, an independent consulting firm, and Managing Director at Golden Seeds LLC, an angel investment company. She also serves on the boards of Pitney

Bowes, MTBC and Provista Diagnostics, Inc. and on the advisory boards of JEGI and SheSpeaks.

Ian Dyson

Independent

Non-Executive Director

Appointed to the Board: 1 September 2013

Jo Harlow

Independent

Non-Executive Director

Appointed to the Board: 1 September 2014

Skills and experience: Ian has held a number of senior executive and finance roles, including Group Finance & Operations Director for Marks and Spencer Group plc for five years from 2005 to 2010, where he oversaw significant changes in the business. In addition, Ian was Chief Executive Officer of Punch Taverns plc, Finance Director for the Rank Group Plc, a leading European gaming business, and Group Financial Controller and Finance Director for the hotels division of Hilton Group plc.

Board contribution: Ian has gained significant experience from working in various senior finance roles, predominantly in the hospitality sector. Ian became Chairman of the Audit Committee on 1 April 2014, and, as such, is responsible for leading the Committee to ensure effective internal controls and risk management systems are in place.

Other appointments: Currently a Non-Executive Director of Punch Taverns plc, a Non-Executive Director and Chairman of the Audit Committee of SSP Group plc and Senior Independent Non-Executive Director and Chairman of the Audit Committee of ASOS plc and Betfair Group plc.

Skills and experience: Jo most recently held the position of Corporate Vice President of the Phones Business Unit at Microsoft Corporation. She was previously Executive Vice President of Smart Devices at Nokia Corporation, following a number of senior management roles at Nokia from 2003. Prior to that, she held marketing, sales and management roles at Reebok International Limited from 1992 to 2003 and at Procter & Gamble Company from 1984 to 1992.

Board contribution: Jo has over 25 years experience working in various senior roles, predominantly in the branded and technology sectors.

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Jennifer Laing

Independent

Non-Executive Director

Appointed to the Board: 25 August 2005

Luke Mayhew

Independent

Non-Executive Director

Appointed to the Board: 1 July 2011

Skills and experience: Jennifer was Associate Dean, External Relations at London Business School until 2007, and is a fellow of the Marketing Society and of the Institute of Practitioners in Advertising. She spent 16 years with Saatchi & Saatchi, where she rose to Chairman of the London office and subsequently Chief Executive Officer and Chairman of Saatchi & Saatchi North America. Until May 2014, she was also a Non-Executive Director of Hudson Global.

Board contribution: Jennifer has over 30 years' experience in marketing and advertising and is Chairman of the Corporate Responsibility Committee, responsible for corporate responsibility objectives and strategy and approach to sustainable development.

Other appointments: Currently a Non-Executive Director and Chairman of the Remuneration Committee of Premier Foods plc.

Skills and experience: Luke served for 12 years on the board of John Lewis Partnership plc, including as Managing Director of the Department Store division. Luke also spent five years at British Airways Plc and seven years at Thomas Cook Group plc in senior positions. He was also a Non-Executive Director of WHSmith PLC and Chairman of Pets at Home Group Plc.

Board contribution: Luke has over 30 years' experience in senior roles in the branded sector and was Remuneration Committee Chairman at Brambles Limited from 2006 to 2014. As Chairman of the IHG Remuneration Committee, he is responsible for setting the remuneration policy.

Other appointments: Currently a Non-Executive Director of DFS Furniture Holdings plc, a Director of Tate Enterprises Ltd, and a trustee of BBC Children in Need.

Jill McDonald

Independent

Non-Executive Director

Appointed to the Board: 1 June 2013

Ying Yeh

Independent

Non-Executive Director

Appointed to the Board: 1 December 2007

Skills and experience: Jill started her career at Colgate-Palmolive Company, spent 16 years with British Airways Plc and held a number of senior marketing positions in the UK and overseas. Jill was previously Chief Executive Officer UK and President for the North West Europe division for McDonald's, and held a number of other senior roles in the company from 2006.

Board contribution: Jill has nearly 30 years' experience working with high-profile international consumer-facing brands at both marketing and operational level.

Other appointments: Currently Chief Executive Officer of Halfords Group plc.

Skills and experience: Until 2014, Ying was a member of the board of AB Volvo, Sweden. She also occupied senior positions at Nalco Company, including Chairman, Greater China Region, and Vice President. Previously, she acted as Chairman and Vice President, North Asia Region at Eastman Kodak, as well as Vice President at the same company. Ying acted as a foreign diplomat with the US Foreign Service in Hong Kong and Beijing for 15 years, until 1997.

Board contribution: Ying has over 20 years' experience gained from working in senior positions in global organisations across a broad range of sectors.

Other appointments: Currently a Non-Executive Director of ABB Ltd and Samsonite International S.A.

The Board is supported by

the Company Secretary:

George Turner

Executive Vice President,

General Counsel and Company Secretary

Appointed to the Executive Committee:

January 2009 (Joined the Group: 2008)

Skills and experience: George is a solicitor and qualified to private practice in 1995. Prior to joining the Group, George spent over 10 years with Imperial Chemical Industries PLC, where he held a number of key positions including Deputy Company Secretary and Senior Legal Counsel.

Key responsibilities: These include corporate governance, risk management, insurance, regulatory, internal audit, legal, corporate responsibility, public affairs and hotel standards.

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Corporate Governance continued

Our Executive Committee

Keith Barr

Chief Commercial Officer

Appointed to the Executive Committee:

April 2011 (Joined the Group: 2000)

Angela Brav

Chief Executive Officer, Europe

Appointed to the Executive Committee:

August 2011 (Joined the Group: 1988)

Skills and experience: Keith has over 20 years' experience in the hospitality industry. He has held senior appointments at IHG, including Vice President of Sales and Revenue Management; Vice President of Operations; Chief Operating Officer, Australia, New Zealand and South Pacific; and Managing Director, Greater China. He became an Executive Committee member in April 2011 and, prior to becoming Chief Commercial Officer, was Chief Executive Officer, Greater China until May 2013. Keith is currently a member of The Leland C. and Mary M. Pillsbury Institute for Hospitality Entrepreneurship Advisory Board.

Key responsibilities: These include global sales, marketing and brand functions, to drive consistent brand strategies across all regions and leverage IHG's scale and systems to deliver continued industry outperformance.

Skills and experience: Angela has over 25 years' experience in the hospitality industry, including hotel operations, franchise relations and technology solutions. She held various senior roles in IHG's North American and European regions prior to becoming Chief Operating Officer, North America. She was appointed Chief Executive Officer, Europe in August 2011.

Key responsibilities: These include business development and performance of all the hotel brands and properties in Europe.

Elie Maalouf

Chief Executive Officer, The Americas

Appointed to the Executive Committee:

February 2015 (Joined the Group: 2015)

Kenneth Macpherson

Chief Executive Officer, Greater China

Appointed to the Executive Committee:

April 2013 (Joined the Group: 2013)

Skills and experience: Elie was appointed Chief Executive Officer, The Americas at IHG in February 2015, with over 14 years experience working in a major global franchise business. He joined the Group having spent six years as President and Chief Executive Officer of HMSHost Corporation, a global travel and leisure company, where he was also a member of the board of directors. Elie brings broad experience to IHG spanning development, branding, finance, real estate and operations management, as well as highly relevant food and beverage expertise. He was most recently a Senior Advisor with McKinsey & Company.

Key responsibilities: These include business development and performance of all the hotel brands and properties in The Americas region.

Skills and experience: Kenneth joined IHG as Chief Executive Officer, Greater China in April 2013. Prior to joining the Group, he worked for Diageo plc for nearly 20 years and held senior management positions, including serving as Executive Managing Director of Diageo Greater China. Kenneth has extensive management experience, with a background in sales, marketing strategy, business development and operations. Kenneth also brings substantial knowledge and expertise in Chinese and international business operations.

Key responsibilities: These include business development and performance of all the hotel brands and properties in the Greater China region.

Eric Pearson

Executive Vice President

and Chief Information Officer

Appointed to the Executive Committee:

February 2012 (Joined the Group: 1997)

Jan Smits

Chief Executive Officer,

Asia, Middle East and Africa

Appointed to the Executive Committee:

April 2011 (Joined the Group: 2002)

Skills and experience: Eric has a background in engineering and technology and started his career at IHG nearly 20 years ago. Since then he has held various senior positions in the field of emerging technologies and global e-commerce. Prior to being appointed Chief Information Officer, Eric most recently held the position of Chief Marketing Officer for The Americas region.

Key responsibilities: These include global technology, including IT systems and information management, throughout the Group.

Skills and experience: Jan has more than 30 years experience in the hospitality industry. He held various senior positions in the Asia and Australasia region. He became Managing Director, Asia Australasia in June 2009. Following the amalgamation of our Middle East and Africa region with our Asia Australasia region, he became Chief Executive Officer, Asia, Middle East and Africa in April 2011.

Key responsibilities: These include business development and performance of all the hotel brands and properties in Asia, Middle East and Africa.

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Director induction, training and development

New Director inductions

All new Directors undergo a comprehensive and formal induction programme which is tailored to meet their individual needs. We believe this is crucial in ensuring our Directors have an in-depth understanding of the Group's business and our business model, our principal activities, and our strategy, which is key in enabling all Directors to contribute to the Board effectively with their knowledge, skills, experience and expertise.

The Company Secretary develops an induction programme in consultation with each new Director, the Chairman and the Chief Executive Officer, and the induction is led by the Chairman in accordance with best-practice principles.

Our inductions provide new Directors with the information necessary to familiarise them with the Group's governance framework, their duties as Directors, and the Group's business, including our operations and KPIs, as well as our approach to internal controls and risk management. New Directors are also equipped with a full understanding of our history, brands, regional structures and the IHG Owners Association.

Meetings take place with members of the Board and the Executive Committee, senior executives and regional and central management from various functions across the Group, including but not limited to Business Reputation and Responsibility; Human Resources; Corporate Affairs; Global Strategy; Global Internal Audit and Group Finance, and the external Auditor. In addition, Directors have the opportunity to visit our global corporate offices and hotels to provide further insight into our business.

Ongoing Director training and development

We believe that updating skills and knowledge via ongoing training and development to understand the Group's business and its operations is of great importance. At IHG, this is a progressive exercise. The Chairman regularly reviews and agrees any training and development needs with each Director and the Board is made aware of training opportunities. Additional information is provided as necessary to enable the Board to keep up to date with, and enhance their knowledge of, the business, and to keep abreast of any regulatory and corporate governance developments.

Board and Committee meetings are regularly used to keep Directors formally up to date on developments in the environment in which the business operates, with in-depth discussion and presentations provided by senior management on key topical areas as required.

Board meetings are intentionally held at IHG hotels in different locations to provide first-hand experience of the different brands across our portfolio, to broaden the Board's exposure to the geographical markets in which we operate and to provide opportunities to meet frontline staff and other colleagues. In 2015, Board members attended meetings held at various IHG hotels in London, including InterContinental London Park Lane and Crowne Plaza Kensington, in addition to meetings held at the Group's head offices in Denham, UK and Atlanta, US. As part of our annual two-day strategy meeting, Board members attended meetings at InterContinental Shenzhen and Crowne Plaza Guangzhou City Centre, China, and received a presentation from the General Manager of HUALUXE Yangjiang City Centre, Vincent Liang.

The Company Secretary regularly updates the Board on regulatory and legal matters, or relevant changes, as part of meetings, and Directors are encouraged to visit hotels across our brands, both formally as part of meetings and informally.

Anne Busquet's induction

Anne's induction provided her with an understanding of IHG and our business to enable her to contribute her knowledge, skills and experience effectively to the Board, and a recap of her responsibilities as a director of a public limited company. The key areas included:

- information on the Group, its business and the markets in which we operate, including the Group's strategy, business model and KPIs, key regions and operations, a financial overview and financial segmental information, details of the Group's principal assets, liabilities and significant contracts, and an overview of our brands;
- our approach to internal controls and our risk management strategy;
- information on the Board, its Committees and IHG's governance processes, with a particular focus on the Audit, Nomination and Corporate Responsibility Committees in light of her appointment to these Committees;

- a reminder of the rules relating to maintaining the confidentiality of inside information and restrictions in dealing in IHG shares, together with a briefing of the policies and procedures IHG has in place to ensure compliance with such rules;

- meetings with members of the Board and the Executive Committee, senior management from functions across the Group, the external Auditor, our broker and capital advisers; and

- visits to IHG hotels across our brands, touring the hotels and spending time with our General Managers.

As Anne's corporate governance exposure at the time of her appointment focused on US rules and requirements, her induction also included a face-to-face session with the Company Secretary on the key differences in corporate governance standards followed by US companies and companies operating in the UK regulatory environment.

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Corporate Governance continued

Board effectiveness evaluation

IHG has always recognised the importance of evaluating the performance of the Board as a whole, its main Committees and its Directors, in line with the Code recommendations. The objective of these evaluations is to create a truly effective Board that is not only fit for purpose but that adds real value to the Group.

Progress against our 2014 evaluation

In 2014, we conducted an internal evaluation as detailed in our 2014 Annual Report. Our progress in 2015 against the actions identified is set out below.

Our 2015 evaluation process

Our 2015 evaluation was also conducted internally, with support from an independent external facilitator with no connection to IHG. Each member of the Board was invited to complete an effectiveness questionnaire, which centred both on the progress against actions identified in our 2014 Board effectiveness evaluation, and questions on other topics to draw out additional suggestions and comments. Key areas included Board working processes, the Board's areas of focus and engagement, and Board dynamics. It also invited Directors

to make other general or specific observations. The results were analysed and the report was presented for discussion at the Board's February 2016 meeting.

Internal performance evaluations of Directors were also undertaken, as follows.

Director

being appraised

Appraiser

Chairman

Non-Executive Directors excluding the Chairman and facilitated by the Senior Independent Non-Executive Director

Chief Executive Officer

Chairman and all Non-Executive Directors

Executive Directors

Chief Executive Officer

Non-Executive Directors Chairman

Outcome

The evaluation confirmed that the Board and its Committees were operating effectively and that each Director continues to bring relevant knowledge, diversity of perspective, an ability and willingness to challenge, and a strong commitment to the role.

2014 and 2015 Board effectiveness evaluations

2014 observations	Action taken during 2015	2015 observations	Recommendations for 2016
Increase the Board's focus on brands.	Deep dives into the strategy for the Holiday Inn, Holiday Inn Express, InterContinental and Crowne Plaza brands provided.	Much improved. The Board would still benefit from a regular review of the progress of each brand against its strategy.	Provide regular updates on each brand, setting out plans and key initiatives for the year across the globe and by region, and the progress made.
Enhance the Board's understanding of competitors' strategy and performance.	Presentations on competitors' strategies and offerings provided. Competitive analysis included in both financial results and strategic reviews.	Very clear mapping and assessment. Enhanced analysis in 2015 has achieved greater understanding of relative financial and operational performance.	As a result of the progress made in 2015, no further enhancements to our current practice are suggested.
Increase the Board's exposure to the Group's US business.	Meetings with the Chief Executive Officer for The Americas, with a focus on our franchise operations and our strategy for the progress of the EVEN Hotels brand.	Although the presentations provided have been helpful, more frequent focus on our US business and strategy is requested. There is a concern that there has been a lack of progress in relation to the Kimpton integration.	Provide regular updates on The Americas in relation to operational delivery, performance by brand, and the Kimpton integration, as well as a full review at the June Board meeting.

n/a

n/a

Increase the Board's understanding of consumer trends and behaviour.

Provide the Board with industry reports and consumer trends on a global and a regional basis.

Board meetings

The role of the Board

The Board leads the Group's strategic direction and long-term objectives and monitors Group performance, and risk and internal management controls, through effective oversight and review.

There are a number of key decisions and matters that are reserved for the Board's approval and these include matters relating to Group business and commercial strategy; significant investment proposals; maintenance of oversight and control of the Group's operating and financial performance; monitoring the Group's overall systems of internal controls; risk management and appetite; and governance and compliance.

As part of general monitoring and oversight of Group performance and compliance within the governance framework, certain matters are routinely considered and addressed at Board meetings. Meetings begin with an update from the Chairman and Chief Executive Officer and include finance updates from the Chief Financial Officer (which include a financial review of the Group). Executive Committee

members and other senior management present deep dives on each region and function throughout the year.

In addition to the routine financial and operating reports and updates that the Board considers, substantial time is also spent considering Group strategy, performance and oversight, including a dedicated annual strategy meeting, which is a minimum two-day event each year.

The Board held eight scheduled meetings during the year, and individual attendance is set out on page 54. Sufficient time is provided at the start and end of each meeting for the Chairman to meet privately with the Senior Independent Non-Executive Director and Non-Executive Directors to discuss any matters arising.

So that the Board makes the best possible use of its time at meetings, all Directors are provided with detailed briefing papers (available electronically) generally at least one week in advance of every meeting to ensure that discussions are focused and relevant.

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Regular Board meetings in 2015

The matters of strategic and operational importance considered by the Board in 2015 included:

- progress against the development of our next-generation Guest Reservation System;
- the delivery of our asset-light strategy with the sale of InterContinental Hong Kong and InterContinental Paris Le Grand this year;
- the trends that are shaping the industry, including how technology is giving guests greater control over their stays as well as offering them a broader range of lodging providers (further information can be found in the Strategic Report on pages 10 and 11);
- in-depth brand reviews for Holiday Inn, Holiday Inn Express, InterContinental and Crowne Plaza;
- an update on the work being conducted on how The Americas region is transforming the way in which we support franchised hotels; and
- the progress made on the careful integration of the Kimpton Hotels & Restaurants business with IHG to ensure we preserve the uniqueness and ethos of the brand and its people.

In addition, the Board reviewed the following routine business matters.

Governance

- Quarterly corporate governance and regulatory updates, including a review of regulatory developments and any upcoming legislative changes affecting our business, our Board and/or, its Committees across all relevant areas, including corporate reporting, governance guidelines and institutional investor reports;
- internal controls and risk management processes including the principal risk review, a risk management effectiveness review and updates on our global insurance programme;
- the composition and succession planning of the Board and its Committees, including the appointment of Anne Busquet, our new Non-Executive Director;
- the 2015 Board performance evaluation, and the action plan for 2016; and
- updates on the deliberations of each of the Board Committees (see the individual Committee Reports on key activities and priorities during 2015).

Investor relations and communications

- The review and approval of shareholder returns strategies for 2015;
- a discussion of reports on investor perceptions and shareholder relations, and considering analysts reports and media updates; and
- our share register movements during 2015, share price performance, relative share price performance and the investor road show (including investor feedback).

Annual strategy meeting 2015

This year, we held our strategy meeting in China, one of our priority markets, giving the Board the opportunity to see first-hand the growing Chinese market and the progress we are making in building brand awareness. While China has experienced some short-term macroeconomic challenges, there is still a growing appetite for domestic and international travel observed in this region. This is mainly being driven by an increase in disposable income, a trend

that is set to continue in the future. More details of this and more key trends affecting our industry can be found on pages 10 and 11.

The Board members each received a full briefing in advance of the visit to familiarise them with the cities and hotels that they were

visiting and the specifics of, and recent developments in, the Chinese market, including an overview of the key macroeconomic figures, trends (including technology), and our key international competitors' business in Greater China.

The Board spent time in both Guangzhou and Shenzhen to learn about Chinese consumers, hospitality players and industry trends. Together with senior executives in the region, the Board met with market experts and advisors and visited IHG and competitor hotels.

Following these meetings, the Board spent time discussing their observations and the opportunities and challenges that we face in the current market, as well as considering the broader strategic agenda.

Board engagement with shareholders

The Board takes its responsibility to represent and promote the interests of its shareholders seriously and believes in the importance of shareholder engagement. A formal external review of investor perceptions is presented to the Board on an annual basis and both the Executive Committee and the Board receive regular updates on shareholder relations.

Engagement during the year

The Board's engagement with shareholders in 2015 included:

- meeting shareholders at the AGM;
- half-year and full-year formal reporting and telephone conferences after the release of the first- and third-quarter interim management statements;
- presentations by Richard Solomons and Paul Edgecliffe-Johnson to institutional investors, analysts and the media following results announcements;
- a development strategy presentation and hotel tours with major institutional shareholders in New York;
- seeking feedback via an annual investor perception survey, facilitated by our capital market advisers;
- an investor and media breakfast hosted by the Corporate Responsibility Committee;
- attendance at key institutional investor conferences; and
- a programme of one-to-one meetings with major institutional shareholders.

To enable as many shareholders as possible to access conferences and presentations, telephone dial-in facilities are made available in advance and live audio webcasts are made available after presentations, together with associated data and documentation. These can be found at www.ihgplc.com/investors under financial library. Around 25 sell-side research analysts publish research on the Group; their details are available at www.ihgplc.com/investors under analysts' details.

AGM

The AGM is an opportunity for shareholders to vote on certain aspects of Group business. The Board values this as it provides a useful forum for one-to-one communication with private shareholders. At the AGM, shareholders receive presentations on the Company's performance and may ask questions of the Board.

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The 2016 AGM will be held at 11:00am on Friday 6 May 2016. The notice convening this meeting will be sent to shareholders and will be available at www.ihgplc.com/investors under financial library.

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Corporate Governance continued

Audit Committee Report

By ensuring that high standards of governance are embedded throughout the business, we support the long-term success of the Group.

The Board has overall responsibility for the management of business risk. The Audit Committee plays a crucial role in assisting the Board to discharge that duty by monitoring, reviewing and challenging the effectiveness of the Group's systems of control and processes concerning financial reporting; fraud, bribery and corruption detection; whistleblowing; business continuity; and risk management, thereby ensuring that robust systems and procedures are in place to aid the long-term success of the Group as a whole. The Committee also monitors and reviews the appointment of the Group's external Auditor (including the nature and scope of the audit), the Auditor's independence and effectiveness, audit fees and the provision of non-audit services.

