

INTERCONTINENTAL HOTELS GROUP PLC /NEW/
Form 20-F
March 02, 2017
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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

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

For the fiscal year ended December 31, 2016

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,

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 18³¹⁸/₃₂₉ 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 18³¹⁸/₃₂₉ pence each	197,517,380
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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

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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):

Yes No

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

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The Strategic Report on pages 2 to 45 was approved by the Board on 20 February 2016.

George Turner, Company Secretary

IHG Annual Report and Form 20-F 2016 Strategic Report

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IHG at a glance

We have a diverse portfolio of differentiated brands that are well known and loved by millions of guests around the world. Whatever their needs, we have the right hotel brands for both our guests and owners.

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 for them. 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.

OUR BRANDS

Live the
InterContinental Life

A different way to
stay

Making travel
inspiring

Where wellness
is built in

Capturing the spirit
of Chinese hospitality

Making business
travel work

FINANCIAL HIGHLIGHTS

Group revenue