Governance

Details of our role and responsibilities are set out in our terms of reference (ToR), which are reviewed annually and updated accordingly. The ToR are available on the Company's website at www.ihgplc.com/investors under corporate governance/committees. Anne Busquet was appointed to the Committee on 1 March 2015, and all members are Independent Non-Executive Directors, as required under the ToR.

System of risk management and internal controls

Internal controls and risk management

The Committee supports the Board in reviewing the effectiveness of the Group's internal control and risk management systems, having oversight of the risk and control activities in operation across the Group. In support of this, the Audit Committee regularly reviews the principal risks and the operation of the risk management systems, seeking assurance that the principal risks faced by the Group are being identified, assessed, prioritised, evaluated and appropriately managed and mitigated, having regard to the Group's risk appetite.

The Committee's review is supported by the Global Internal Audit (GIA) plan, which is discussed in December each year. The Committee approves the nature and scope of the plan, and is responsible for reviewing and monitoring the activities of the GIA department in line with the agreed plan. In 2015, the agreed schedule of audits included reviews of System Fund controls, the IHG Rewards Club points redemption processes, the Kimpton integration, and project and programme management.

The Committee also considered in 2015 the Group's biannual reports on significant incidents of fraud and matters raised through the Group's confidential disclosure channel and any related investigations, and the

Code of Conduct and related policies (including a report on the progress of training and awareness efforts). The Head of Information Security provided an update on our approach to, and the activities planned to mitigate against, information security risks. In addition, the Committee considered the requirements for, and approach to the preparation of, the viability statement, together with the other requirements of the 2014 UK Corporate Governance Code and other relevant regulatory changes. See pages 25 to 27 for further details.

Financial reporting and controls

During the year the Committee reviewed the interim and annual financial statements (considering the relevant accounting and reporting matters) and the Group's treasury policies and financing strategy. The Committee also received a presentation from the head of the Group's offshore, centralised accounting service, the Business Service Centre, given the significant role the Centre plays in the Group's financial controls and reporting. The key financial controls across the business continue to be monitored and tested to ensure that an appropriate framework exists and to ensure compliance with our US obligations arising from the Sarbanes-Oxley Act 2002 (SOX). The Committee assesses the approach to SOX compliance each year and the Committee regularly reviews reports on the progress of the SOX programme, which has enabled representations regarding the effectiveness of internal financial controls to be made, noting that there are no material weaknesses in the control environment. An external review of current SOX control processes was conducted in 2015 and the findings were presented to the Audit Committee in July. The review concluded that the Group has a clear framework for reviewing SOX compliance and is committed to effective internal controls. Opportunities were identified to further enhance the Group's framework and the Group is addressing these on an ongoing basis.

The Committee continues to conclude that the Group has in place an effective system of risk management and internal controls, and, through its review, has not identified any significant failings or weaknesses.

Global Internal Audit (GIA) effectiveness

An effectiveness review of GIA is undertaken annually and reported to the Committee. In 2015, GIA undertook a self-assessment against the categories identified in the last external review: GIA's positioning within the business, the appropriateness of staffing and the adequacy of GIA's processes. The Committee concluded that GIA continues to operate effectively.

External Auditor Ernst & Young LLP (EY)

The Committee considers the appointment of its Auditor annually after assessing EY's performance (including its independence, effectiveness and objectivity) and considering the requirements for putting an audit out to tender as set out in the Code and EU and Competition and Markets Authority legislation. EY has been our Auditor since IHG's listing in April 2003.

Having reviewed the effectiveness of the audit, we concluded that it would not be in the best interests of the Group to undertake an audit tender at this time, but we will continue to monitor the performance of the Auditors and an audit tender will be undertaken when appropriate and, in any event, when required by the current legislation.

As part of its annual review, the Committee reviews the effectiveness of the relationship between EY and the Group's management (including the responses to questionnaires on EY's audit process completed by more than 30 senior IHG employees who work with EY), and receives reports from EY on its independence. As well as Group policies and procedures, which aim to safeguard EY's independence and effectiveness, EY has its own protective policies and systems in

Table of Contents**Significant matters in the 2015 Financial Statements**

The Committee discussed with management the key judgements applied in the Financial Statements, the exceptional items arising in the year and the impact of any accounting developments or legislative changes. The main items discussed were:

Issue	What we did
Accounting for the System Fund	The Committee reviewed a paper from management outlining the accounting approach adopted for the System Fund and also the Company response to comment letters from the SEC on this topic. The Committee concluded that the judgement in respect of the accounting treatment for the System Fund and related disclosures were appropriate.
IHG Rewards Club points liability	The Committee reviewed the approach to the valuation of the liability and, in particular, the impact of the introduction of the new points expiry policy in the year. Management was questioned on the consistency of the valuation approach adopted, the results of the actuarial review and the increased judgement due to the expiration policy. The results of EY's audit procedures were also taken into account in reaching the conclusion that the liability is appropriately stated.
Impairment testing	The Committee reviewed a management report outlining the approach taken on impairment testing and, in particular, the key assumptions and sensitivities supporting the conclusions on the various asset categories. The impairments recorded in the year on two hotels in The Americas region and against an associate investment in AMEA (see notes 12 and 14) were discussed in detail. The Committee agreed with the conclusions reached on impairment.
Litigation	At each meeting, the Committee considered a report detailing all material litigation matters and discussed and agreed any provisioning requirements for these matters based on the factors set out on page 99.
Exceptional items	

The Committee considered the consistency of the treatment and nature of items classified as exceptional over the last five years and discussed the items disclosed as exceptional and reviewed the calculations of the profits on disposal of the two significant assets sold in the year (see note 11) considering, in particular, the valuation of the associated management contracts. The Committee also discussed the disclosures in note 5 and concluded that the disclosures and the treatment of the items shown as exceptional were appropriate.

Acquisition of
Kimpton Hotels
& Restaurants

The Committee considered the work done to establish the fair value of the assets acquired. The Committee questioned the assumptions underlying the significant assets recognised and noted in this regard the report from a third-party valuation expert on the intangible assets. EY's views on the fair values reported were also noted and the Committee concluded that the fair values recognised were appropriate.

Capitalisation of
software projects

In forming a conclusion on the appropriateness of software capitalisation, the Committee considered the following: GIA reporting on the project and programme management on GRS; a review of software assets from an impairment perspective; the conclusion from the SOX control testing in this area; and conclusions from EY's audit procedures. The Committee concluded that capitalisation is adequately controlled and that the controls on impairment are appropriate.

place, which are explained in a Transparency Report issued by EY on an annual basis. To ensure EY's independence is safeguarded, lead audit partners rotate every five years. This is the fifth year that the current audit partner has been in place and a new audit partner is being appointed for 2016 onwards.

The Committee continually reviews, and is satisfied with, the independence, objectivity and effectiveness of the relationship with EY as the external Auditor, and with the external audit process as a whole.

Non-audit services

EY provides non-audit services to the Group, which are governed, so as to safeguard their objectivity and independence, by IHG's Audit and Non-Audit Services Pre-Approval Policy.

The policy is re-approved by the Audit Committee annually, and, for the 2015 financial year, the policy was updated and approved at the December 2014 Audit Committee meeting.

The policy requires that pre-approval is obtained from the Audit Committee for all services before any work can be commenced, in line with US SEC requirements. The Committee is prohibited from delegating non-audit services approval to management.

Compliance with the policy is actively managed and an analysis of audit and non-audit services is reviewed by the Committee at each meeting.

The Committee is aware of, and sensitive to, investor body guidelines on non-audit fees. During 2015, 29 per cent of services provided to the Group were non-audit services; these included areas such as advisory work and corporate tax compliance. For fees paid to EY for non-audit work during 2015, see page 106.

Annual Report fair, balanced and understandable

A separate sub-committee meeting was held in February 2016 to consider whether the Annual Report and Form 20-F 2015 provided a fair, balanced and understandable view of the Group with the necessary information for shareholders to assess the Group's position and performance, business model and strategy. Audit Committee members provided comments on the content and considered: (i) the process for preparing and verifying the Annual Report, which included review by members of the Executive Committee and input from senior colleagues in Operations, Strategy, HR, Finance, Risk and Legal; and (ii) a report from the Chair of the Disclosure Committee, which also reviews the processes for preparing and verifying the Annual Report. The Committee also considered management's analysis of how the content benchmarked against the fair, balanced and understandable communication principles.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed annually through evaluation questionnaires and interviews and, in 2015, we continued to conclude that it is operating effectively.

Our priorities for 2016

During 2016, the Committee will continue to focus on the integrity of the internal financial controls and risk management systems, IHG's information security arrangements and, in particular, the implementation of technology projects.

Ian Dyson

Audit Committee Chairman

22 February 2016

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Corporate Governance continued

Corporate Responsibility Committee Report

The Corporate Responsibility Committee is focused on delivering positive change in the communities in which we operate.

The Committee advises the Board on the Group's corporate responsibility objectives and strategy and its approach to sustainable development, and ensures that IHG's corporate responsibility priorities deliver against our core purpose: Great Hotels Guests Love.

Governance

Details of our role and responsibilities are set out in our terms of reference (ToR) which are reviewed annually and updated accordingly. In 2015, they were updated to include accountability to review and advise the Board on the Group's approach to social and human rights issues and the annual Slavery and Human Trafficking Statement. The ToR are available on the Company's website at www.ihgplc.com/investors under corporate governance/committees.

On 1 March 2015, Anne Busquet was appointed to the Committee and, on 19 March 2015, we welcomed Jill McDonald to the Committee, as Dale Morrison stood down to take up a new role on the Remuneration Committee. I will be stepping down as Chairman of the Committee on 6 May 2016, and Jill McDonald will take over as Chair with effect from that date.

Our corporate responsibility strategy in action The Committee, along with our Corporate Responsibility team and the rest of the Board, took part in a walk to raise awareness of our disaster relief programme.

Targets and core programmes

The Committee continually monitors its progress against IHG's five-year targets (2013-2017) – see pages 30 and 31 and www.ihgplc.com/responsiblebusiness for details.

Its activities included receiving progress updates on the key achievements in 2015 across the core corporate responsibility programmes: the IHG Green Engage system, IHG Academy and the Group's disaster relief and preparedness programme. The Committee also considered a detailed review of the progress and implementation of the core programmes in the Greater China and AMEA regions.

Other key issues reviewed by the Committee

The Committee also undertook a review of IHG's approach to responsible procurement and human rights, and reviewed the requirements of the Modern Slavery Act.

Finally, the Committee considered the establishment of the IHG Foundation, an independent charitable trust founded to help local communities address the key social, economic and environmental challenges affecting them. The IHG

Foundation was launched on 3 February 2016, and it is anticipated that it will be the focus of the Group's employee and community fundraising efforts going forward.

Communication and awareness

In 2015, the Committee evaluated the Corporate Responsibility Communication Plan and the results of the Employee Engagement survey. Responsible business activities continue to drive very high levels of pride in our employees: over 93 per cent of respondents said they felt more positive about IHG as a result of our corporate responsibility programmes. More information on our responsible business programmes is on page 24.

We continue to receive good feedback from our investor and media breakfast, which we held again in 2015. It's an opportunity for us to discuss our approach to corporate responsibility as part of our wider responsible business agenda in detail, and to answer questions.

The Committee also spent time providing feedback on the 2015 Responsible Business Report, visit www.ihgplc.com/responsiblebusiness to view the report.

Our priorities for 2016

During 2016, our priorities will be to: (i) continue to drive meaningful progress on our five-year corporate responsibility targets, and consider and determine targets for the period beyond 2017; (ii) further enhance our efforts to reduce water use in our operations through developing our water stewardship strategy; (iii) accelerate the roll-out of IHG Academy across our global hotel estate and to deliver a positive impact on participants and our hotels; (iv) continue to enhance disaster preparedness efforts in IHG hotels and local communities to deliver greater community resilience; (v) continue to increase awareness of human rights, embed the human rights standard and leverage e-learning courses and other training; and (vi) continue to deliver the stakeholder engagement plan, with a focus on guest engagement.

I am incredibly proud of the progress we have already made, and I know the Committee will remain focused on delivering positive change in the communities in which we operate, and will continue to seek opportunities to make these communities better places to be for all.

Jennifer Laing

Corporate Responsibility Committee Chairman

22 February 2016

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Nomination Committee Report

We acknowledge that a Board that is diverse in its skills, experience, knowledge, gender and background is a stronger Board.

The Nomination Committee regularly considers the structure, size and composition of the Board, advising on succession planning and making appropriate recommendations to ensure the Board retains an appropriate mix of skills, experience, knowledge and diversity in line with our strategy. It is also responsible for reviewing the Group's senior leadership needs.

Governance

Our role and responsibilities are set out in our terms of reference (ToR), which are reviewed and updated annually as appropriate. The ToR are available on the Company's website at www.ihgplc.com/investors under corporate governance/committees.

All members have the experience and expertise necessary to meet the Committee's responsibilities and are Independent Non-Executive Directors (excluding myself), as required under the ToR. On 1 March 2015, Anne Busquet was appointed to the Committee. When the Committee considers matters relating to my position, Dale Morrison, the Senior Independent Non-Executive Director, acts as Chairman of the Committee.

Board and Committee composition and appointments

The Committee continually keeps under review the tenure and qualifications of the Non-Executive Directors to ensure the Board has an appropriate and diverse mix of skills, experience, knowledge and diversity.

The Committee also concentrates on strengthening the Board's existing capabilities. In 2015, the Committee recommended to the Board that Anne Busquet be appointed as a Non-Executive Director due to her impressive experience in finance, brands and digital commerce. Neither an external search consultancy nor open advertising was used for Anne's appointment, as she was recommended to the Board as a potential candidate during the search that led to Jo Harlow's appointment. Anne was subject to a rigorous selection process that included interviews with members of the Board and Executive Committee, including the Chairman and the Chief Executive Officer. On the Committee's recommendation, the Board considered Anne's experience and knowledge, and approved Anne's appointment with effect from 1 March 2015. Following Anne's appointment, the Committee considered the membership of other Board Committees, which resulted in the appointment of Dale Morrison to the Remuneration Committee and the appointment, in Dale's place, of Jill McDonald to the Corporate Responsibility Committee.

Succession planning

The Committee has reviewed Executive Committee succession plans, to ensure we have a strong leadership pipeline.

Over the last 12 months, the majority of appointments to regional and functional leadership roles have been internal, and we have also attracted high performers from global, blue-chip organisations to improve the strength of our talent pipeline. We have also taken steps to improve the rigour of our talent management framework processes, including the

introduction of a globally consistent framework for differentiating how we invest in high performers and those with great potential, a consistent model for identifying potential and a more regular and robust talent governance process.

In January 2016, Tracy Robbins stepped down from the Board and her role as Executive Vice President, Human Resources at IHG due to health reasons. Lori Gaytan, Senior Vice President of Human Resources for The Americas, is covering the role on an interim basis.

Independence and tenure

Jennifer Laing has served on the Board for 10 years, and Ying Yeh has served on the Board for eight years, and both will be stepping down following the Company's AGM to be held on Friday 6 May 2016. Jill McDonald will take up the role of Chairman of the Corporate Responsibility Committee with effect from that date. All other Directors have served for less than six years, see pages 55 to 57.

Diversity

We recognise the value of diversity in its broadest sense and, while all appointments to the Board are made on the basis of merit, experience and performance, we strongly believe that our leadership should reflect the diversity of our employees, our guests and the local communities in which we operate. We seek to ensure the Board maintains an effective balance through having the broad range of skills, experience, and knowledge that comes with a diverse mix of people. With regard to gender diversity, we are committed to maintaining a level of at least 25 per cent female Directors on the Board over the short to medium term, a record which we have sustained since 2012. While recent changes to the Board have meant that the 50 per cent female representation we had at 31 December 2015 dropped to 45 per cent as at 22 February 2016 and will be 33 per cent following the AGM on 6 May 2016, we continue to explore opportunities to redress this. The Board has made great progress in recent years to broaden the diversity of its members and senior management, and we review our policies regularly to ensure that they continue to drive the benefits of having a diverse Board and a diverse workforce across the Group (see page 18).

Our priorities for 2016

During 2016, the Committee will continue to: (i) keep in review the structure, size and composition of the Board, in line with our priorities; and (ii) ensure that the Board and its Committees has, and continues to have, the right balance of skills, knowledge, experience and diversity to meet the needs of the business.

Patrick Cescau

Nomination Committee Chairman

22 February 2016

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Corporate Governance continued

Statement of compliance with the UK Corporate Governance Code

Our statement of compliance summarises how the Group has implemented the principles and provisions of the UK Corporate Governance Code as published in 2014 (the Code). This should be read in conjunction with the corporate governance statement on pages 52 to 65 and the Directors' Remuneration Report as a whole. The Code is available to view in full on the Financial Reporting Council (FRC) website (www.frc.org.uk).

The Board considers that the Group has complied in all material respects with the Code for the year ended 31 December 2015 with the exception of Code provision C.3.7, which requires external audit contracts to be put to tender at least every 10 years. The Group has not re-tendered within that period, but the Audit Committee monitors this in line with legislation and the current Auditor's performance (further details are provided on pages 62 and 63).

A. Leadership

A.1 The role of the Board

The Board leads IHG's strategic direction and the long-term objectives and success of the Group. It approves strategic plans and capital and revenue budgets, and reviews significant investment proposals, maintaining an overview and control of IHG's operating and financial performance. It monitors the Group's overall system of internal controls and risk management, governance and compliance, considering regulatory changes and developments (where appropriate), while ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.

The Board is responsible for the overall leadership and long-term strategic aims of the Group. Details of those matters reserved for the Board and not delegated to management are available on our website at www.ihgplc.com/investors under corporate governance. Directors' biographies and the Board and Committee composition are set out on pages 53 to 58.

The Board meets formally eight times each year, with additional meetings scheduled as necessary. One of the meetings includes a strategy meeting. Details of 2015 Board meetings are set out on pages 60 and 61. The attendance by Committee members at Committee meetings can be found on page 54.

All Directors are covered by the Group's directors' and officers' liability insurance policy (see page 152).

A.2 Division of responsibilities

The separate roles of the Chairman and Chief Executive Officer are clearly established.

Chief Executive Officer

As Chief Executive Officer, Richard Solomons leads the development of the Company's strategic direction and implementation of the agreed strategy. As well as building and leading an effective Executive Committee, he oversees IHG's business operations and manages its risks.

A.3 The Chairman

As well as building and maintaining an effective Board, Patrick Cescau, as Chairman of the Board, leads the operation and governance of the Board and its Committees. This includes setting the Board's agenda and ensuring that Directors receive timely, accurate and clear information on the Group's business and that all Directors are fully informed of relevant matters. The Chairman oversees corporate governance matters, ensuring they are addressed, and leads the performance and effectiveness evaluations of the Board, its Committees and the Directors. The Chairman was independent on appointment.

A.4 Non-Executive Directors

As a strong source of advice and judgement for IHG, our Non-Executive Directors constructively challenge and help develop proposals on strategy. They provide significant external commercial experience and a broad range of skills for the Board to draw on.

Senior Independent Non-Executive Director

As Senior Independent Non-Executive Director, Dale Morrison is available to liaise with shareholders who have concerns that they feel have not been addressed through the normal channels of the Chairman, Chief Executive Officer and other Executive Directors. He also leads the annual performance review of the Chairman with the other Non-Executive Directors, and as necessary provides advice and judgement to the Chairman, and serves as an intermediary for other Directors when necessary.

After each Board meeting, our Non-Executive Directors and the Chairman meet without Executive Directors being present. During the year, if any Director has unresolved concerns about the running of IHG or a proposed action, these would be recorded in the minutes of the meeting.

Further information on each of these roles can be found on our website at www.ihgplc.com/investors under corporate governance.

B. Effectiveness

B.1 The composition of the Board

The size and composition of the Board and its Committees is regularly reviewed for the appropriate balance of skills, experience, independence and knowledge to ensure they can carry out their duties and responsibilities effectively.

Potential conflicts of interest are reviewed annually and the Board's current composition meets the requirement under the Code for at least half of the Board, excluding the Chairman, to be Independent Non-Executive Directors (see page 54). Further details of the composition of the Board and its Committees are available on pages 53 to 58.

Jennifer Laing has served on the Board for over nine years and will be stepping down following the Company's AGM to be held on Friday 6 May 2016. The Nomination Committee has reviewed her independence and is satisfied that she continues to demonstrate independence in character and judgement and is independent as required under the Code. The Board has also considered this and reached the same conclusion.

B.2 Appointments

The Board has delegated a number of responsibilities to the Nomination Committee. The Nomination Committee leads the appointment of new Directors to the Board and senior executives in accordance with its terms of reference (available on our website at www.ihgplc.com/investors under corporate governance/committees or from the Company Secretary's office on request) and supports the Board in succession planning. Further details of the role of the Nomination Committee and what it did in 2015, including details of the appointment process of Directors, are set out in the Nomination Committee Report on page 65. The overall process of appointment and removal of Directors is overseen by the Board as a whole.

Both Jennifer Laing and Ying Yeh have served on the Board for over six years and will be stepping down following the Company's AGM. In the interim, their appointments will continue to be subject to review and scrutiny by the Nomination Committee and the Board.

B.3 Commitment

The terms of appointment of our Non-Executive Directors outline the time commitment expected to fulfil their role. On appointment, Directors are advised of, and requested to make, the necessary time commitment required to discharge their responsibilities effectively. IHG's Executive Directors are not permitted to take on more than one external non-executive directorship or chairmanship in addition to their role. Biographical details of all current Directors, including their external commitments, can be found on pages 55 to 57. Richard Solomons has one non-executive directorship (see page 55).

Details of Directors' service contracts and appointment terms are set out on pages 73, 77 and 159.

The Chairman annually reviews the time each Non-Executive Director has dedicated to IHG as part of the internal performance evaluations of each Director (see page 60), and is satisfied that their other duties and time commitments do not conflict with those as Directors.

B.4 Development

A full, formal and tailored induction is developed for new Directors (see page 59).

The Chairman and Company Secretary ensure that Directors continually update their skills and have the requisite knowledge and familiarity with the Group to fulfil their roles on the Board and its Committees (see page 59). All Directors are encouraged to request further information as they consider necessary to fulfil their role.

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B.5 Information and support

The Chairman and the Company Secretary together ensure a good flow of information to the Board and its Committees and between the Executive Committee and the Non-Executive Directors. The Directors receive the administrative and logistical support of a full-time board executive assistant to ensure that each meeting is well organised. The Company Secretary also ensures that all Directors and Board Committees have access to independent advice and sufficient resources, at the expense of the Group when requested, and where it is necessary to discharge their responsibilities and statutory duties as Directors.

The role of the Company Secretary

George Turner, as Company Secretary, ensures a good flow of timely information to the Board and its Committees and between the Executive Committee and the Non-Executive Directors. He facilitates all new Director inductions. He advises the Board on corporate governance matters and keeps all Directors up to date on all relevant legal, regulatory and other developments. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

B.6 Evaluation

The Board undertakes either an internal or external annual Board effectiveness evaluation to inform further enhancements to our Board processes. It was last carried out externally in 2013 and, in 2015, it was carried out internally with external support. Performance evaluations of all Directors, including the Chairman, are also carried out and the Board considers the effectiveness of each of its Committees. See page 60 for further details.

B.7 Re-election

The Company's amended Articles of Association, approved by our shareholders on 28 May 2010 (see page 152), provide that each Director is subject to election at the first AGM following their appointment and re-election at least every three years if they wish to continue serving in office.

However, in accordance with the recommendations of the Code, the Directors retire and seek election or re-election at each AGM. All of the Directors (biographies set out on pages 55 to 57) will retire and seek election or (other than Jennifer Laing and Ying Yeh) re-election at the 2016 AGM.

C. Accountability

C.1 Financial and business reporting

Our Statement of Directors' Responsibilities (including the Board's statement confirming that it considers that the Annual Report and Form 20-F, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy) is set out on page 80.

The status of IHG as a going concern is set out in the Directors' Report on page 155. An explanation of the Group's performance, business model, strategy and the risks and uncertainties relating to IHG's prospects, including the

viability of the Group, is set out in the Strategic Report on pages 2 to 49.

The statement from our Auditor, Ernst & Young LLP, about its reporting responsibilities is set out on pages 81 to 86.

C.2 Risk management and internal control

The Board has ultimate responsibility for determining the nature and extent of the risk the organisation is willing to take in achieving its strategic objectives.

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity (see pages 26 and 27 for further details of the principal risks). The Board and Audit Committee monitor the Group's risk management and internal controls systems and conduct an annual review of the effectiveness of the Group's system of internal controls and risk management. Throughout the year, the Board has directly, and through delegated authority to the Executive Committee and the Audit Committee, overseen and reviewed all material controls, including financial, operational and compliance controls.

The Board confirms that, in respect of the Group's risk management and internal control systems: (i) there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group; (ii) the systems have been in place for 2015 and up to 22 February 2016; (iii) they are regularly reviewed by the Board and Audit Committee; and (iv) the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting. Further details are set out in the Strategic Report on pages 25 to 27, and also in the Audit Committee Report on pages 62 and 63.

Details of the Directors' assessment of the prospects of the Group are set out on pages 27.

C.3 Audit Committee and Auditor

The Board has delegated a number of responsibilities to the Audit Committee. The Committee comprises entirely Independent Non-Executive Directors, with at least one member having recent and relevant financial experience. The Committee reviews the effectiveness and independence of the relationship between Ernst & Young LLP and the Group annually and monitors and reviews the effectiveness of the Global Internal Audit function. Further details of its role, responsibilities and activities in 2015 are set out in the Audit Committee Report on pages 62 and 63. The Audit Committee's terms of reference are available on our website at www.ihgplc.com/investors under corporate governance/committees.

Ernst & Young LLP has expressed its willingness to continue in office as Auditor of the Company and its reappointment will be put to shareholders at the AGM. Further details can be found in the Audit Committee Report on pages 62 and 63.

D. Remuneration

D.1 The level and components of remuneration

The activities of the Remuneration Committee during 2015, and the Annual Report on Directors' Remuneration and Implementation of the Directors' Remuneration Policy, are set out in the Directors' Remuneration Report on pages 68 to 77. The Directors' Remuneration Policy approved at our 2014 AGM is available at www.ihgplc.com/investors under corporate governance.

D.2 Procedure

The Board has delegated a number of responsibilities to the Remuneration Committee including developing policy on executive remuneration and fixing the remuneration packages of individual Directors. Further information can be found in the Directors' Remuneration Report (see pages 68 to 77) and the corporate governance statement (see page 53).

The terms of reference of the Remuneration Committee can be found on our website at www.ihgplc.com/investors under corporate governance/committees.

During 2015, no individual Director was present when his or her own remuneration was discussed.

E. Relations with shareholders

E.1 Dialogue with shareholders

The Board as a whole is responsible for ensuring a satisfactory dialogue takes place with all shareholders of the Company to promote mutual understanding of objectives. Further details of the Board's approach to relations with our shareholders are set out on page 61.

E.2 Constructive use of the AGM

The next AGM will take place on Friday 6 May 2016 and will provide an opportunity for shareholders to vote on certain aspects of Group business. The Notice of Meeting will be sent to shareholders and will be available at www.ihgplc.com/investors under financial library.

The Chairman ensures where possible that all Board members, particularly the chairmen of each of the Board Committees, attend the AGM and are available to answer questions from shareholders.

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Directors Remuneration Report

Remuneration Committee Chairman's statement

We are continuing our Directors Remuneration Policy review in light of the completion of our major asset-disposal programme and the changing, global, competitive landscape, bringing it to a vote of all shareholders in 2017.

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Quick-read summaries of key information relating to the Group.

Dear Shareholder

Remuneration and business strategy

We have consistently looked to remunerate our executives in a way which is fair to them, competitive in the market, and encourages and rewards the behaviours and outcomes which will deliver shareholder returns. To achieve this, we pay a fixed salary and link the bulk of their potential remuneration to delivery of our annual targets and long-term business strategy. We set challenging targets and monitor performance against them closely.

The measures in the IHG 2015 Annual Performance Plan (APP) and 2013/15 Long Term Incentive Plan (LTIP) reflect our business strategy and shareholder interests:

Earnings before interest and tax (EBIT) and Total Shareholder Return (TSR) are measures of our financial health and the returns for shareholders investing in our business. We have shareholding guidelines for the senior executive team to reinforce alignment with shareholder interests.

Guest HeartBeat and Employee Engagement are principal measures of the delivery of our brand and people strategies. We set targets requiring year-on-year improvement on already strong performance in these areas.

Relative growth in net rooms supply and RevPAR are recognised industry measures of the scale and strength of our portfolio. We set stretching targets requiring outperformance globally.

2015 saw a good EBIT outcome, very strong relative TSR performance and excellent results in Guest HeartBeat and Employee Engagement, both already at industry-leading levels. The business just missed out on its three-year relative net rooms supply and global RevPAR growth targets.

Directors Remuneration Policy

In my introduction to the 2014 Directors Remuneration Report, I said that the Remuneration Committee would revisit all aspects of the APP and LTIP during 2015. I also said that we would bring forward the Directors Remuneration Policy (DR Policy) to a shareholder vote in 2016.

In 2015, we commenced a thorough review of the APP and LTIP measures and their relationship to our business strategy. We concluded that there is no urgent business need for any material change to the structure of the APP and LTIP awards to be made in 2016. However, we are continuing our review in light of the effective completion of our major asset-disposal programme and the changing, global, competitive landscape. We will complete our next DR Policy review in good time to consult formally with major shareholders again, and bring it to a vote of all shareholders in 2017.

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Changes to Directors' remuneration

Whilst there are no changes to the DR Policy itself for 2016, we are making a few small adjustments in Policy implementation.

The APP targets for 2013 to 2015 related to EBIT (70%), Guest HeartBeat (20%) and Employee Engagement (10%). For 2016, Employee Engagement will be replaced with IHG's personal performance measure Overall Performance Rating (OPR) which measures an individual's contribution to the business and the results. Employee Engagement will remain an important measure within personal performance and operational teams' targets. Going forward, we have also decided to limit the grant of LTIP awards to the most senior IHG executives – currently 49 employees in total.

Changes to the Board – Tracy Robbins

As announced on 14 January 2016, Tracy Robbins stepped down from the role of Executive Vice President, Human Resources, and from the Board, on 15 January 2016 due to health reasons. Tracy has made a substantial contribution to IHG over the years, playing an important role in IHG's development and successes.

Tracy's remuneration will be in line with her contract and within the approved DR Policy. Tracy will be treated as a good leaver and the arrangements reflect her circumstances. We have included an overview of these arrangements on pages 76 and 77. Details of payments made to Tracy in 2016 and following years, and the related financial effect of applying the agreed discretion, will be disclosed in full in the relevant future reports.

Kirk Kinsell left the Board and IHG on 13 February 2015. Full details were disclosed in last year's report.

About this report

To simplify and shorten this report, we have included an introductory 'At a glance' section to give a snapshot of key aspects of Directors' remuneration for 2015 and its link to business performance and strategy. The Annual Report on Directors' Remuneration contains the detailed disclosures which are prescribed by legislation or regulation. The full DR Policy is available at www.ihgplc.com/investors under corporate governance and was approved at the AGM on 2 May 2014.

Conclusion

The Annual Report on Directors' Remuneration and the Remuneration Committee Chairman's statement are subject to an advisory vote at the 2016 AGM.

This Directors' Remuneration Report was approved by the Board on 22 February 2016.

The Board recommends this Directors' Remuneration Report to shareholders.

Luke Mayhew

Chairman of the Remuneration Committee

22 February 2016

How to use this report

As in prior years, within the 2015 Directors Remuneration Report we have used colour coding to denote different elements of remuneration. The colours used and the corresponding remuneration elements are:

Table of Contents*Directors Remuneration Report continued**At a glance*

How we performed in 2015

2015 Annual Performance Plan (APP)

The performance measures for the 2015 APP were determined in accordance with the DR Policy. The table below shows threshold, target and maximum opportunity, as well as weighting and actual 2015 achievement for each performance measure:

APP				
Performance		Achievement	Weighting	Weighted achievement
EBIT: performance relative to target				
Threshold	\$621.0m	50%		
Target	\$690.0m	100%		
Actual	\$701.9m	117%	70%	81.9%
Maximum	\$759.0m	200%		
Guest HeartBeat: improvement in guest survey score from prior year's baseline score of 83.60%				
Threshold	+0.25pt	50%		
Target	+0.50pt	100%		
Actual	+0.92pt	142%	20%	28.4%
Maximum	+1.50pt	200%		
Employee Engagement: improvement in employee survey score from prior year of 84.7%				
Threshold	-0.7pt	50%		
Target	+0.3pt	100%		
Maximum	+2.0pt	200%	10%	
Actual	+2.6pt	200%		20.0%
Total achievement (% of target award payable)				130.3%
Target award (% of salary)				115%
Total award payable (% of salary)				149.9%

In determining EBIT for APP purposes, certain adjustments to reported 2015 Group EBIT were agreed in order to ensure comparability with the APP EBIT target. These include: use of constant currency rates, the impact of certain accounting adjustments, changes to reflect the sale of InterContinental Paris Le Grand and InterContinental Hong Kong during 2015, amounts that are ring-fenced to spend on projects that drive future growth (which are taken out of account for the purposes of the APP target so as not to disincentivise management from spending on such projects), and the impact of certain hotels exiting the IHG portfolio and generating one-off liquidated damages or compensation receipts (which the Remuneration Committee exclude from EBIT for APP purposes to reflect the resulting loss of future income to the Group).

2013/15 Long Term Incentive Plan (LTIP)

The performance measures for the 2013/15 three-year LTIP cycle were in line with the DR Policy. The table below shows threshold and maximum opportunity, as well as weighting and actual 2015 achievement, for each performance measure.

LTIP			
Performance	Achievement	Weighting	Weighted achievement
Total Shareholder Return: three-year growth relative to average of competitors			
Threshold	20%		
Actual	100%	50%	50%
Maximum	100%		
Net rooms supply: three-year growth relative to average of competitors			
Actual	0%		
Threshold	20%	25%	0%
Maximum	100%		
RevPAR: three-year growth relative to average of competitors			
Actual	0%		
Threshold	20%	25%	0%
Maximum	100%		
Total achievement (% of maximum opportunity vested)			50%

Pay at risk

Malus allows for awards to be reduced prior to vesting; clawback allows for awards to be reduced and applies for three years after payment of cash or vesting of shares. See last year's report for full details.

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Executive Director remuneration

The table below shows the 2015 potential opportunity and the 2015 actual achievement when compared to 2014 actual achievement. The relevant figures for each of the elements that make up the single total figure of remuneration, as shown below for the current Executive Directors, can be found in the table on page 72. For Richard Solomons, the 2014 actual figure includes a one-off payment received in lieu of certain pension rights, which does not form part of usual annual remuneration and which was fully disclosed in last year's report. Further details can be found in the notes to the single total figure of remuneration on pages 72 to 74.

Current Directors' shareholdings

Director	Number of shares held on 31/12/15	Number of shares held (as % of guideline)	Guideline shareholding
Richard Solomons	365,625	1,227%	300%
Paul Edgecliffe-Johnson	22,014	127%	200%
Tracy Robbins	37,726	224%	200%

For further details of shares and awards held and guideline shareholdings see page 75.

Directors' Remuneration Policy

Our strategy for delivering high-quality growth (detailed on pages 14 to 24) and the key performance indicators (KPIs) (set out on pages 28 to 31) through which we monitor and measure our success, are the key drivers for the performance-related elements of our reward structure (see below):

Summary of DR Policy and remuneration architecture – Executive Directors

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Table of Contents*Directors Remuneration Report continued**Annual Report on Directors Remuneration*

This Annual Report on Directors Remuneration explains how the Directors Remuneration Policy (DR Policy) was implemented in 2015 and the resulting payments each of the Directors received. This report is subject to an advisory vote by shareholders at the 2016 AGM. The notes to the single-figure table provide further detail, where relevant, for each of the elements that make up the total single figure of remuneration in respect of each of the Executive Directors.

Single total figure of remuneration Executive Directors

	Salary		Fixed pay		Pension benefit		APP		Variable pay		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2013/15	2012/14	2015	2014
Executive Directors	£000	£000	£000	£000	£000	£000	£000	£000	(value of shares) £000	(value of shares) £000	£000	£000
Richard Solomons	785	759	31	30	236	3,186	1,187	1,128	960	1,508	3,199	6,611
Paul												
Edgecliffe-Johnson	450	420	23	28	135	126	690	619	349	426	1,647	1,619
Kirk Kinsell	64	479	16	27	30	111	0	365	463	996	573	1,978
Tracy Robbins	445	434	30	20	134	130	672	644	551	862	1,832	2,090

Notes to single total figure of remuneration Executive Directors**Fixed pay**

Salary: salary paid for the year. Kirk Kinsell was paid in US dollars. The figure shown is the actual amount earned for the portion of the year Mr Kinsell remained employed until he left IHG on 13 February 2015. Sterling equivalents were calculated using an exchange rate of \$1=£0.65.

Benefits: for Executive Directors, this includes, but is not limited to, taxable benefits such as company car, healthcare and life cover. Provision during 2015 was in line with previous years and the approved DR Policy. No extraordinary payments were made.

Pensions

Pension benefit: for current Executive Directors, in line with DR Policy, the value of IHG contributions to pension plans and any cash allowances, equalling 30% of salary, paid in lieu of pension contributions.

The 2014 figure for Richard Solomons included an amount of £2.958m in respect of a one-off cash payment relating to pension entitlements and was fully explained in the 2014 report.

Richard Solomons did not participate in any IHG pension plan in 2015 and instead received a cash allowance of 30% of salary equal to £235,575. Mr Solomons also received life assurance cover of six times salary.

Neither Paul Edgecliffe-Johnson nor Tracy Robbins participated in any IHG pension plan in 2015 and instead they both received a cash allowance of 30% of salary equal to £135,000 and £133,575 respectively. They both also received life assurance cover of four times pensionable salary.

Kirk Kinsell participated in the US 401(k) Plan and the US Deferred Compensation Plan. The US 401(k) Plan is a tax qualified plan providing benefits on a defined contribution basis, with the member and relevant company both contributing. The US Deferred Compensation Plan is a non-tax qualified plan, providing benefits on a defined contribution basis, with the member and the relevant company both contributing.

Contributions made by, and in respect of, Kirk Kinsell in these plans, up to his date of leaving on 13 February 2015, were:

	£ ^a
Director s contributions to US Deferred Compensation Plan	1,389
Director s contributions to US 401(k) Plan	6,943
Company s contributions to US Deferred Compensation Plan	27,177
Company s contributions to US 401(k) Plan	2,777
Age at 31 December 2015	60

^a Sterling values have been calculated using an exchange rate of \$1=£0.65.

Variable Pay

2015 APP (cash and deferred shares)

Operation

Award levels were determined based on salary as at 31 December 2015 on a straight-line basis between threshold and target, and target and maximum, and are based on achievement vs target under each measure:

Threshold is the minimum level that must be achieved for there to be an award in relation to that measure; for achievement below this, no award is made (57.5% of salary).

Target is the target level of achievement and results in a target award for that measure (115% of salary).

Maximum is the level of achievement at which a maximum award for that measure is received (200% of salary).

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The threshold award was subject to a global EBIT affordability gate such that:

- if global EBIT was below 85% of target, no award would be made; and
- if global EBIT was between 85% and 90% of target, half of any award relating to the Guest HeartBeat and/or Employee Engagement survey scores would be made.

These measures and outcomes are set out in the *At a glance* section on page 70.

Outcome for 2015

Awards for 2015 will be paid 50% in cash and 50% in deferred IHG shares, vesting three years after the date of grant, in February 2019. The deferred share awards are made in the form of forfeitable shares that receive dividends during the three-year vesting period and include the right to vote at shareholder meetings. They are not subject to any further performance conditions. Kirk Kinsell left IHG on 13 February 2015 and under the APP Plan rules is not entitled to an award under the 2015 APP.

Executive	Salary as at 31 December 2015	Award as % of salary	Total value of award £000
Director	£		
Richard Solomons	792,000	149.9	1,187
Paul Edgecliffe-Johnson	460,000	149.9	690
Tracy Robbins	448,000	149.9	672
2013/15 LTIP (shares)			

Operation

Awards are made annually and eligible executives will receive shares at the end of that cycle, subject to achievement of the performance measures. Growth in net rooms supply and RevPAR is measured on a relative basis against the comparator group. This group comprises the following major, globally branded competitors: Accor Hotels, Choice Hotels International Inc., Hilton Worldwide, Hyatt Hotels Corporation, Marriott International Inc., Starwood Hotels and Resorts and Wyndham Hotels and Resorts. TSR measures the return to shareholders by investing in IHG relative to our competitors in the appropriate comparator group of global hotels, as per the data sourced from Thomson Datastream.

The share price of 2,515p used to calculate the 2013/15 LTIP cycle value shown in the single figure table is the average over the final quarter of 2015. The share price in respect of the 2012/14 LTIP cycle has been restated using the VWAP (Volume Weighted Average Price) of 2,592p on the date of actual vesting on 18 February 2015.

The corresponding values shown in the 2014 report (prior to the actual vesting) were an estimate and calculated using a share price as at 31 December 2013 of 2,013p.

The Remuneration Committee determined that Kirk Kinsell would be treated as a good leaver for the purposes of the LTIP awards, in line with the DR Policy on termination of employment. Mr Kinsell therefore retained all outstanding LTIP awards which will vest on the normal vesting dates, subject to the satisfaction of performance conditions, with the awards pro-rated to his leaving date. The Remuneration Committee has reserved the right to determine that, prior to the vesting of shares under each outstanding LTIP cycle, Mr Kinsell's entitlement to shares under the LTIP will be forfeited in full if Mr Kinsell commits a breach of his continuing post-termination contractual obligations.

Outcome for 2013/15 cycle

This cycle will vest on 24 February 2016. Performance was below the average of the comparator group on the relative growth in net rooms supply and RevPAR measures and therefore these elements will not vest. The figure for Paul Edgecliffe-Johnson includes 18,322 shares, which were granted prior to his appointment to the Board, and an additional 9,454 shares in respect of his increased award, pro-rated from the date of his appointment to the Board. This is in line with the DR Policy. The outcome figure for Kirk Kinsell is his maximum award pro-rated to his leaving date of 13 February 2015. The outcome for this cycle is shown below:

	Maximum opportunity at grant (number of shares)	% of maximum opportunity vested	Outcome (number of shares awarded at vest)	Total value of award £000
Executive Director				
Richard Solomons	76,319	50	38,159	960
Paul Edgecliffe- Johnson	27,776	50	13,888	349
Kirk Kinsell	53,049	50	18,419	463
Tracy Robbins	43,819	50	21,909	551

Net rooms supply and RevPAR growth were measured by reference to the three years ending 30 September 2015; TSR was measured by reference to the three years ending 31 December 2015. The measures and outcomes are set out on page 70.

Tracy Robbins

Tracy Robbins was absent for health reasons for a portion of the year, during which time any payments and awards made to her were in line with the DR Policy and her contract of employment.

Other information relating to Directors' remuneration

Non-executive directorships of other companies

The Company recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies and that such duties can broaden their experience and knowledge, and benefit the Company. IHG therefore permits its Executive Directors to accept one non-executive appointment (in addition to any positions where the Director is appointed as the Group's representative), subject to Board approval, as long as this is not, in the reasonable opinion of the Board, likely to lead to a conflict of interest. Any fees from such appointments may be retained by the individual Executive Director.

From 13 April 2015, Richard Solomons, Chief Executive Officer, served as a Non-Executive Director of Marks and Spencer PLC and received fees of £70,000 accordingly.

No other current Executive Director holds any non-executive director appointments at any other company.

Service contracts and notice periods for Executive Directors

All Executive Directors have rolling service contracts with a notice period of 12 months. All new appointments will have 12-month notice periods, unless, on an exceptional basis to complete an external recruitment successfully, a longer initial period reducing to 12 months is used. This is in accordance with the UK Corporate Governance Code.

All Directors are subject to election and annual re-election by shareholders at the AGM.

Dividends paid to Executive Directors

An interim dividend of 17.7p per ordinary share (27.5¢ per ADR) was paid on 2 October 2015 to shareholders on the Register of members at the close of business on 28 August 2015.

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Directors Remuneration Report continued

Pensions entitlements

Richard Solomons built up Defined Benefit pension entitlements in the InterContinental Hotels UK Pension Plan (IC Plan) and IC Executive Top-Up Scheme (ICETUS) as a member of both plans, during his service as an Executive Director prior to the closure of both plans to future accrual of pension on 30 June 2013. As disclosed in the 2014 Annual Report, his ICETUS pension was cashed out and his IC Plan pension was transferred to an insurance company as part of the buy-out of that plan. Following the buy-out, the insurance company is responsible for the payment of pensions and any annual indexation.

The value of his IC Plan pension at the time of the completion of the buy-out was approximately £72,500 per annum and was payable at a Normal Retirement Age of 60. According to the rules of the IC Plan in place immediately prior to the completion of the buy-out, his accrued pension is to be increased each

year by the insurance company prior to payment broadly in line with Retail Prices Index inflation, up to a limit of 5% a year. On this basis, the approximate value of his pension accrued in the IC Plan as at 31 December 2015 would be £74,980 per annum.

As disclosed in the 2014 Annual Report, the Company's Enhanced Early Retirement Facility (EERF), under which Mr Solomons was previously eligible to retire with no reduction to his IC Plan pension from age 55, is in the process of being phased out. As a result, Mr Solomons could retire, with no reduction to his Defined Benefit pension, from approximately age 58 and no earlier. The terms of the EERF require an executive to obtain Company consent and would also require the payment by the Group of an additional insurance premium to secure the benefit entitlement for that executive.

Scheme interests awarded during 2015

During 2015, awards were granted under the 2015/17 LTIP cycle. Awards were made to each Executive Director over shares with a maximum value of 205% of salary using the closing mid-market share price of 2,670p at the date of grant on 30 March 2015. These are in the form of conditional awards over IHG shares and do not carry the right to dividends or dividend equivalents during the vesting period.

Executive Director	Award date	Maximum shares awarded	Market price per share at grant	Face value of award at grant	Number of shares received
			£	£000	if minimum performance achieved
2015/17 cycle					
Richard Solomons	31 March 2015	60,808	26.70	1,624	12,162
Paul Edgecliffe- Johnson	31 March 2015	35,318	26.70	943	7,064
Tracy Robbins	31 March 2015	34,397	26.70	918	6,879

The vesting date for these awards is the day after the announcement of our Annual 2017 Preliminary Results in February 2018. These awards will vest and shares will be transferred to the award-holder in February 2018, to the extent performance targets are met. The performance measures are the same for the 2013/15 cycle as shown on page 70. Relative growth in net rooms supply and RevPAR will be measured by reference to the three years ending 30 September 2017; TSR will be measured by reference to the three years ending 31 December 2017. Minimum performance is equal to 20% of the maximum award.

Other outstanding awards

During 2014, awards were granted under the 2014/16 LTIP cycle (shown below) on the same basis as the 2015/17 LTIP cycle. Share price was the closing mid-market share price of 1,908p at the date of grant on 7 April 2014. These awards will vest in February 2017 to the extent performance targets are met.

Executive Director	Award date	Maximum shares awarded	Market price per share at grant	Face value of award at grant	Number of shares received
			£	£000	if minimum performance achieved
2014/16 cycle					
Richard Solomons	8 April 2014	82,193	19.08	1,568	16,439
Paul Edgecliffe- Johnson	8 April 2014	45,125	19.08	861	9,025
Kirk Kinsell	8 April 2014	18,570	19.08	981	3,714
Tracy Robbins	8 April 2014	46,952	19.08	896	9,390

The vesting date for these awards is the day after the announcement of our Annual 2016 Preliminary Results in February 2017. The performance measures are the same for the 2013/15 cycle as shown on page 70. Relative growth in net rooms supply and RevPAR will be measured by reference to the three years ending 30 September 2016; TSR will be measured by reference to the three years ending 31 December 2016.

Following Kirk Kinsell's resignation with effect from 13 February 2015, his award will vest in line with the LTIP rules. Mr Kinsell's initial maximum award of 51,426 has been reduced accordingly on a pro-rated basis for the proportion of the performance period in which he remained employed, as determined by the Committee. The pro-rated award is shown in the table above. Vesting will not be accelerated.

Current position on outstanding awards

Details of the performance measures and potential vesting outcomes for outstanding awards as at 31 December 2015 are as follows:

Performance Measure	Threshold performance	Maximum performance	Threshold/maximum vesting	Weighting	Maximum award (% of salary)	Potential vesting
Growth	Average of the comparator group	First in the comparator group	20%/100%	25%	51.25%	2015/17 cycle Between threshold and maximum based on current performance
Growth	Average of the comparator group	First in the comparator group	20%/100%	25%	51.25%	Improved performance needed to achieve threshold
ESR	Growth equal to the global hotels index	Growth exceeds the index by 8% per year or more	20%/100%	50%	102.5%	Between threshold and maximum based on current performance

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Statement of Directors' shareholdings and share interests

The Committee believes that share ownership by Executive Directors and senior executives strengthens the link between the individual's personal interests and those of shareholders.

Guideline Executive Director shareholding requirement

Executive Directors are required to hold shares equal to 300% of salary for the Chief Executive Officer and 200% for others, and are expected to hold all shares (net of share sales required to meet tax) until this is achieved. The number of shares held outright includes all Directors' beneficial interests and those held by their spouses and other connected persons. The APP deferred share awards are not subject to performance conditions. Details on the performance conditions to which the unvested LTIP awards are still subject can be found on page 70. We do not consider it necessary at this time to require a further holding period. Percentages are calculated using the number of shares held outright and the 31 December 2015 share price of 2,658p.

Shares and awards held by Executive Directors

as at 31 December 2015: % of salary

Shares and awards held by Executive Directors as at

31 December 2015: number of shares

Executive Director	Number	APP	LTIP	Total number
--------------------	--------	-----	------	--------------

	of shares held outright		deferred share awards		share awards (unvested)		of shares and awards held	
	2015	2014	2015	2014	2015	2014	2015	2014
Richard Solomons	365,625	382,533	71,552	81,240	219,320	262,234	656,497	726,007
Paul Edgecliffe- Johnson	22,014	10,583	19,821	12,860	108,219	102,223	150,054	125,666
Kirk Kinsell	117,640^a	117,640 ^b	49,580	49,580	172,938	172,938	340,158	340,158
Tracy Robbins	37,726	51,418	41,808	48,932	125,168	150,041	204,702	250,391

^aFor 2015, the shareholdings shown for Mr Kinsell are as at his date of departure from IHG on 13 February 2015.

^bComprised 117,092 ordinary shares and 548 American Depositary Receipts.

Chief Executive Officer s remuneration

The table below shows the Chief Executive Officer s single figure of total remuneration for the seven years to 31 December 2015. For Richard Solomons, the 2014 figure includes a one-off cash payment in respect of pension entitlements which was fully explained in last year s report.

		Single figure £000	Annual incentive received (% of maximum)	Shares received under the LTIP (% of maximum)
2015	Richard Solomons	3,199	75.0	50.0
2014	Richard Solomons	6,528	74.0	56.1
2013	Richard Solomons	3,149	74.0	59.0
2012	Richard Solomons	4,881	68.0	100.0
2011	Richard Solomons	4,724	83.0	73.9
	Andrew Cosslett	3,770	43.0	61.6
2010	Andrew Cosslett	5,430	100.0	73.8
2009	Andrew Cosslett	1,953	0	46.0

Percentage change in remuneration of Chief Executive Officer

The table below shows the percentage change in the remuneration of the Chief Executive Officer compared with UK employees between 2014 and 2015. We believe that a group comprised of UK-based employees is an appropriate comparator for salary and taxable benefits because the structure and composition of remuneration for that group most closely reflects that of the UK-based Chief Executive Officer. Therefore, the same UK market dynamics will apply to salary movements providing for a better like-for-like comparison.

The salary figure for the UK employee population has been calculated using the 2015 budget for the annual pay review taking into account any promotions/marked adjustments made during the year. The taxable benefits figure is based on P11D taxable benefits for tax year ending 5 April in the relevant year. For the UK employee population, this increase was due to a significant increase in the cost of healthcare cover during the year.

For the annual incentive, a group of global executives, who sit directly below Executive Committee level, is used as a comparator group as they are subject to the same performance measures as the Chief Executive Officer.

	Chief Executive Officer	UK employees
Salary	+3.5%	+3.0%
Taxable benefits	+3.3%	+60.6%
Annual incentive	+5.2%	+4.8%

Relative performance graph

For LTIP purposes, a TSR comparator group of a global hotels index was used. IHG was a member of the FTSE 100 share index and the graph below shows the Company’s TSR performance from 31 December 2008 to 31 December 2015, assuming dividends are reinvested, compared with the TSR performance achieved by the FTSE 100 and global hotels indices. All indices are shown in sterling. This data is sourced directly from Thomson Datastream for IHG.

TSR: the Company vs FTSE 100 and global hotels index

Relative importance of spend on pay

The table below sets out the actual expenditure of the Group in 2015 and 2014 on corporate employee remuneration and distributions to shareholders and shows the difference in spend between those years. For 2014, total distributions included a special dividend and share buyback, neither of which were applicable in 2015.

Table of Contents*Directors Remuneration Report continued***Payments to past Directors benefits**

Sir Ian Prosser, who retired as a Director on 31 December 2003, had an ongoing healthcare benefit of £1,832 during the year.

Payments for loss of office

No payments were made to any Executive Directors during 2015 for loss of office.

Single total figure of remuneration:**Non-Executive Directors**

Non-Executive Director	Committee appointments ^a	Date of original appointment	Fees		Taxable benefits		Total	
			2015 (£000)	2014	2015 (£000)	2014	2015 (£000)	2014
Patrick Cescau		1 January	412	412	34	15	446	427
Anne Busquet		2013 1 March	61	n/a	5	n/a	66	n/a
Ian Dyson		2015 1 September	97	88	3	2	100	90
Jo Harlow		2013 1 September	73	23	3	0	76	23
Jennifer Laing		2014 25 August	85	83	2	3	87	86
		2005						

Luke Mayhew		1 July	97	94	1	3	98	97
Jill McDonald		2011 1 June	73	71	4	2	77	73
Dale Morrison		2013 1 June	97	84	14	22	111	106
Ying Yeh		2011 1 December	73	71	83	72	156	143
David Kappler	n/a	2007 21 June 2004	n/a	47	n/a	1	n/a	48
Jonathan Linen	n/a	1 December 2005	n/a	71	n/a	81	n/a	152

^a See page 54 for Board and Committee membership key and attendance.

Fees: for Non-Executive Directors, these may be pro-rated according to their start date or date of role change where appropriate.

Benefits: for Non-Executive Directors, benefits include taxable travel and accommodation expenses to attend Board meetings away from the designated home location; under concessionary HM Revenue & Customs rules, non-UK-based Non-Executive Directors are not subject to tax on travel expenses for the first five years. This is reflected in the taxable benefits figures for Jonathan Linen, Dale Morrison and Ying Yeh.

Incentive awards: Non-Executive Directors are not eligible for any incentive awards.

Pension benefit: Non-Executive Directors are not eligible for any pension contributions or benefit.

Further details on changes to the Board can be found on page 54.

Shares held by Non-Executive Directors

as at 31 December 2015: number of shares

The only Non-Executive Directors who held shares are listed in the table below.

Non-Executive Director	Shares held outright	
	2015	2014
Jennifer Laing	2,905	2,905
Luke Mayhew	1,722	1,722
Dale Morrison	3,907	3,907

Implementation of Directors Remuneration Policy in 2016

This section explains how the DR Policy will be applied in 2016. It is subject to an advisory vote by shareholders at the 2016 AGM.

Salary: Executive Directors

Directors' salaries are agreed annually in line with the DR Policy. The following salaries will apply from 1 April 2016:

		2016	2015
Executive Director	% increase	£	£
Richard Solomons	3	815,706	792,000
Paul Edgecliffe-Johnson	11.5	512,900	460,000
Tracy Robbins	2	456,960	448,000

Paul Edgecliffe-Johnson was appointed on 1 January 2014 on a salary significantly below benchmark policy level. The DR Policy provides that salary increases for newly appointed or promoted Executive Directors may be higher than that of the corporate UK and US employee population until the target positioning is achieved. Following strong performance again this year, an increase of 11.5% has been agreed by the Remuneration Committee for 2016 in order to bring the salary level closer to the target policy level. The overall targeted average salary increase for 2016 for UK and US corporate employees is 3%.

LTIP and APP performance measures and targets

From 2016, we will be limiting LTIP awards to the top levels of executives, currently 49 employees in total. Other less senior executives who currently receive LTIP awards will move to smaller, restricted stock units with a three-year time vesting. The executives and awards impacted are not covered by the DR Policy. This move will bring us more in line with the market and help recruitment and retention in key markets such as the US. It will also allow our further review of the LTIP during 2016 to focus on what is appropriate for our most senior employees.

The APP targets for 2015 related to EBIT (70%), Guest HeartBeat (20%) and Employee Engagement (10%). For 2016, Employee Engagement will be replaced with OPR – the measure of an individual's performance for the year. Employee Engagement will remain a key measure within the personal performance measure and operational teams targets. The business is refining the way it measures overall guest satisfaction from 2016, and this will be reflected in the way it is measured for the purposes of the APP. The measures will, therefore, be:

- 70% EBIT retained as the financial measure;
- 20% guest satisfaction measure retained; and
- 10% OPR (replaces Employee Engagement survey scores).

Both incentive plans remain in line with the current DR Policy and details of the 2016 measures for each plan are included in the 'At a glance' section on page 70. Targets are determined by the Board to be commercially sensitive and will be disclosed at the end of the performance period.

Tracy Robbins

Ms Robbins stepped down as Executive Vice President, Human Resources and from the Board on 15 January 2016 due to health reasons. In line with her contract, Ms Robbins will remain an employee of the Group until 31 March 2016, at which point she will continue employment on notice for 12 months to 31 March 2017, when she will cease employment with the Group. The remuneration arrangements will be as follows:

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Ms Robbins will receive contractual sick pay (100% of annual salary to 31 March 2016 and then 50% of salary to 31 March 2017).

Benefits entitlements will continue in full until 31 March 2017 and, given the circumstances, healthcare cover will be extended for a further year following that.

The Remuneration Committee has agreed that, on leaving the Group, Ms Robbins will be treated as a good leaver for the purposes of the APP and LTIP under the ill-health provisions as set out in the DR Policy.

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Ms Robbins will remain eligible for APP while still an employee of the Group. In light of the circumstances, the Committee will exercise its discretion permitted under the rules of the APP and the DR Policy to pay any 2015, 2016 and pro-rated 2017 APP awards in cash, and to allow any outstanding APP deferred shares to vest in full on 31 March 2017.

The grant of the 2016 LTIP award will be based on actual salary paid in that year. No LTIP award will be made in 2017.

Any LTIP awards outstanding on the date Ms Robbins ceases employment will vest in line with the terms of the plan rules on the usual vesting date, only to the extent performance conditions are fulfilled, and will be pro-rated for the time she remained employed.

Malus and clawback provisions will apply to all APP and LTIP awards.

Full details of remuneration payments made to Ms Robbins in 2016 and following years will be disclosed in full in the relevant Annual Report on Directors Remuneration.

Fees: Non-Executive Directors

The fees for Non-Executive Directors are reviewed and agreed annually in line with the DR Policy. All of the Non-Executive Directors waived any fee increase for 2016. The fee levels for 2016 will therefore remain unchanged from 2015 as follows:

		2016	2015
Non-Executive Director	Role	£	£
Patrick Cescau	Chairman of the Board	412,000	412,000
Anne Busquet	Non-Executive Director	72,600	60,500 ^a
Ian Dyson	Chairman of Audit Committee	96,550	96,550
Jo Harlow	Non-Executive Director	72,600	72,600
Jennifer Laing	Chairman of Corporate Responsibility Committee	85,000	85,000
Luke Mayhew	Chairman of Remuneration Committee	96,550	96,550
Jill McDonald	Non-Executive Director	72,600	72,600

Dale Morrison	Senior Independent Non-Executive Director	96,550	96,550
Ying Yeh	Non-Executive Director	72,600	72,600

^a Anne Busquet's annual fee for 2015 was pro-rated to her start date.

Remuneration Committee details and governance

Roles and responsibilities

The Remuneration Committee agrees, on behalf of the Board, all aspects of the remuneration of the Executive Directors and the Executive Committee, and agrees the strategy, direction and policy for the remuneration of other senior executives who have a significant influence over the Company's ability to meet its strategic objectives.

The Committee's role and responsibilities are set out in its Terms of Reference (ToR). These are reviewed annually and available on the Company's website at www.ihgplc.com/investors under corporate governance/committees.

Governance

All members are Independent Non-Executive Directors, as required under the ToR. All members have the necessary experience and expertise to meet the Committee's responsibilities. On 19 March 2015, we welcomed Dale Morrison to the Committee. Details of Committee attendance can be found on page 54.

Non-Executive Directors' letters of appointment and notice periods

Non-Executive Directors have letters of appointment, which are available upon request from the Company Secretary's office. Patrick Cescau, Non-Executive Chairman, is subject to 12 months' notice. No other Non-Executive Directors are subject to notice periods. All Non-Executive Directors are subject to election and annual re-election by shareholders at the AGM.

Committee considerations in 2015

The Committee's main consideration in 2015 was to undertake a full incentives plan review. This review was undertaken in consultation with major shareholders and shareholder organisations, relevant IHG management and external advisers. The review covered all aspects of short- and long-term incentives and their suitability for different levels of senior executives. This also included consideration of:

- which performance measures would be most aligned with business strategy and shareholder returns over the next five years;
- executive shareholding requirements and post-vesting holding periods; and
- communication to senior executives and to shareholders, including the level of disclosure of targets and outcomes.

Some key initial outcomes of this review are detailed in the Implementation of Directors Remuneration Policy in 2016 on page 76 and we will continue the review into 2016. The following key matters were also discussed:

- gender diversity and pay;
- 2014 Executive Committee annual performance and 2015 remuneration review;
- 2014 incentive plans results and 2015 incentive plans targets;
- review of the external market;
- 2015 APP Policy on Exceptionals, Liquidated Damages and other adjustments; and
- evaluation of achievement against target for the 2015 APP and the 2013/15 LTIP.

Remuneration advisers

The Committee continued to retain PricewaterhouseCoopers LLP (PwC) throughout 2015 as independent advisers. Fees of £165,785 were paid to PwC in respect of advice provided to the Committee on executive remuneration matters during the year. This was in the form of an agreed fee for support in preparation of papers and attendance at meetings, with work on additional items charged at hourly rates. PwC also provided tax and other consulting services to the Group during 2015. The terms of engagement for PwC are available from the Company Secretary's office on request.

PwC was appointed following a competitive tender process. The Committee is satisfied that the advice received from PwC was objective and independent, as PwC is a member of the Remuneration Consultants Group. Members of this group adhere to a voluntary code of conduct that sets out the role of executive remuneration consultants in the UK and the professional standards to which they have committed to adhere when advising remuneration committees.

Voting at the Company's AGMs

There was no binding vote in respect of the DR Policy at the 2015 AGM as it remained unchanged from 2014. There will be a binding vote in respect of the new DR Policy in 2017. The outcome of the binding vote in respect of the DR Policy voted on at the 2014 AGM is shown below:

AGM	Votes for	Votes against	Abstentions
2014	155,440,907 (90.94%)	15,483,775 (9.06%)	906,025

At the Company's most recent AGMs, the annual advisory vote in respect of the Directors' Remuneration Report was as follows:

AGM	Votes for	Votes against	Abstentions
2015	149,415,662 (96.99%)	4,633,208 (3.01%)	3,642,496
2014	158,131,479 (94.01%)	10,076,027 (5.99%)	3,623,200

Luke Mayhew

Chairman of the Remuneration Committee

22 February 2016

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Statement of Directors Responsibilities

Financial Statements and accounting records

The Directors are required to prepare financial statements for the Company and the Group at the end of each financial year in accordance with all applicable laws and regulations. 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 Group and the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable;
- state whether the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), for use in the EU and Article 4 of the EU IAS Regulation;
- state for the Company Financial Statements whether applicable UK accounting standards have been followed; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors have responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company to enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the EU IAS Regulation. The Directors are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group, and taking reasonable steps to prevent and detect fraud and other irregularities.

Disclosure and Transparency Rules

The Board confirms that to the best of its knowledge:

- the Financial Statements have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group taken as a whole; and
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that it faces.

UK Corporate Governance Code

Having taken advice from the Audit Committee, the Board considers that this Annual Report and Form 20-F, taken as a whole is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Disclosure of information to Auditor

The Directors who held office as at the date of approval of this report confirm that they have taken steps to make themselves aware of relevant audit information (as defined by Section 418(3) of the Companies Act 2006). None of the Directors are aware of any relevant audit information which has not been disclosed to the Company's Auditor.

Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Group's internal control over financial reporting includes policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Group's transactions and dispositions of assets;

are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the Financial Statements in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, and that receipts and expenditure are being made only in accordance with authorisation of management and the Directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the Financial Statements.

Any internal control framework has inherent limitations and internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

Management has undertaken an assessment of the effectiveness of the Group's internal control over financial reporting at 31 December 2015 based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria).

Based on this assessment, management has concluded that as at 31 December 2015 the Group's internal control over financial reporting was effective.

During the period covered by this document there were no changes in the Group's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

The Group's internal control over financial reporting at 31 December 2015, together with the Group's Consolidated Financial Statements, were audited by Ernst & Young LLP, an independent registered public accounting firm. Their report on internal control over financial reporting can be found on page 86.

For and on behalf of the Board

Richard Solomons
Chief Executive Officer
22 February 2016

Paul Edgecliffe-Johnson
Chief Financial Officer
22 February 2016

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Independent Auditor's US Report

Report of independent registered public accounting firm on internal control over financial reporting

To the Board of Directors and Shareholders of InterContinental Hotels Group PLC.

We have audited InterContinental Hotels Group PLC's internal control over financial reporting as of 31 December 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). InterContinental Hotels Group PLC's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, InterContinental Hotels Group PLC maintained, in all material respects, effective internal control over financial reporting as of 31 December 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying 2015 Consolidated Financial Statements of InterContinental Hotels Group PLC, and our report dated 22 February 2016 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

London, England

22 February 2016

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of InterContinental Hotels Group PLC.

We have audited the accompanying Group statement of financial position of InterContinental Hotels Group PLC as of 31 December 2015 and 2014, and the related Group statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended 31 December 2015. These Financial Statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these Financial Statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the consolidated financial position of InterContinental Hotels Group PLC at 31 December 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), InterContinental Hotels Group PLC's internal control over financial reporting as of 31 December 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated 22 February 2016 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

London, England

22 February 2016

Notes:

aThe maintenance and integrity of the InterContinental Hotels Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

bLegislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Table of Contents**Group Financial Statements****Group income statement**

For the year ended	Note	2015		2014		2013		Total
		Before exceptional items (note 5)	Exceptional items (note 5)	Before exceptional items (note 5)	Exceptional items (note 5)	Before exceptional items (note 5)	Exceptional items (note 5)	
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	2	1,803		1,803	1,858		1,858	1,903
Cost of sales		(640)		(640)	(741)		(741)	(784)
Administrative expenses		(395)	(25)	(420)	(382)	(101)	(483)	(541)
Share of (losses)/profits of associates and joint ventures	2	(3)		(3)	(4)		(4)	2
Other operating income and expenses		11	880	891	16	130	146	166
		776	855	1,631	747	29	776	753
Depreciation and amortisation	2	(96)		(96)	(96)		(96)	(85)
Impairment charges	2		(36)	(36)				
Operating profit	2	680	819	1,499	651	29	680	668
Financial income	6	5		5	3		3	5
Financial expenses	6	(92)		(92)	(83)		(83)	(78)
Profit before tax		593	819	1,412	571	29	600	595
Tax	7	(180)	(8)	(188)	(179)	(29)	(208)	(175)
Profit for the year from continuing operations		413	811	1,224	392		392	420
Attributable to:								
Equity holders of the parent		411	811	1,222	391		391	418
Non-controlling interest		2		2	1		1	2
		413	811	1,224	392		392	420
Earnings per ordinary share	9							
Continuing and total operations:								
Basic				520.0¢			158.3¢	
Diluted				513.4¢			156.4¢	

Notes on pages 94 to 141 form an integral part of these Financial Statements.

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Table of Contents*Group Financial Statements continued**Group statement of comprehensive income*

	2015	2014	2013
For the year ended 31 December 2015	\$m	\$m	\$m
Profit for the year	1,224	392	374
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Gains on valuation of available-for-sale financial assets, net of related tax charge of \$nil (2014: \$1m, 2013: \$nil)	2	11	28
Exchange (losses)/gains on retranslation of foreign operations, including related tax charge of \$1m (2014: credit of \$1m, 2013: credit of \$2m)	(2)	42	(35)
Exchange losses reclassified to profit on hotel disposal	2		46
	2	53	39
Items that will not be reclassified to profit or loss:			
Re-measurement gains/(losses) on defined benefit plans, net of related tax charge of \$4m (2014: credit of \$7m, 2013: charge of \$20m)	9	(18)	20
Tax related to pension contributions	7	2	
	16	(16)	20
Total other comprehensive income for the year	18	37	59
Total comprehensive income for the year	1,242	429	433
Attributable to:			
Equity holders of the parent	1,240	428	433
Non-controlling interest	2	1	
	1,242	429	433

Notes on pages 94 to 141 form an integral part of these Financial Statements.

Table of Contents**Group statement of changes in equity**

	Equity share capital	Capital redemption reserve	Employee share trusts	Shares held by	Other reserves	Unrealised gains and losses reserve	Currency translation reserve	Retained earnings	IHG share-holders equity	Non-controlling interest	Total equity
	\$m	\$m	\$m		\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 January 2015	178	12	(35)		(2,896)	111	269	1,636	(725)	8	(717)
Profit for the year								1,222	1,222	2	1,224
Other comprehensive income:											
Items that may be subsequently reclassified to profit or loss:											
Gains on valuation of available-for-sale financial assets						2			2		2
Exchange differences on retranslation of foreign operations							(2)		(2)		(2)
Exchange losses reclassified to profit on hotel disposal						2	2		2		2
						2			2		2
Items that will not be reclassified to profit or loss:											
Re-measurement gains on defined benefit plans								9	9		9
Tax related to pension contributions								7	7		7
								16	16		16
Total other comprehensive income						2		16	18		18
Total comprehensive income for the year						2		1,238	1,240	2	1,242
Purchase of own shares by employee share trusts			(47)						(47)		(47)
Release of own shares by employee share trusts			62					(62)			
Equity-settled share-based cost								24	24		24

Tax related to share schemes							5	5		5
Equity dividends paid							(188)	(188)		(188)
Exchange adjustments	(9)	(1)	2	8						
At 31 December 2015	169	11	(18)	(2,888)	113	269	2,653	309	10	319

All items above are shown net of tax.

Notes on pages 94 to 141 form an integral part of these Financial Statements.

Table of Contents*Group Financial Statements continued**Group statement of changes in equity continued*

	Equity share capital reserve	Capital redemption reserve	Employee share trusts	Other reserves	Unrealised gains and losses reserve	Currency translation reserve	Retained earnings	IHG share- holding equity	Non- controlling interest	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 January 2014	189	12	(38)	(2,906)	100	227	2,334	(82)	8	(74)
Profit for the year							391	391	1	392
Other comprehensive income:										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets					11			11		11
Exchange differences on retranslation of foreign operations					11	42		42		53
Items that will not be reclassified to profit or loss:										
Re-measurement losses on defined benefit plans							(18)	(18)		(18)
Tax related to pension contributions							2	2		2
Total other comprehensive income					11	42	(16)	37		37
Total comprehensive income for the year					11	42	375	428	1	429
Repurchase of shares							(110)	(110)		(110)
Transaction costs relating to shareholder returns							(1)	(1)		(1)
Purchase of own shares by employee share trusts			(58)					(58)		(58)
Release of own shares by employee share trusts			60				(60)			
							28	28		28

Equity-settled share-based cost Tax related to share schemes							12	12	12
Equity dividends paid							(942)	(942)	(1) (943)
Exchange adjustments	(11)		1	10					
At 31 December 2014	178	12	(35)	(2,896)	111	269	1,636	(725)	8 (717)

All items above are shown net of tax.

Notes on pages 94 to 141 form an integral part of these Financial Statements.

Table of Contents**Group statement of changes in equity continued**

	Equity share capital	Capital redemption reserve	Employee share trusts	Shares held by	Unrealised gains and losses	Currency translation reserve	Retained earnings	IHG share-holders equity	Non-controlling interest	Total equity	
	\$m	\$m	\$m		\$m	\$m	\$m	\$m	\$m	\$m	
At 1 January 2013	179	11	(48)		(2,901)	72	214	2,781	308	9	317
Profit for the year								372	372	2	374
Other comprehensive income:											
Items that may be subsequently reclassified to profit or loss:											
Gains on valuation of available-for-sale financial assets						28			28		28
Exchange differences on retranslation of foreign operations							(33)		(33)	(2)	(35)
Exchange losses reclassified to profit on hotel disposal						28	46		46		46
							13		41	(2)	39
Items that will not be reclassified to profit or loss:											
Re-measurement gains on defined benefit plans								20	20		20
								20	20		20
Total other comprehensive income						28	13	20	61	(2)	59
Total comprehensive income for the year						28	13	392	433		433
Issue of ordinary shares	5								5		5
Repurchase of shares								(283)	(283)		(283)
Purchase of own shares by employee share trusts									(53)		(53)
Release of own shares by employee share trusts									64		64
Equity-settled share-based cost								(61)	3		3
								27	27		27
								11	11		11

Tax related to share schemes

Equity dividends paid							(533)	(533)	(1)	(534)
Exchange adjustments	5	1	(1)	(5)						
At 31 December 2013	189	12	(38)	(2,906)	100	227	2,334	(82)	8	(74)

All items above are shown net of tax.

Notes on pages 94 to 141 form an integral part of these Financial Statements.

Table of Contents*Group Financial Statements continued**Group statement of financial position*

31 December 2015	Note	2015 \$m	2014 \$m
ASSETS			
Property, plant and equipment	12	428	741
Goodwill and other intangible assets	13	1,226	643
Investment in associates and joint ventures	14	136	116
Trade and other receivables	16	3	3
Retirement benefit assets	25		8
Other financial assets	15	284	252
Non-current tax receivable		37	34
Deferred tax assets	7	49	87
Total non-current assets		2,163	1,884
Inventories		3	3
Trade and other receivables	16	462	448
Current tax receivable		4	4
Derivative financial instruments			2
Other financial assets	15		5
Cash and cash equivalents	17	1,137	162
Total current assets		1,606	624
Assets classified as held for sale	11		310
Total assets	2	3,769	2,818
LIABILITIES			
Loans and other borrowings	21	(427)	(126)
Derivative financial instruments		(3)	
Trade and other payables	18	(839)	(769)
Provisions	19	(15)	(1)
Current tax payable		(85)	(47)
Total current liabilities		(1,369)	(943)
Loans and other borrowings	21	(1,239)	(1,569)
Retirement benefit obligations	25	(129)	(146)
Trade and other payables	18	(578)	(627)
Provisions	19		(9)
Deferred tax liabilities	7	(135)	(147)
Total non-current liabilities		(2,081)	(2,498)
Liabilities classified as held for sale	11		(94)
Total liabilities	2	(3,450)	(3,535)
Net assets/(liabilities)		319	(717)
EQUITY			
Equity share capital	27	169	178
Capital redemption reserve	27	11	12
Shares held by employee share trusts	27	(18)	(35)
Other reserves	27	(2,888)	(2,896)

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Unrealised gains and losses reserve	27	113	111
Currency translation reserve	27	269	269
Retained earnings		2,653	1,636
IHG shareholders equity		309	(725)
Non-controlling interest	27	10	8
Total equity		319	(717)
Signed on behalf of the Board			

Paul Edgecliffe-Johnson

22 February 2016

Notes on pages 94 to 141 form an integral part of these Financial Statements.

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Table of Contents**Group statement of cash flows**

	Note	2015 \$m	2014 \$m	2013 \$m
For the year ended 31 December 2015				
Profit for the year		1,224	392	374
Adjustments reconciling profit for the year to cash flow from operations	22	(414)	361	414
Cash flow from operations	22	810	753	788
Interest paid		(75)	(76)	(74)
Interest received		2	2	2
Tax paid on operating activities	7	(109)	(136)	(92)
Net cash from operating activities		628	543	624
Cash flow from investing activities				
Purchase of property, plant and equipment		(42)	(84)	(159)
Purchase of intangible assets		(157)	(162)	(86)
Investment in other financial assets		(28)	(5)	(154)
Investment in associates and joint ventures		(30)	(15)	(10)
Loan advances to associates and joint ventures		(25)	(3)	
Acquisition of business, net of cash acquired	10	(438)		
Capitalised interest paid		(4)	(2)	
Disposal of hotel assets, net of costs and cash disposed	11	1,277	345	460
Proceeds from other financial assets		6	49	109
Loan repayments by associates and joint ventures		22		
Distribution from associate on sale of hotel				17
Proceeds from disposal of associates and joint ventures		9		3
Tax paid on disposals	7	(1)		(5)
Net cash from investing activities		589	123	175
Cash flow from financing activities				
Proceeds from the issue of share capital				5
Purchase of own shares			(110)	(283)
Purchase of own shares by employee share trusts		(47)	(68)	(44)
Dividends paid to shareholders	8	(188)	(942)	(533)
Dividend paid to non-controlling interest			(1)	(1)
Transaction costs relating to shareholder returns			(1)	
Issue of long-term bonds		458		
Other new borrowings		400		
New borrowings repaid		(400)		
(Decrease)/increase in other borrowings		(355)	382	(1)
Proceeds from foreign exchange swaps		22		
Close-out of currency swaps			4	
Net cash from financing activities		(110)	(736)	(857)
Net movement in cash and cash equivalents in the year		1,107	(70)	(58)
Cash and cash equivalents at beginning of the year	17	55	134	195
Exchange rate effects		(64)	(9)	(3)

Cash and cash equivalents at end of the year	17	1,098	55	134
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Notes on pages 94 to 141 form an integral part of these Financial Statements.

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Accounting policies

General information

This document constitutes the Annual Report and Financial Statements in accordance with UK Listing Rules requirements and the Annual Report on Form 20-F in accordance with the US Securities Exchange Act of 1934.

The Consolidated Financial Statements of InterContinental Hotels Group PLC (the Group or IHG) for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 22 February 2016. InterContinental Hotels Group PLC (the Company) is incorporated and domiciled in Great Britain and registered in England and Wales.

Summary of significant accounting policies

Basis of preparation

The Consolidated Financial Statements of IHG have been prepared on a going concern basis and under the historical cost convention, except for available-for-sale equity securities and derivatives which are measured at fair value. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and in accordance with IFRS as adopted by the European Union (EU) and as applied in accordance with the provisions of the Companies Act 2006. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the Consolidated Financial Statements for the years presented.

With effect from 1 January 2015, the Group has adopted Amendments to IAS 19 Defined Benefit Plans: Employee Contributions, and Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle. The adoption of these amendments has had no material impact on the Consolidated Financial Statements.

The Group adopted Offsetting Financial Assets and Liabilities

(Amendments to IAS 32) in 2014, resulting in restatements of 2013 cash and cash equivalents and current loans and other borrowings, which both increased by \$114m with no impact to the net financial position of the Group.

Presentational currency

The Consolidated Financial Statements are presented in millions of US dollars reflecting the profile of the Group's revenue and operating profit which are primarily generated in US dollars or US dollar-linked currencies.

In the Consolidated Financial Statements, equity share capital, the capital redemption reserve and shares held by employee share trusts are translated into US dollars at the rates of exchange on the last day of the period; the resultant exchange differences are recorded in other reserves.

The functional currency of the parent company is sterling since this is a non-trading holding company located in the United Kingdom that has sterling denominated share capital and whose primary activity is the payment and receipt of sterling dividends and of interest on sterling denominated external borrowings and inter-company balances.

Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the parent company and entities controlled by the Group. Control exists when the Group has:

power over an investee (ie existing rights that give it the current ability to direct the relevant activities of the investee);

exposure, or rights, to variable returns from its involvement with the investee; and

the ability to use its power over the investee to affect its returns.

All intra-group balances and transactions are eliminated on consolidation.

The assets, liabilities and results of those businesses acquired or disposed of are consolidated for the period during which they were under the Group's control.

The Group operates a deferred compensation plan in the US which allows certain employees to make additional provision for retirement, through the deferral of salary with matching company contributions. Employees can draw down on the plan in certain limited circumstances during employment. The assets of the plan are held in a company-owned trust which is not consolidated as the relevant activity of the trust, being the investment of the funds in the trust, is directed by the participating employees of the plan and the company has no exposure to the gains and losses resulting from those investment decisions. The assets of the trust are held solely for the benefit of the participating employees and to pay plan expenses, other than in the case of a company insolvency in which case they can be claimed by the general creditors of the company. At 31 December 2015, the trust had assets with a fair value of \$148m (2014 \$148m).

Foreign currencies

Transactions in foreign currencies are translated to 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 except on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to the currency translation reserve until the disposal of the net investment, at which time they are recycled against the gain or loss on disposal.

The assets and liabilities of foreign operations, including goodwill, are translated into US dollars at the relevant rates of exchange ruling on the last day of the period. The revenues and expenses of foreign operations are translated into US dollars at average rates of exchange for the period. The exchange differences arising on retranslation are taken directly to the currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in the currency translation reserve relating to that particular foreign operation is recycled against the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any impairment.

Repairs and maintenance costs are expensed as incurred.

Land is not depreciated. All other property, plant and equipment are depreciated to a residual value over their estimated useful lives, namely:

buildings lesser of 50 years and unexpired term of lease; and

fixtures, fittings and equipment three to 25 years.

All depreciation is charged on a straight-line basis. Residual value is re-assessed annually.

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that do not generate independent cash flows are combined into cash-generating units. If carrying values exceed their estimated recoverable amount, the assets or cash-generating units are written down to the recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses, and any subsequent reversals, are recognised in the income statement.

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On adoption of IFRS, the Group retained previous revaluations of property, plant and equipment which are included at deemed cost as permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards .

Business combinations and goodwill

On the acquisition of a business, identifiable assets and liabilities acquired are measured at their fair value. Contingent liabilities assumed are measured at fair value unless this cannot be measured reliably, in which case they are not recognised but are disclosed in the same manner as other contingent liabilities. The measurement of deferred tax assets and liabilities arising on acquisition is as described in the general principles detailed within the Taxes accounting policy note on page 96 with the exception that no deferred tax is provided on taxable temporary differences in connection with the initial recognition of goodwill.

Goodwill is recorded at cost, being the difference between the fair value of the consideration and the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

Goodwill is tested for impairment at least annually by comparing carrying values of cash-generating units with their recoverable amounts. Impairment losses cannot be subsequently reversed.

Transaction costs are expensed and are not included in the cost of acquisition.

Intangible assets

Brands

Externally acquired brands are initially recorded at cost if separately acquired or fair value if acquired as part of a business combination, provided the brands are controlled through contractual or other legal rights, or are separable from the rest of the business, and the fair value can be reliably measured. Brands are amortised over their estimated useful lives (and tested for impairment if there are indicators of impairment) or tested for impairment at least annually if determined to have indefinite lives.

The costs of developing internally generated brands are expensed as incurred.

Management contracts

Management contracts acquired as part of a business combination are initially recorded at the fair value attributed to those contracts on acquisition.

When hotel assets are sold and a purchaser enters into a franchise or management contract with the Group, the Group 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.

Software

Acquired and internally developed software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs are amortised over estimated useful lives of three to five years on a straight-line basis.

Internally generated development costs are expensed unless forecast revenues exceed attributable forecast development costs, in which case they are capitalised and amortised over the estimated useful life of the asset.

Other intangible assets

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.

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

Borrowing costs

Borrowing costs attributable to the acquisition or construction of property, plant and equipment or in respect of software projects that necessarily take a substantial period of time to prepare for their intended use, or sale, are capitalised as part of the asset cost. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs relating to projects commencing before 1 January 2009 were expensed.

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control over those policies.

A joint venture exists when two or more parties have joint control over, and rights to the net assets of, the venture. Joint control is the contractually agreed sharing of control which only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates and joint ventures are accounted for using the equity method unless the associate or joint venture is classified as held for sale. Under the equity method, the Group's investment is recorded at cost adjusted by the Group's share of post-acquisition profits and losses and other movements in the investee's reserves. When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to \$nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

Financial assets

The Group classifies its financial assets into one of the two following categories: loans and receivables or available-for-sale financial assets. Management determines the classification of financial assets on initial recognition and they are subsequently held at amortised cost (loans and receivables) or fair value (available-for-sale financial assets). Interest on loans and receivables is calculated using the effective interest rate method and is recognised in the income statement as interest income. Changes in fair values of available-for-sale financial assets are recorded directly in equity within the unrealised gains and losses reserve. On disposal, the accumulated fair value adjustments recognised in equity are recycled to the income statement. Dividends from available-for-sale financial assets are recognised in the income statement as other operating income and expenses.

Financial assets are assessed for impairment at each period-end date. In the case of an equity investment classified as available-for-sale, a significant or prolonged decline in fair value below cost is evidence that the asset is impaired. If an available-for-sale financial asset is impaired, the difference between original cost and fair value is transferred from equity to the income statement to the extent of any cumulative loss recorded in equity, with any excess charged directly to the income statement. Subsequent impairment reversals relating to previously impaired equity instruments are recorded in equity.

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Accounting policies continued

Trade receivables

Trade receivables are recorded at their original amount less provision for impairment. It is the Group'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. The carrying amount of the receivable is reduced through the use of a provision account and movements in the provision are recognised in the income statement within cost of sales. When a previously provided trade receivable is uncollectable, it is written off against the provision.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

In the statement of cash flows, cash and cash equivalents are shown net of short-term overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Assets held for sale

Assets and liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable and expected to complete within one year. For a sale to be highly probable, management need to be committed to a plan to sell the asset and the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

Depreciation is not charged against property, plant and equipment classified as held for sale.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest rate method. A financial liability is derecognised when the obligation under the liability expires, is discharged or is cancelled.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Group statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. To meet these criteria, the right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances: the normal course of business, the event of default and the event of insolvency or bankruptcy of the Group and all of the counterparties.

Trade payables

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

Bank and other borrowings

Bank and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortised cost. Finance charges, including the transaction costs and any discount or premium on issue, are recognised in the income statement using the effective interest rate method.

Borrowings are classified as non-current when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

Derivative financial instruments and hedging

Derivatives are initially recognised and subsequently re-measured at fair value. The method of recognising the re-measurement depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income and the unrealised gains and losses reserve to the extent that the hedges are effective. When the hedged item is recognised, the cumulative gains and losses on the related hedging instrument are reclassified to the income statement.

Changes in the fair value of derivatives designated as net investment hedges are recorded in other comprehensive income and the currency translation reserve to the extent that the hedges are effective. The cumulative gains and losses remain in equity until a foreign operation is sold, at which point they are reclassified to the income statement.

Changes in the fair value of derivatives which have either not been designated as hedging instruments or relate to the ineffective portion of hedges are recognised immediately in the income statement.

Documentation outlining the measurement and effectiveness of any hedging arrangements is maintained throughout the life of the hedge relationship.

Interest arising from currency derivatives and interest rate swaps is recorded in either financial income or expenses over the term of the agreement, unless the accounting treatment for the hedging relationship requires the interest to be taken to reserves.

Self insurance

Liabilities in respect of self insured risks include projected settlements for known and incurred but not reported claims. Projected settlements are estimated based on historical trends and actuarial data.

Provisions

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

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.

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

Taxes

Current tax

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

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 including accelerated capital allowances, unrelieved tax losses, unremitted profits from subsidiaries, gains rolled over into replacement assets, gains on previously revalued properties and other short-term temporary differences.

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Deferred tax assets are recognised to the extent that it is regarded as probable that the deductible temporary differences can be realised. The recoverability of all deferred tax assets is re-assessed at the end of each reporting period.

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.

Retirement benefits

Defined contribution plans

Payments to defined contribution schemes are charged to the income statement as they fall due.

Defined benefit plans

Plan assets, including qualifying insurance policies, are measured at fair value and plan liabilities are measured on an actuarial basis, using the projected unit credit method and discounting at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The difference between the value of plan assets and liabilities at the period-end date is the amount of surplus or deficit recorded in the statement of financial position as an asset or liability. An asset is recognised when the employer has an unconditional right to use the surplus at some point during the life of the plan or on its wind-up. If a refund would be subject to a tax other than income tax, as is the case in the UK, the asset is recorded at the amount net of the tax. A liability is also recorded for any such tax that would be payable in respect of funding commitments based on the accounting assumption that the related payments increase the asset.

The service cost of providing pension benefits to employees, together with the net interest expense or income for the year, is charged to the income statement within administrative expenses. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability, after any asset restriction. Past service costs and gains, which are the change in the present value of the defined benefit obligation for employee service in prior periods resulting from plan amendments, are recognised immediately the plan amendment occurs. Settlement gains and losses, being the difference between the settlement cost and the present value of the defined benefit obligations being settled, are recognised when the settlement occurs.

Re-measurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest) and changes in the amount of any asset restrictions. Actuarial gains and losses may result from: differences between the actuarial assumptions underlying the plan liabilities and actual experience during the year or changes in the actuarial assumptions used in the valuation of the plan liabilities. Re-measurement gains and losses, and taxation thereon, are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are carried out on a regular basis and are updated for material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the end of the reporting period.

Revenue recognition

Revenue arises from the sale of goods and provision of services where these activities give rise to economic benefits received and receivable by the Group on its own account and result in increases in equity.

Revenue is derived from the following sources: franchise fees; management fees; owned and leased properties and other revenues which are ancillary to the Group's operations, including technology fee income.

Revenue is recorded (excluding VAT and similar taxes) net of discounts. The following is a description of the composition of revenues of the Group:

Franchise fees received in connection with the licence of the Group's brand names, usually under long-term contracts with the hotel owner. The Group 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.

Management fees earned from hotels managed by the Group, 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.

Owned and leased primarily derived from hotel operations, including the rental of rooms and food and beverage sales from owned and leased hotels operated under the Group's brand names. Revenue is recognised when rooms are occupied and food and beverages are sold.

Franchise fees and management fees include liquidated damages received from the early termination of contracts.

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

Government grants

Government grants are recognised in the period to which they relate when there is reasonable assurance that the grant will be received and that the Group will comply with the attached conditions. Government grants are recognised within other operating income and expenses in the Group income statement.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to fair value at the date at which the right to the shares is granted. Fair value is determined by an external valuer using option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The income statement charge for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease.

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease

payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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Accounting policies continued

Disposal of non-current assets

The Group recognises sales proceeds and any related gain or loss on disposal on completion of the sales process. In determining whether the gain or loss should be recorded, the Group considers whether it:

- has a continuing managerial involvement to the degree associated with asset ownership;
- has transferred the significant risks and rewards associated with asset ownership; and
- can reliably measure and will actually receive the proceeds.

Fair value measurement

The Group measures available-for-sale equity securities and derivatives at fair value on a recurring basis and other assets when impaired by reference to fair value less costs of disposal. Additionally, the fair value of other financial assets and liabilities require disclosure.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured by reference to the principal market for the asset or liability assuming that market participants act in their economic best interests.

The fair value of a non-financial asset assumes the asset is used in its highest and best use, either through continuing ownership or by selling it.

The Group uses valuation techniques that maximise the use of relevant observable inputs using the following valuation hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Further disclosures on the particular valuation techniques used by the Group are provided in note 23.

For impairment testing purposes and where significant assets (such as property) are valued by reference to fair value less costs of disposal, an external valuation will normally be obtained using professional valuers who have appropriate market knowledge, reputation and independence.

Exceptional items

The Group discloses certain financial information both including and excluding exceptional items. The presentation of information excluding exceptional items allows a better understanding of the underlying trading performance of the Group and provides consistency with the Group's internal management reporting. Exceptional items are identified by virtue of either their size or nature so as to facilitate comparison with prior periods and to assess underlying trends in

financial performance. Exceptional items can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals and restructuring costs.

Treasury shares

Own shares repurchased by the Company and not cancelled (treasury shares) are recognised at cost and deducted from retained earnings. If reissued, any excess of consideration over purchase price is recognised in the share premium reserve.

Critical accounting policies and the use of judgements, estimates and assumptions

In determining and applying the Group'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. Management consider accounting for the System Fund to be a critical judgement and that critical estimates and assumptions are used in impairment testing and for measuring the value of intangible assets acquired in business combinations, the loyalty programme liability and litigation provisions, as discussed in further detail below. 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.

System Fund in addition to management or franchise fees, hotels within the IHG System (other than for Kimpton and InterContinental hotels) pay cash assessments and contributions which are collected by IHG for specific use within the System Fund (the Fund). The Fund also receives proceeds from the sale of IHG Rewards Club points. IHG exerts significant influence over the operation of the Fund, however the Fund is managed for the benefit of hotels in the System with the objective of driving revenues for the hotels. The Fund is used to pay for marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System. The Fund is planned to operate at breakeven with any short-term timing surplus or deficit carried in the Group statement of financial position within working capital.

As all Fund income is designated for specific purposes and does not result in a profit or loss for the Group, the revenue recognition criteria as outlined in the accounting policy above are not met and therefore the income and expenses of the Fund are not included in the Group income statement.

The assets and liabilities relating to the Fund are included in the appropriate headings in the Group statement of financial position as the related legal, but not beneficial, rights and obligations rest with the Group. These assets and liabilities include the IHG Rewards Club liability, short-term timing surpluses and deficits and any receivables and payables related to the Fund.

The cash flows relating to the Fund are reported within cash flow from operations in the Group statement of cash flows due to the close interrelationship between the Fund and the trading operations of the Group.

Further information on the Fund is included in note 32.

Loyalty programme the hotel loyalty programme, IHG Rewards Club, enables members to earn points, funded through hotel assessments, during each qualifying stay at an IHG branded hotel and redeem points at a later date for free accommodation or other benefits. The future redemption liability is calculated by multiplying the number of points expected to be redeemed before they expire by the redemption cost per point. On an annual basis the Group engages an external actuary who uses statistical formulae to assist in the estimate of the number of points that will never be redeemed (breakage). Following the introduction of a points expiration policy, breakage has become more

judgemental due to there being limited historical data on the impact of such a change. Actuarial gains and losses on the future redemption liability are borne by the System Fund and any resulting changes in the liability would correspondingly adjust the amount of short-term timing surpluses and deficits held in the Group statement of financial position.

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The future redemption liability, which is included in trade and other payables, was \$649m at 31 December 2015. Based on the conditions existing at the balance sheet date, a one percentage point decrease in the breakage estimate would increase this liability by approximately \$10m.

Kimpton acquisition The Group acquired Kimpton Hotel and Restaurant Group, LLC (Kimpton) on 16 January 2015 and has recognised the identifiable assets and liabilities acquired at fair value, with the difference between the fair value of net assets acquired and the fair value of consideration paid as goodwill. The most significant assets acquired were intangible assets and the Group engaged an independent valuation specialist to assist with their identification and valuation. The Group assessed the competence, capabilities and objectivity of the specialist, as well as the reasonableness of their conclusions having regard to the key assumptions including forecast cash flows, discount rates, royalty rates and long-term growth rates. As a result of the valuation exercise, management contract assets of \$71m, brand assets of \$193m and goodwill of \$167m were recognised. The management contracts were valued using an excess earnings approach and the brands using the relief-from-royalty method. A 10% reduction in the EBITDA margin applied to forecast management contract fees would have reduced the management contract valuation by \$17m and a 0.5 percentage point increase in the assumed royalty rate would have increased the brand valuation by \$97m, with corresponding adjustments to the amount of goodwill recognised.

For the reasons set out in note 13 to the accounts, the brands have been deemed to have an indefinite life.

Impairment testing intangible assets with definite useful lives, and property, plant and equipment are tested for impairment when events or circumstances indicate that their carrying value may not be recoverable. Goodwill and intangible assets with indefinite useful lives are subject to an impairment test on an annual basis or more frequently if there are indicators of impairment. Assets that do not generate independent cash flows are combined into cash-generating units.

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 Group'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 2015, the Group had goodwill of \$233m and brands of \$193m, both of which are subject to annual impairment testing. Information on the impairment tests performed is included in note 13.

The Group also had property, plant and equipment and other intangible assets with a net book value of \$428m and \$800m respectively at 31 December 2015. An impairment charge of \$27m was recognised during the year in relation to two hotel properties in North America. In respect of those assets requiring an impairment test and depending on how recoverable amount was assessed, a 10% reduction in fair value or estimated future cash flows would have resulted in a further impairment charge of \$6m.

Litigation from time to time, the Group is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. A provision for litigation is made when it is considered probable that a payment will be made and the amount of the loss can be reasonably estimated. Significant judgement is made

when evaluating, amongst other factors, the probability of unfavourable outcome and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each accounting period and revisions made for changes in facts and circumstances.

New standards issued but not effective

The new and amended accounting standards discussed below are those which are expected to be relevant to the Group's Financial Statements.

From 1 January 2016, the Group will apply the amendments to existing standards arising from the Annual Improvements to IFRSs 2012–2014 cycle.

From 1 January 2016, the Group will apply Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation, Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations, and Amendments to IAS 1 – Disclosure Initiative.

The Group will also apply Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture on the effective date of these amendments, which have been deferred indefinitely.

The above amendments are not expected to have a material impact on the Group's reported performance or financial position.

IFRS 15 – Revenue from Contracts with Customers introduces a new five-step approach to measuring and recognising revenue and is effective from 1 January 2018.

IFRS 9 – Financial Instruments was issued as a final standard in July 2014 and is effective from 1 January 2018. The standard introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment and hedge accounting.

IFRS 16 – Leases was issued in January 2016 and is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees will be required to recognise assets and liabilities in respect of the minimum lease payment for all leases with a term of more than 12 months, and show depreciation of leased assets and interest on lease liabilities separately in the income statement.

The Group is currently assessing the impacts of IFRS 15, IFRS 9 and IFRS 16 and plans to adopt these standards on the required effective dates.

Table of Contents**Notes to the Group Financial Statements****1. Exchange rates**

The results of operations have been translated into US dollars at the average rates of exchange for the year. In the case of sterling, the translation rate is \$1=£0.65 (2014: \$1=£0.61, 2013: \$1=£0.64). In the case of the euro, the translation rate is \$1= 0.90 (2014: \$1= 0.75, 2013: \$1= 0.75).

Assets and liabilities have been translated into US dollars at the rates of exchange on the last day of the year. In the case of sterling, the translation rate is \$1=£0.68 (2014: \$1=£0.64, 2013: \$1=£0.60). In the case of the euro, the translation rate is \$1= 0.92 (2014: \$1= 0.82, 2013: \$1= 0.73).

2. Segmental information

The management of the Group's operations, excluding Central functions, is organised within four geographical regions:

Americas;
Europe;
Asia, Middle East and Africa (AMEA); and
Greater China

These, together with Central functions, comprise the Group's five reportable segments. No operating segments have been aggregated to form these reportable segments.

Central functions include costs of global functions including technology, sales and marketing, finance, human resources and corporate services; central revenue arises principally from technology fee income. Central liabilities include the loyalty programme liability and the cumulative short-term System Fund surplus.

Each of the geographical regions is led by its own Chief Executive Officer and derives its revenues from either franchising, managing or owning hotels and additional segmental disclosures are provided accordingly.

Management monitors the operating results of the geographical regions and Central functions separately for the purpose of making decisions about resource allocation and performance assessment. Segmental performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements, excluding exceptional items. Group financing activities and income taxes are managed on a group basis and are not allocated to reportable segments.

	Americas	Europe	AMEA	Greater China	Central	Group
Year ended 31 December 2015	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
Franchised	661	104	16	4		785
Managed	166	131	189	105		591
Owned and leased	128	30	36	98		292
Central					135	135
	955	265	241	207	135	1,803

	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Segmental result						
Franchised	575	77	12	5		669
Managed	64	28	90	59		241
Owned and leased	24	1	3	29		57
Regional and central	(66)	(28)	(19)	(23)	(151)	(287)
Reportable segments operating profit	597	78	86	70	(151)	680
Exceptional operating items (note 5)	(41)	175	(2)	698	(11)	819
Operating profit	556	253	84	768	(162)	1,499
						Group
						\$m
Reportable segments operating profit						680
Exceptional operating items (note 5)						819
Operating profit						1,499
Net finance costs						(87)
Profit before tax						1,412
Tax						(188)
Profit for the year						1,224
All items above relate to continuing operations.						

Table of Contents**2. Segmental information** continued

	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
31 December 2015						
Assets and liabilities						
Segment assets	1,355	383	260	148	396	2,542
Unallocated assets:						
Non-current tax receivable						37
Deferred tax assets						49
Current tax receivable						4
Cash and cash equivalents						1,137
Total assets						3,769
Segment liabilities	(449)	(156)	(76)	(46)	(834)	(1,561)
Unallocated liabilities:						
Current tax payable						(85)
Deferred tax liabilities						(135)
Derivative financial instruments						(3)
Loans and other borrowings						(1,666)
Total liabilities						(3,450)
	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Year ended 31 December 2015						
Other segmental information						
Capital expenditure (see below)	87	45	8	4	118	262
Non-cash items:						
Depreciation and amortisation ^a	23	10	6	8	49	96
Share-based payments cost					19	19
Share of losses/(profits) of associates and joint ventures	5		(2)			3
Impairment charges	27		9			36

^a Included in the \$96m of depreciation and amortisation is \$50m relating to administrative expenses and \$46m relating to cost of sales.

	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Reconciliation of capital expenditure						
Capital expenditure per management reporting	87	45	8	4	118	262

Management contracts acquired on disposal of hotels		33		64		97
Timing differences and other adjustments	(5)					(5)
Additions per the Financial Statements	82	78	8	68	118	354
Comprising additions to:						
Property, plant and equipment	19		1	1	21	42
Assets classified as held for sale				2		2
Intangible assets	25	64	4	65	97	255
Investment in associates and joint ventures	30					30
Other financial assets	8	14	3			25
	82	78	8	68	118	354

Table of Contents*Notes to the Group Financial Statements continued***2. Segmental information continued**

Year ended 31 December 2014	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
Franchised	630	104	16	4		754
Managed	103	159	187	99		548
Owned and leased	138	111	39	139		427
Central					129	129
	871	374	242	242	129	1,858
	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Segmental result						
Franchised	544	78	12	5		639
Managed	47	30	88	63		228
Owned and leased	18	14	3	42		77
Regional and central	(65)	(33)	(19)	(21)	(155)	(293)
Reportable segments operating profit	544	89	84	89	(155)	651
Exceptional operating items (note 5)	110	(56)			(25)	29
Operating profit	654	33	84	89	(180)	680
						Group
						\$m
Reportable segments operating profit						651
Exceptional operating items (note 5)						29
Operating profit						680
Net finance costs						(80)
Profit before tax						600
Tax						(208)
Profit for the year						392

All items above relate to continuing operations.

Table of Contents**2. Segmental information continued**

	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
31 December 2014						
Assets and liabilities						
Segment assets	919	316	244	394	346	2,219
Assets classified as held for sale		310				310
	919	626	244	394	346	2,529
Unallocated assets:						
Non-current tax receivable						34
Deferred tax assets						87
Current tax receivable						4
Derivative financial instruments						2
Cash and cash equivalents						162
Total assets						2,818
Segment liabilities	(430)	(199)	(61)	(66)	(796)	(1,552)
Liabilities classified as held for sale		(94)				(94)
	(430)	(293)	(61)	(66)	(796)	(1,646)
Unallocated liabilities:						
Current tax payable						(47)
Deferred tax liabilities						(147)
Loans and other borrowings						(1,695)
Total liabilities						(3,535)
	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Year ended 31 December 2014						
Other segmental information						
Capital expenditure (see below)	75	37	11	6	123	252
Non-cash items:						
Depreciation and amortisation ^a	22	18	8	15	33	96
Share-based payments cost					21	21
Share of losses/(profits) of associates and joint ventures	6		(2)			4

^a Included in the \$96m of depreciation and amortisation is \$41m relating to administrative expenses and \$55m relating to cost of sales.

	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Reconciliation of capital expenditure						
Capital expenditure per management reporting	75	37	11	6	123	252

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Management contracts acquired on disposal of hotels	50					50
Capital contributions to associates	15					15
Other financial assets relating to deferred consideration on disposals	27	25				52
Timing differences and other adjustments				(1)		(1)
Additions per the Financial Statements	167	62	11	5	123	368
Comprising additions to:						
Property, plant and equipment	45	12	2	5	15	79
Assets classified as held for sale	1	3				4
Intangible assets	78	22	5		108	213
Investment in associates and joint ventures	15					15
Other financial assets	28	25	4			57
	167	62	11	5	123	368

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Notes to the Group Financial Statements continued

2. Segmental information continued

Year ended 31 December 2013	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
Franchised	576	104	16	3		699
Managed	128	156	170	92		546
Owned and leased	212	140	44	141		537
Central					121	121
	916	400	230	236	121	1,903
	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Segmental result						
Franchised	499	79	12	5		595
Managed	74	30	92	51		247
Owned and leased	30	30	4	47		111
Regional and central	(53)	(34)	(22)	(21)	(155)	(285)
Reportable segments operating profit	550	105	86	82	(155)	668
Exceptional operating items (note 5)	6	19		(10)	(10)	5
Operating profit	556	124	86	72	(165)	673
						Group
						\$m
Reportable segments operating profit						668
Exceptional operating items (note 5)						5
Operating profit						673
Net finance costs						(73)
Profit before tax						600
Tax						(226)
Profit for the year						374

All items above relate to continuing operations.

Year ended 31 December 2013	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Other segmental information						
Capital expenditure	116	37	17	8	91	269
Non-cash items:						

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Depreciation and amortisation ^a	19	18	10	15	23	85
Share-based payments cost					22	22
Share of profits of associates and joint ventures	5		3			8

^a Included in the \$85m of depreciation and amortisation is \$34m relating to administrative expenses and \$51m relating to cost of sales.

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Table of Contents**2. Segmental information** continued

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Geographical information	\$m	\$m	\$m
Revenue			
United Kingdom	67	75	90
United States	876	786	843
People's Republic of China (including Hong Kong)	223	254	247
Rest of World	637	743	723
	1,803	1,858	1,903

For the purposes of the above table, hotel revenue is determined according to the location of the hotel and other revenue is attributed to the country of origin. In addition to the United Kingdom, revenue relating to an individual country is separately disclosed when it represents 10% or more of total revenue.

	31 December 2015	31 December 2014
	\$m	\$m
Non-current assets		
United Kingdom	126	136
United States	1,265	811
People's Republic of China (including Hong Kong)	83	318
Rest of World	319	238
	1,793	1,503

For the purposes of the above table, non-current assets comprise property, plant and equipment, goodwill, intangible assets, investments in associates and joint ventures and trade and other receivables. In addition to the United Kingdom, non-current assets relating to an individual country are separately disclosed when they represent 10% or more of total non-current assets, as defined above.

Table of Contents*Notes to the Group Financial Statements continued***3. Staff costs and Directors' emoluments**

	2015	2014	2013
	\$m	\$m	\$m
Staff			
Costs:			
Wages and salaries	562	577	580
Social security costs	33	42	41
Pension and other post-retirement benefits:			
Defined benefit plans (note 25)	5	10	10
Defined contribution plans	28	28	25
	628	657	656
	2015	2014	2013
Average number of employees, including part-time employees:			
Americas	2,082	2,191	2,548
Europe	1,041	1,557	1,602
Asia, Middle East and Africa	1,658	1,451	1,545
Greater China	865	1,092	1,083
Central	1,665	1,506	1,401
	7,311	7,797	8,179

The costs of the above employees are borne by IHG. Of these, 90% were employed on a full-time basis and 10% were employed on a part-time basis.

In addition to the above, the Group has employees who work directly on behalf of the System Fund and whose costs are borne by the Fund as disclosed in note 32. In line with IHG's business model, IHG also employs 706 (2014: 602, 2013: 578) General Managers who work in the managed hotels and whose total costs of \$154m (2014: \$142m, 2013: \$135m) are borne by those hotels and, in the US predominantly, there are 19,746 (2014: 11,848, 2013: 10,834) other hotel workers in the managed hotels who have contracts or letters of service with IHG whose total costs of \$782m (2014: \$449m, 2013: \$383m) are borne by those hotels.

	2015	2014	2013
	\$m	\$m	\$m
Directors' emoluments			
Base salaries, fees, performance payments and benefits ^a	7.9	9.0	8.5
Pension benefits under defined contribution plans		0.2	0.4

^a In 2014, excludes ICETUS cash-out payment of £9.4m.

More detailed information on the emoluments, pensions, share awards and shareholdings for each Director is shown in the Directors Remuneration Report on pages 68 to 77.

4. Auditor s remuneration paid to Ernst & Young LLP

	2015	2014	2013
	\$m	\$m	\$m
Audit of the Financial Statements	2.5	2.4	2.0
Audit of subsidiaries	2.1	2.0	1.4
Audit-related assurance services	0.2	0.2	0.5
Other assurance services	0.9	0.9	1.2
Tax compliance	0.2	0.2	0.2
Tax advisory	0.1	0.3	0.4
Other non-audit services not covered by the above	0.4	0.1	0.1
	6.4	6.1	5.8

Audit fees in respect of the pension scheme were not material.

Table of Contents**5. Exceptional items**

	Note	2015 \$m	2014 \$m	2013 \$m
Exceptional operating items				
Administrative expenses:				
Venezuelan currency losses	a	(4)	(14)	
Reorganisation costs	b	(6)	(29)	
Corporate development costs	c	(5)		
Kimpton acquisition costs	d		(7)	
Kimpton integration costs	e	(10)		
Pension settlement cost	f		(6)	(147)
UK portfolio restructuring	g		(45)	
Litigation	h			(10)
Loyalty programme rebranding costs	i			(10)
		(25)	(101)	(167)
Share of profits of associates and joint ventures:				
Share of gain on disposal of a hotel (note 14)				6
Other operating income and expenses:				
Gain on disposal of hotels (note 11)		871	130	166
Gain on disposal of investment in associate (note 14)		9		
		880	130	166
Impairment charges:				
Property, plant and equipment (note 12)		(27)		
Associates (note 14)		(9)		
		(36)		
		819	29	5
Tax				
Tax on exceptional operating items	j	(8)	(29)	(6)
Exceptional tax	k			(45)
		(8)	(29)	(51)

All items above relate to continuing operations.

The above items are treated as exceptional by reason of their size or nature, as further described on page 98.

a Arises from changes to the Venezuelan exchange rate mechanisms and the adoption of the SIMADI exchange rate in 2015 and the SICAD II exchange rate in 2014, these being the most accessible exchange rates open to the Group for converting its bolivar earnings into US dollars. The exceptional losses arise from the re-measurement of the Group's bolivar assets and liabilities to the relevant exchange rates, being approximately \$1=190VEF on adoption of SIMADI and approximately \$1=50VEF on adoption of SICAD II. The Group has used the SIMADI exchange rate for translating the results of its Venezuelan operations since 1 April 2015.

b Relates to the implementation of more efficient processes and procedures in the Group's Global Technology infrastructure to help mitigate future cost increases, together with, in 2014, costs incurred in introducing a new HR

- operating model across the business to provide enhanced management information and more efficient processes. These restructuring programmes have now been completed.
- c Primarily legal costs related to development opportunities.
 - d Related to acquisition transaction costs incurred in the period to 31 December 2014 on the acquisition of Kimpton, which completed on 16 January 2015 (see note 10).
 - e Relates to the initial costs of integrating Kimpton into the operations of the Group. The integration programme remains in progress and further costs will be incurred in 2016.
 - f In 2014, resulted from a partial cash-out of the UK unfunded pension arrangements and, in 2013, resulted from a buy-in (and subsequent buy-out in 2014) of the Group's UK funded defined benefit obligations with the insurer, Rothesay Life. See note 25 for further details.
 - g Related to the costs of securing a restructuring of the UK hotel portfolio which resulted in the transfer of 61 managed hotels to franchise contracts.
 - h Related to an agreed settlement in respect of a lawsuit filed against the Group in the Greater China region.
 - i Related to costs incurred in support of the worldwide rebranding of IHG Rewards Club that was announced 1 July 2013.
 - j In 2015, comprises a charge of \$56m relating to disposal of hotels, a credit of \$21m in respect of the 2014 disposal of an 80.1% interest in InterContinental New York Barclay reflecting the judgement that state tax law changes would now apply to the deferred gain, and credits of \$27m for current and deferred tax relief on other operating exceptional items of current and prior periods. In 2014, the charge comprised \$56m relating to the disposal of an 80.1% interest in InterContinental New York Barclay offset by a credit of \$27m relating to a restructuring of the UK hotel portfolio and other reorganisation costs.
 - k In 2013, comprised a deferred tax charge of \$63m consequent on the disposal of InterContinental London Park Lane, together with charges and credits of \$38m and \$19m respectively from associated restructurings (including intra-group dividends) and financings, offset by the recognition of \$37m of previously unrecognised tax credits.

Table of Contents*Notes to the Group Financial Statements continued***6. Finance costs**

	2015	2014	2013
	\$m	\$m	\$m
Financial income			
Interest income on deposits	2	2	4
Interest income on loans and receivables	3	1	1
	5	3	5
Financial expenses			
Interest expense on borrowings	74	66	59
Finance charge payable under finance leases	20	19	19
Capitalised interest	(2)	(2)	
	92	83	78

Interest income and expense relate to financial assets and liabilities held at amortised cost, calculated using the effective interest rate method.

Included within interest expense is \$2m (2014: \$2m, 2013: \$2m) payable to the IHG Rewards Club loyalty programme relating to interest on the accumulated balance of cash received in advance of the redemption of points awarded.

The rate used for capitalisation of interest was 3.4% (2014: 4.4%).

7. Tax**Tax on profit**

	2015	2014	2013
Note	\$m	\$m	\$m
Income tax			
UK corporation tax at 20.25% (2014: 21.50%, 2013: 23.25%):			
Current period	7	5	62
Benefit of tax reliefs on which no deferred tax previously recognised			(49)
a			
Adjustments in respect of prior periods	(17)	2	

		(10)	7	13
Foreign tax:	b			
Current period		196	156	184
Benefit of tax reliefs on which no deferred tax previously recognised		(1)	(2)	(42)
Adjustments in respect of prior periods		(27)	(26)	(17)
		168	128	125
Total current tax		158	135	138
Deferred tax:				
Origination and reversal of temporary differences		60	68	122
Changes in tax rates and tax laws	c	(21)	2	(1)
Adjustments to estimated recoverable deferred tax assets		(13)	1	(39)
Adjustments in respect of prior periods		4	2	6
Total deferred tax		30	73	88
Total income tax charge for the year		188	208	226
Further analysed as tax relating to:				
Profit before exceptional items		180	179	175
Exceptional items:				
Exceptional operating items (note 5)		8	29	6
Exceptional tax (note 5)				45
		188	208	226

All items above relate to continuing operations.

a In 2013, included \$45m in respect of the utilisation of unrecognised capital losses against the gain on disposal of InterContinental London Park Lane.

b Represents corporate income taxes on profit taxable in foreign jurisdictions, a significant proportion of which relates to the Group's US subsidiaries.

c In 2015, predominantly reflecting the judgement that state tax law changes would now apply to the deferred gain from the 2014 disposal of InterContinental New York Barclay.

Table of Contents**7. Tax continued**

	2015	2014	Total^a	Before exceptional items^b		
	%	%	2013	2015	2014	2013
	%	%	%	%	%	%
Reconciliation of tax charge, including gain on disposal of assets						
UK corporation tax at standard rate	20.3	21.5	23.3	20.3	21.5	23.3
Non-deductible expenditure and non-taxable income ^c	(8.9)	4.9	16.6	1.6	1.0	1.9
Non-recoverable withholding taxes	0.1	0.4	1.2	0.3	0.4	1.2
Net effect of different rates of tax in overseas businesses	7.1	11.5	11.6	15.3	12.8	11.9
Effect of changes in tax rates and tax laws ^d	(1.5)	0.3	(0.1)	0.1	0.1	(0.1)
Benefit of tax reliefs on which no deferred tax previously recognised	(0.1)	(0.4)	(15.0)	(0.1)	(0.3)	(1.1)
Effect of adjustments to estimated recoverable deferred tax assets	(0.9)	0.2	(6.4)	(1.7)	(0.2)	(4.9)
Adjustment to tax charge in respect of prior periods	(2.8)	(3.7)	(2.2)	(5.4)	(3.9)	(2.1)
Deferred tax provision on unremitted earnings			10.5			
Other	0.1		(1.8)			(0.6)
	13.4	34.7	37.7	30.4	31.4	29.5

^a Calculated in relation to total profits including exceptional items.

^b Calculated in relation to profits excluding exceptional items.

^c In 2015, total of (8.9)% represents (9.8)% in respect of accounting gains in excess of gains subject to taxation, offset by 0.9% of other items.

^d In 2015, total of (1.5)% predominantly reflects the judgement that state tax law changes would now apply to the deferred gain from the 2014 disposal of InterContinental New York Barclay.

The UK statutory tax rate will reduce to 18% on 1 April 2020. The Group does not anticipate this change having a material effect.

Tax paid

Total net tax paid during the year of \$110m (2014: \$136m, 2013: \$97m) comprises \$109m (2014: \$136m, 2013: \$92m) paid in respect of operating activities and \$1m (2014: \$nil, 2013: \$5m) paid in respect of investing activities.

Tax paid represents an effective rate of 8% (2014: 23%, 2013: 16%) on total profits and is lower than the effective income statement tax rate of 30% (2014: 31%, 2013: 29%) primarily due to the impact of exceptional accounting gains taxable on a deferred basis, without which the equivalent effective rate would be 20%. The remaining difference is primarily due to deferred taxes (including the realisation of assets such as tax losses), the receipt of refunds in respect of prior years and provisions for tax for which no payment of tax has currently been made.

Corporation tax liabilities did not arise in 2015 in the UK and are not expected to arise for a number of years thereafter due to expenses and associated tax losses attributable principally to employment matters, in particular

additional shortfall contributions made to the UK pension plan in the years 2007 to 2013.

Deferred tax

	Property, plant and equipment	Deferred gains on loan notes	Deferred gains on investments	Employee Losses	Employee benefits	Intangible assets	Undistributed earnings of subsidiaries	Other short-term temporary differences ^a	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 January 2014	240	107		(186)	(37)	34	66	(157)	67
Income statement	(55)		108	17	3	22	(19)	(3)	73
Statement of comprehensive income					(8)			1	(7)
Statement of changes in equity								(3)	(3)
Exchange and other adjustments	(11)	(2)		15	1	(4)	(3)		(4)
At 31 December 2014	174	105	108	(154)	(41)	52	44	(162)	126
Income statement	18	(50)	(21)	62	6	22	29	(36)	30
Statement of comprehensive income					(2)				(2)
Statement of changes in equity								3	3
Assets of business sold	(88)			21	1				(66)
Exchange and other adjustments	(5)			4	4	(4)	(3)	(1)	(5)
At 31 December 2015	99	55	87	(67)	(32)	70	70	(196)	86

^a Primarily relates to provisions, accruals, amortisation and share-based payments. Includes an asset of approximately \$70m which is expected to be reclassified to current taxes subject to a requested change of tax treatment being approved by the relevant tax authority.

	2015 \$m	2014 \$m
Analysed as:		
Deferred tax assets	(49)	(87)
Deferred tax liabilities	135	147
Liabilities held for sale		66
	86	126

Table of Contents*Notes to the Group Financial Statements continued***7. Tax continued**

Deferred gains on loan notes includes \$55m (2014: \$55m) which is expected to fall due for payment in 2025 (2014: 2016).

The deferred tax asset recognised in respect of losses of \$67m (2014: \$154m) includes \$nil (2014: \$50m) in respect of capital losses available to be utilised against the realisation of capital gains which are recognised as a deferred tax liability and \$67m (2014: \$104m) in respect of revenue tax losses. Deferred tax assets of \$nil (2014: \$20m) are recognised in relation to legal entities which suffered a tax loss in the current or preceding period. Deferred gains on investments represent taxable gains which would crystallise upon a sale of a related joint venture, associate or other equity investment.

The Group has unrecognised deferred tax assets as follows:

	2015	2014
	\$m	\$m
Revenue losses	47	126
Capital losses	114	130
Total losses ^a	161	256
Employee benefits	5	5
Other ^b	28	58
Total	194	319

^a These may be carried forward indefinitely other than \$9m which expires after one year, \$1m which expires after five years, \$7m which expires after six years, \$3m which expires after seven years and \$1m which expires after eight years (2014: \$11m which expires after two years, \$1m which expires after six years, \$8m which expires after seven years, \$1m which expires after eight years and \$2m which expires after nine years).

^b Primarily relates to provisions, accruals, amortisation and share-based payments.

These assets have not been recognised as the Group does not currently anticipate being able to offset these against future profits or gains in order to realise any economic benefit in the foreseeable future. However, future benefits may arise as a result of resolving tax uncertainties, or as a consequence of case law and legislative developments which make the value of the assets more certain.

The Group 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 Group cannot control the timing of the reversal. The remaining unprovided liability that would arise on the reversal of these temporary differences is not expected to exceed \$10m (2014: \$10m).

Tax risks, policies and governance

Information concerning the Group's tax governance can be found in the Taxation section of the Strategic Report on pages 47 to 48.

8. Dividends

	2015	2014	2013	2015	2014	2013
	cents per	cents per	cents per	\$m	\$m	\$m
	share	share	share			
Paid during the year:						
Final (declared for previous year)	52.0	47.0	43.0	125	122	115
Interim	27.5	25.0	23.0	63	57	63
Special (note 27)		293.0	133.0		763	355
	79.5	365.0	199.0	188	942	533
Proposed (not recognised as a liability at 31 December):						
Final	57.5	52.0	47.0	135	122	121

The final dividend of 40.3p (57.5¢ converted at the closing exchange rate on 19 February 2016) is proposed for approval at the Annual General Meeting (AGM) on 6 May 2016 and is payable on the shares in issue at 1 April 2016.

In February 2016, the Board proposed a \$1.5bn return of funds to shareholders by way of a special dividend of 632.9¢ per ordinary share, together with a share consolidation.

Table of Contents**9. Earnings per ordinary share**

Basic earnings per ordinary share is calculated by dividing the profit for the year available for IHG equity holders by the weighted average number of ordinary shares, excluding investment in own shares, in issue during the year.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year.

Adjusted earnings per ordinary share is disclosed in order to show performance undistorted by exceptional items, to give a more meaningful comparison of the Group's performance.

	2015	2014	2013
Continuing and total operations			
Basic earnings per ordinary share			
Profit available for equity holders (\$m)	1,222	391	372
Basic weighted average number of ordinary shares (millions)	235	247	264
Basic earnings per ordinary share (cents)	520.0	158.3	140.9
Diluted earnings per ordinary share			
Profit available for equity holders (\$m)	1,222	391	372
Diluted weighted average number of ordinary shares (millions)	238	250	267
Diluted earnings per ordinary share (cents)	513.4	156.4	139.3
Adjusted earnings per ordinary share			
Profit available for equity holders (\$m)	1,222	391	372
Adjusting items (note 5):			
Exceptional operating items (\$m)	(819)	(29)	(5)
Tax on exceptional operating items (\$m)	8	29	6
Exceptional tax (\$m)			45
Adjusted earnings (\$m)	411	391	418
Basic weighted average number of ordinary shares (millions)	235	247	264
Adjusted earnings per ordinary share (cents)	174.9	158.3	158.3
Adjusted diluted earnings per ordinary share			
Adjusted earnings (\$m)	411	391	418
Diluted weighted average number of ordinary shares (millions)	238	250	267
Adjusted diluted earnings per ordinary share (cents)	172.7	156.4	156.6
	2015	2014	2013
	millions	millions	millions
Diluted weighted average number of ordinary shares is calculated as:			
Basic weighted average number of ordinary shares	235	247	264
Dilutive potential ordinary shares	3	3	3
	238	250	267

Table of Contents*Notes to the Group Financial Statements continued***10. Acquisition of business**

On 16 January 2015, the Group acquired a 100% ownership interest in Kimpton Hotel & Restaurant Group, LLC (Kimpton), an unlisted company based in the US. Kimpton is the world's largest independent boutique hotel operator and the acquisition makes IHG the market leader in the boutique segment.

The fair values of the identifiable assets and liabilities of Kimpton at the date of acquisition were as follows:

	\$m
Identifiable intangible assets:	
Brands	193
Management contracts	71
Software	2
Property, plant and equipment	3
Other financial assets	10
Trade and other receivables	29
Cash and cash equivalents	3
Trade and other payables	(27)
Non-current liabilities	(10)
Net identifiable assets acquired	274
Goodwill	167
Total purchase consideration	441

Net cash outflow arising on acquisition:

	\$m
Cash consideration, including working capital payment of \$11m	441
Less: cash and cash equivalents acquired	(3)
	438

The goodwill is mainly attributable to the growth opportunities identified for the acquired business, both in the US and globally, plus cost synergies expected to arise. The amount of goodwill that is expected to be deductible for income tax purposes is \$164m.

Included in trade and other receivables are trade receivables with a gross contractual value of \$26m, which are expected to be collectable in full. The fair value of trade receivables approximates the book value of \$26m.

No contingent liabilities were recognised as a result of the acquisition.

Kimpton contributed revenue of \$59m and operating profit of \$18m for the period between the date of acquisition and the balance sheet date. The results of Kimpton are included in the Americas managed business segment.

If the acquisition had taken place at 1 January 2015, there would have been no material difference to reported Group revenue and operating profit for the year ended 31 December 2015.

Integration costs of \$10m were charged to exceptional administrative expenses in the year ended 31 December 2015.
Acquisition transaction costs of \$7m were charged to exceptional administrative expenses in the year ended 31 December 2014.

Table of Contents**11. Assets sold and held for sale****Assets sold**

During the year ended 31 December 2015, the Group sold one hotel in the Europe region, InterContinental Paris Le Grand on 20 May 2015, and one hotel in the Greater China region, InterContinental Hong Kong on 30 September 2015. On 30 November 2015, the Group disposed of its share of assets and liabilities in a joint operation in the AMEA region.

Principal disposals during the year ended 31 December 2014 were the sale of InterContinental Mark Hopkins San Francisco on 27 March 2014 and the disposal of an 80.1% interest in InterContinental New York Barclay on 31 March 2014. The Group's 19.9% retained interest is accounted for as an associate as described in note 14. Both transactions took place in The Americas region.

During the year ended 31 December 2013, the Group sold one hotel in the Europe region, InterContinental London Park Lane.

	2015 \$m	2014 \$m	2013 \$m
Consideration			
Current year disposals:			
Cash consideration, net of costs paid	1,289	345	460
Other financial assets ^a		52	
Intangible assets – management contracts	97	50	40
Investment in associate		22	
Accrued disposal costs	(3)		
	1,383	469	500
Net assets disposed:			
Property, plant and equipment	(6)	(110)	
Non-current assets held for sale	(577)	(228)	(294)
Other financial asset		(5)	
Other assets held for sale, including cash and cash equivalents	(43)		
Net current liabilities		4	6
Borrowings	2		
Deferred tax liability held for sale	66		
Other liabilities held for sale	48		
	(510)	(339)	(288)
Exchange losses reclassified from currency translation reserve	(2)		(46)
Gain on disposal of hotels from continuing operations	871	130	166
Net cash inflow arising on disposals^b			
Disposal of hotel assets, net of costs and cash disposed			
Cash consideration, net of costs paid	1,289	345	460
Less: cash and cash equivalents disposed	(11)		
Costs paid – prior year disposals	(1)		
	1,277	345	460

Distribution from associate on sale of hotel			17
Tax paid on disposals	(1)		(5)
	1,276	345	472

^a Includes \$27m deferred consideration subsequently received and included within proceeds from other financial assets in the Group statement of cash flows.

^b Unless otherwise stated relates to current year disposals.

Assets held for sale

There were no assets held for sale at 31 December 2015. InterContinental Paris Le Grand was held for sale at 31 December 2014.

	2015	2014
	\$m	\$m
Assets and liabilities held for sale		
Assets classified as held for sale:		
Property, plant and equipment		306
Other assets		4
		310
Liabilities classified as held for sale:		
Deferred tax (note 7)		(66)
Other liabilities		(28)
		(94)

Table of Contents*Notes to the Group Financial Statements continued***12. Property, plant and equipment**

	Land and buildings \$m	Fixtures, fittings and equipment \$m	Total \$m
Cost			
At 1 January 2014	1,101	871	1,972
Additions	27	52	79
Transfers to non-current assets classified as held for sale	(276)	(171)	(447)
Disposals	(144)	(61)	(205)
Exchange and other adjustments	(8)	(20)	(28)
At 31 December 2014	700	671	1,371
Additions	13	29	42
Capitalised interest	2		2
Acquisition of business (note 10)		3	3
Transfers to non-current assets classified as held for sale	(329)	(120)	(449)
Reclassification from intangible assets		7	7
Disposals	(9)	(3)	(12)
Exchange and other adjustments		(11)	(11)
At 31 December 2015	377	576	953
Depreciation and impairment			
At 1 January 2014	(156)	(647)	(803)
Provided	(11)	(32)	(43)
System Fund expense		(4)	(4)
Transfers to non-current assets classified as held for sale	8	107	115
Disposals	37	58	95
Exchange and other adjustments		10	10
At 31 December 2014	(122)	(508)	(630)
Provided	(8)	(27)	(35)
System Fund expense		(3)	(3)
Transfers to non-current assets classified as held for sale	79	78	157
Impairment charges	(27)		(27)
Disposals	3	3	6
Exchange and other adjustments	1	6	7
At 31 December 2015	(74)	(451)	(525)
Net book value			
At 31 December 2015	303	125	428
At 31 December 2014	578	163	741
At 1 January 2014	945	224	1,169

The Group's property, plant and equipment mainly comprises hotels, but also offices and computer hardware, throughout the world. In addition to the hotels included above, there was one hotel classified as held for sale at 31 December 2014 (see note 11). Following the hotel disposals during the year, 43% (2014: 75%) of the net book value relates to the largest (2014: three largest) owned and leased hotel(s) of a total of eight hotels (2014: 10 hotels),

seven of which are open (2014: nine open). At 31 December 2015, there was one hotel (2014: one hotel) with a net book value of \$53m (2014: \$36m) which is under construction, not yet in use and therefore not being depreciated.

The carrying value of property, plant and equipment held under finance leases at 31 December 2015 was \$184m (2014: \$186m).

Including assets classified as held for sale, 22% (2014: 40%) of hotel properties by net book value were directly owned, with 59% (2014: 22%) held under leases having a term of 50 years or longer.

Due to localised adverse market conditions, an impairment charge of \$27m has been recognised during the year relating to two hotels in North America following a re-assessment of their recoverable amounts to \$37m, based on value in use calculations. Estimated future cash flows were discounted at a pre-tax rate of 11.75%. All impairment charges are included within impairment charges on the face of the Group income statement.

There are no charges over the Group's property, plant and equipment.

Table of Contents**12. Property, plant and equipment continued**

The table below analyses the net book value of the Group's property, plant and equipment by operating segment at 31 December 2015:

	Americas	Europe	AMEA	Greater China	Central	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Land and buildings	288				15	303
Fixtures, fittings and equipment	40		10		75	125
	328		10		90	428

13. Goodwill and other intangible assets

	Goodwill	Brands	Software	Management contracts	Other intangibles	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Cost						
At 1 January 2014	221		395	277	159	1,052
Additions			108	50	55	213
Disposals			(31)		(5)	(36)
Exchange and other adjustments	(6)		(1)	(17)	(2)	(26)
At 31 December 2014	215		471	310	207	1,203
Additions			94	97	64	255
Capitalised interest			2			2
Acquisition of business (note 10)	167	193	2	71		433
Reclassification to property, plant and equipment			(7)			(7)
Disposals			(62)		(4)	(66)
Exchange and other adjustments	(11)		(2)	(13)	(4)	(30)
At 31 December 2015	371	193	498	465	263	1,790
Amortisation and impairment						
At 1 January 2014	(141)		(189)	(131)	(73)	(534)
Provided			(33)	(9)	(11)	(53)
System Fund expense			(15)			(15)
Disposals			31		4	35
Exchange and other adjustments			(1)	6	2	7
At 31 December 2014	(141)		(207)	(134)	(78)	(560)
Provided			(40)	(10)	(11)	(61)
System Fund expense			(18)			(18)
Disposals			62		3	65
Exchange and other adjustments	3		1	5	1	10
At 31 December 2015	(138)		(202)	(139)	(85)	(564)
Net book value						

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At 31 December 2015	233	193	296	326	178	1,226
At 31 December 2014	74		264	176	129	643
At 1 January 2014	80		206	146	86	518

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Table of Contents*Notes to the Group Financial Statements continued***13. Goodwill and other intangible assets continued****Goodwill and brands**

During the year, the Group acquired Kimpton (see note 10) resulting in the recognition of goodwill of \$167m and brands of \$193m, together with management contracts of \$71m.

The Kimpton brands are considered to have an indefinite life given their strong brand awareness and reputation in the upscale boutique hotel sector, and management's commitment to continued investment in their growth. The brands are protected by trademarks and there are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of the brands. In the hotel industry there are a number of brands that have existed for many years and IHG has brands that are over 60 years old.

The Group tests goodwill and indefinite life intangible assets for impairment annually, or more frequently if there are any indicators that an impairment may have arisen. The year-end carrying value of goodwill and indefinite life brands have been allocated to cash-generating units (CGUs) for impairment testing purposes as follows:

	Goodwill	2015 Brands	2014 Goodwill
	\$m	\$m	\$m
CGU			
Americas Managed	63	193	
Americas Franchised	37		
Europe Managed	21		
Europe Franchised	10		
AMEA Managed and Franchised	102		74
	233	193	74

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations cover a five-year period using pre-tax cash flow forecasts derived from the most recent financial budgets and strategic plans approved by management incorporating growth rates based on management's past experience and industry growth forecasts. A terminal value is added using growth rates that do not exceed the average long-term growth rates for the relevant markets. The cash flows are discounted using pre-tax rates that are based on the Group's weighted average cost of capital adjusted to reflect the risks specific to the business model and territory of the CGU being tested.

The terminal growth rates and discount rates used in the impairment tests are as follows:

	Terminal growth rate		Discount rate	
	2015	2014	2015	2014
	%	%	%	%
Americas Managed	2.5	n/a	10.2	n/a
Americas Franchised	2.5	n/a	9.2	n/a

Europe Managed	2.5	n/a	9.9	n/a
Europe Franchised	2.5	n/a	8.9	n/a
AMEA Managed and Franchised	3.5	3.5	12.5	13.7

Impairment was not required at either 31 December 2015 or 31 December 2014. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

Software

Software includes \$85m relating to the development of the next-generation Guest Reservation System with Amadeus. This asset is not yet in use and therefore not being amortised.

Substantially all software additions are internally developed.

Management contracts

In addition to the management contracts acquired with the Kimpton acquisition, additions to management contracts relate to contract values recognised as part of the proceeds for hotels sold (see note 11).

At 31 December 2015, the net book value and remaining amortisation period of the principal management contracts was as follows:

Hotel	Remaining	
	Net book value \$m	amortisation period Years
InterContinental Hong Kong	64	37
InterContinental New York Barclay	39	48
InterContinental London Park Lane	36	47
InterContinental Paris Le Grand	32	49

The weighted average remaining amortisation period for all management contracts is 32 years (2014: 30 years).

Table of Contents**14. Investment in associates and joint ventures**

	Associates \$m	Joint ventures \$m	Total \$m
Cost			
At 1 January 2014	61	27	88
Initial retained interest in Barclay associate (note 11)	22		22
Additions	15		15
Share of (losses)/profits	(4)		(4)
Dividends	(2)		(2)
At 31 December 2014	92	27	119
Additions	29	1	30
Share of (losses)/profits	(2)	(1)	(3)
Capitalisation of a receivable	10		10
Dividends	(5)		(5)
Exchange and other adjustments	(3)		(3)
At 31 December 2015	121	27	148
Impairment			
At 1 January 2013 and 31 December 2014	(3)		(3)
Charge for the year	(9)		(9)
At 31 December 2015	(12)		(12)
Net book value			
At 31 December 2015	109	27	136
At 31 December 2014	89	27	116
At 1 January 2014	58	27	85

All associates and joint ventures are accounted for using the equity method.

On 20 November 2015, the Group disposed of an associate investment in the AMEA region realising a gain on disposal of \$9m. At the time of disposal, the investment had a \$nil net book value.

Due to localised adverse market conditions, an impairment charge of \$9m has been recognised during the year relating to an associate investment in the AMEA region following a re-assessment of its recoverable amount to \$nil, based on value in use calculations. Estimated future cash flows were discounted at a pre-tax rate of 13.2%.

Barclay associate

The Group held one material associate investment at 31 December 2015, a 19.9% interest in 111 East 48th Street Holdings, LLC (the Barclay associate) which owns InterContinental New York Barclay, a hotel managed by the Group. The investment is classified as an associate and equity accounted as the Group has the ability to exercise significant influence through its involvement in the redevelopment of the hotel and certain decision rights.

Summarised financial information in respect of the Barclay associate is set out below:

	31 December	31 December
	2015	2014
	\$m	\$m
Non-current assets	480	339
Net current (liabilities)/assets	(7)	2
Non-current liabilities	(226)	(182)
Net assets	247	159
Group share of reported net assets at 19.9%	49	32
Adjustments to reflect additional rights and obligations under the shareholder agreement	10	
Carrying amount	59	32
	12 months to	
	31 December	9 months to
		31 December
	2015	2014
	\$m	\$m
Revenue		24
Loss for the period	(21)	(26)
Group's share of loss for the period	(4)	(5)

Table of Contents*Notes to the Group Financial Statements continued***14. Investment in associates and joint ventures continued****Other associates and joint ventures**

The summarised aggregated financial information for individually immaterial associates and joint ventures is set out below. These are mainly investments in entities that own hotels which the Group manages.

	Associates			Joint ventures			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Share of profits/(losses)									
Operating profits/(losses) before exceptional items	3	1	2	(1)			2	1	2
Exceptional items			6						6
	3	1	8	(1)			2	1	8

The exceptional profit in 2013 arose on the sale of a hotel owned by an associate investment that was classified as held for sale at 31 December 2012. Following completion of the sale, the Group received a \$17m cash distribution from the associate, being the Group's share of the net disposal proceeds.

15. Other financial assets

	2015	2014
	\$m	\$m
Equity securities available-for-sale:		
Quoted equity shares	14	16
Unquoted equity shares	136	128
	150	144
Loans and receivables:		
Trade deposits and loans	54	43
Restricted funds	34	21
Bank accounts pledged as security	46	49
	134	113
Total other financial assets	284	257
Analysed as:		
Current		5
Non-current	284	252
	284	257

Equity securities available-for-sale are measured at fair value (see note 23) and loans and receivables are held at amortised cost.

Equity securities available-for-sale were denominated in the following currencies: US dollars \$102m (2014: \$94m), Hong Kong dollars \$28m (2014: \$34m) and other currencies \$20m (2014: \$16m). Unlisted equity shares are mainly investments in entities that own hotels which the Group manages. Dividend income from available-for-sale equity securities of \$9m (2014: \$10m) is reported as other operating income and expenses in the Group income statement.

Trade deposits and loans include a deposit of \$37m made in 2011 to a hotel owner in connection with the renegotiation of a management contract. The deposit is non-interest-bearing and repayable at the end of the management contract, and is therefore held at its discounted value of \$14m (2014: \$13m); the discount unwinds to the income statement within financial income over the period to repayment.

Restricted funds comprise cash held in bank accounts which is pledged as collateral to insurance companies for risks retained by the Group and other amounts held in escrow.

The bank accounts pledged as security (£31m) are subject to a charge in favour of the members of the UK unfunded pension arrangement (see note 25).

The movement in the provision for impairment of other financial assets during the year is as follows:

	2015	2014
	\$m	\$m
At 1 January	(28)	(25)
Exchange and other adjustments		(3)
At 31 December	(28)	(28)

The provision is used to record impairment losses unless the Group is satisfied that no recovery of the amount is possible; at that point the amount considered irrecoverable is either written off directly to the income statement or, if previously provided, against the financial asset with no impact on the income statement.

Table of Contents**16. Trade and other receivables**

	2015	2014
	\$m	\$m
Current		
Trade receivables	354	327
Other receivables	28	47
Prepayments	74	63
Loans to and receivables from associates	6	11
	462	448
Non-current		
Loans to associates	3	3

Trade and other receivables are designated as loans and receivables and are held at amortised cost.

Trade receivables are non-interest-bearing and are generally on payment terms of up to 30 days. The fair value of trade and other receivables approximates their carrying value.

The maximum exposure to credit risk for trade and other receivables, excluding prepayments, at the end of the reporting period by geographic region is:

	2015	2014
	\$m	\$m
Americas	233	221
Europe	54	76
Asia, Middle East and Africa	66	53
Greater China	38	38
	391	388

The ageing of trade and other receivables, excluding prepayments, at the end of the reporting period is:

	Gross	Provision	2015	Gross	Provision	2014
	\$m	\$m	Net	\$m	\$m	Net
	\$m	\$m	\$m	\$m	\$m	\$m
Not past due	280	(1)	279	275		275
Past due 1 to 30 days	64	(3)	61	57	(3)	54
Past due 31 to 180 days	52	(5)	47	57	(3)	54
Past due more than 180 days	51	(47)	4	46	(41)	5
	447	(56)	391	435	(47)	388

The credit risk relating to balances not past due is not deemed to be significant.

The movement in the provision for impairment of trade and other receivables during the year is as follows:

	2015	2014	2013
	\$m	\$m	\$m
At 1 January	(47)	(43)	(47)
Provided	(28)	(22)	(18)
Amounts written back	12	9	14
Amounts written off	7	9	8
At 31 December	(56)	(47)	(43)

Table of Contents*Notes to the Group Financial Statements continued***17. Cash and cash equivalents**

	2015	2014	2013 ^a
	\$m	\$m	\$m
Cash at bank and in hand	145	157	177
Short-term deposits	703	5	71
Repurchase agreements	289		
	1,137	162	248

^a 2013 balances were restated in 2014 for the adoption of Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32), see page 94.

Cash at bank and in hand includes bank balances of \$41m (2014: \$108m, 2013: \$114m) which are matched by bank overdrafts of \$39m (2014: \$107m, 2013: \$114m) under the Group's cash pooling arrangements. Under these arrangements, each pool contains a number of bank accounts with the same financial institution and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash positive position with the matching overdrafts held by the Group's central treasury company in the UK.

For the purposes of the Group statement of cash flows, cash and cash equivalents comprise the following:

	2015	2014	2013 ^a
	\$m	\$m	\$m
Cash at bank and in hand	145	157	177
Short-term deposits	703	5	71
Repurchase agreements	289		
	1,137	162	248
Bank overdrafts (note 21)	(39)	(107)	(114)
	1,098	55	134

^a 2013 balances were restated in 2014 for the adoption of Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32), see page 94.

Short-term deposits and repurchase agreements are highly liquid investments with an original maturity of three months or less (see note 20).

Cash and cash equivalents includes \$1m (2014: \$4m, 2013: \$12m) that is not available for general use by the Group due to local exchange controls in Venezuela and Argentina.

Table of Contents**18. Trade and other payables**

	2015	2014
	\$m	\$m
Current		
Trade payables	87	88
Other tax and social security payable	45	49
Other payables	400	317
Accruals	307	315
	839	769
Non-current		
Other payables	578	627
Trade payables are non-interest-bearing and are normally settled within an average of 45 days.		

Other payables include \$649m (2014: \$725m) relating to the future redemption liability of the Group's loyalty programme, of which \$223m (2014: \$132m) is classified as current and \$426m (2014: \$593m) as non-current.

19. Provisions

	Onerous management contracts	Litigation	Total
	\$m	\$m	\$m
At 1 January 2014	1	2	3
Provided		9	9
Utilised	(1)	(1)	(2)
At 31 December 2014		10	10
Provided		5	5
At 31 December 2015		15	15
		2015	2014
		\$m	\$m
Analysed as:			
Current		15	1
Non-current			9
		15	10

The onerous management contracts provision related to the unavoidable net cash outflows that were expected to be incurred under performance guarantees associated with certain management contracts.

Litigation largely relates to actions brought against the Group in The Americas region, including \$12m relating to System Fund activity. Insurance recoveries of \$8m are disclosed as a contingent asset and are expected to be received by the System Fund following settlement of the litigation claim.

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Table of Contents*Notes to the Group Financial Statements continued***20. Financial risk management****Overview**

The Group's treasury policy is to manage financial risks that arise in relation to underlying business needs. The activities of the treasury function are carried out in accordance with Board approved policies and are subject to regular audit. The treasury function does not operate as a profit centre.

The treasury function seeks to reduce the financial risks faced by the Group and manages liquidity to meet all foreseeable cash needs. Treasury activities may include money market investments, repurchase agreements, spot and forward foreign exchange instruments, currency swaps, interest rate swaps and forward rate agreements. One of the primary objectives of the Group's treasury risk management policy is to mitigate the adverse impact of movements in interest rates and foreign exchange rates.

Market risk exposure

The US dollar is the predominant currency of the Group's revenue and cash flows. Movements in foreign exchange rates can affect the Group's reported profit, net assets and interest cover. To hedge foreign exchange exposure, wherever possible, the Group matches the currency of its debt (either directly or via derivatives) to the currency of its net assets, whilst maximising the amount of US dollars borrowed to reflect the predominant trading currency.

From time to time, foreign exchange transaction exposure is managed by the forward purchase or sale of foreign currencies. Most significant exposures of the Group are in currencies that are freely convertible.

Interest rate exposure is managed, using interest rate swaps if appropriate, within set parameters depending on the term of the debt, with a minimum fixed proportion of 25% of borrowings for each major currency. 100% of borrowings in major currencies were fixed rate debt at 31 December 2015, with the exception of overdrafts. No interest rate swaps were used during 2015, 2014 or 2013.

Market risk sensitivities

The following table shows the impact of a general strengthening in the US dollar against sterling and euro on the Group's profit before tax and net assets, and the impact of a rise in US dollar, euro and sterling interest rates on the Group's profit before tax.

		2015	2014	2013
		\$m	\$m	\$m
Increase/(decrease) in profit before tax				
Sterling: US dollar exchange rate	5¢ fall	4.8	4.5	4.1
Euro: US dollar exchange rate	5¢ fall	(1.9)	(2.2)	(2.6)
US dollar interest rates	1% increase	(0.9)	(6.7)	
Euro interest rates	1% increase		(0.9)	
Sterling interest rates	1% increase	7.9	0.7	
Increase/(decrease) in net assets				

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Sterling: US dollar exchange rate	5¢ fall	23.7	29.1	16.0
Euro: US dollar exchange rate	5¢ fall	(7.6)	(10.9)	(14.8)

The impact of a weakening in the US dollar or a fall in interest rates would be the reverse of the above values.

Interest rate sensitivities are calculated based on the year-end net debt position plus, in 2014, the \$400m bilateral term loan drawn in 2015 to finance the Kimpton acquisition (see note 21).

Table of Contents**20. Financial risk management continued****Liquidity risk**

The treasury function ensures that the Group has access to sufficient funds to allow the implementation of the strategy set by the Board.

Short-term borrowing requirements are met from drawings under uncommitted overdrafts and facilities. Medium- and long-term borrowing requirements are met through the following facilities and instruments:

Bank facilities	Expiry
\$1,275m Revolving Syndicated Facility	30 March 2020 ^a
\$75m Revolving Bilateral Facility	30 March 2020 ^a
Bonds issued under the Group's £1,500m Medium Term Note programme	Repayment date
£250m 6% bonds	9 December 2016
£400m 3.875% bonds	28 November 2022
£300m 3.75% bonds	14 August 2025

^a The Syndicated and Bilateral facilities also contain two one-year extension options, exercisable in 2016 and 2017. The Syndicated and Bilateral facilities contain two financial covenants: interest cover and net debt divided by earnings before interest, tax, depreciation and amortisation (EBITDA). The Group has been in compliance with all of the financial covenants in its loan documents throughout the year, none of which is expected to present a material restriction on funding in the near future.

At the year end, the Group had cash of \$1,137m which is predominantly held in short-term deposits, repurchase agreements, and cash funds which allow daily withdrawals of cash. The Group also had overdrafts of \$39m as part of cash pooling arrangements (see note 17). Most of the Group's funds are held in the UK or US, although \$1m (2014: \$4m) is held in countries where repatriation is restricted as a result of foreign exchange regulations.

The following are the undiscounted contractual cash flows of financial liabilities, including interest payments:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	\$m	\$m	\$m	\$m	\$m
31 December 2015					
Non-derivative financial liabilities:					
Bank overdrafts	39				39
£250m 6% bonds 2016	393				393
£400m 3.875% bonds 2022	23	23	69	638	753
£300m 3.75% bonds 2025	17	17	50	521	605

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Finance lease obligations	17	17	48	3,268	3,350
Trade and other payables	839	178	263	192	1,472
Provisions	15				15
Derivative financial liabilities:					
Forward foreign exchange contracts	3				3

31 December 2014

Non-derivative financial liabilities:

Bank overdrafts	107				107
Unsecured bank loans	361				361
Secured bank loans	3				3
£250m 6% bonds 2016	23	414			437
£400m 3.875% bonds 2022	24	24	73	697	818
Finance lease obligations	16	16	48	3,284	3,364
Trade and other payables	769	174	194	345	1,482
Provisions	1	9			10
Derivative financial liabilities:					
Forward foreign exchange contracts	(2)				(2)

Trade and other payables includes the cash flows relating to the future redemption liability of the Group's loyalty programme. The repayment profile has been determined by actuaries based on expected redemption profiles and could in reality be different from expectations.

Table of Contents*Notes to the Group Financial Statements continued***20. Financial risk management continued****Credit risk**

Credit risk on treasury transactions is minimised by operating a policy on the investment of surplus cash that generally restricts counterparties to those with a BBB credit rating or better or those providing adequate security. The Group uses long-term credit ratings from Standard and Poor's, Moody's and Fitch Ratings as a basis for setting its counterparty limits. During the year, the policy was amended from a minimum A credit rating to reflect current market conditions.

Short-term deposits

The table below analyses the Group's short-term deposits at 31 December 2015 by counterparty credit rating.

	AAA	AA-	A+	A	BBB+	Total
Short-term deposits	497	82	30	79	15	703

Repurchase agreements

The Group invests in repurchase agreements, which are fully collateralised investments, with a maturity of three months or less. The Group accepts only government or supranational bonds where the lowest credit rating is AA- or better as collateral. In the event of default, ownership of these securities would revert to the Group. The securities held as collateral are valued at a discount of 2% to market value to protect against market volatility in the event of a default by the counterparty. The table below contains information about the collateral held as security at 31 December 2015.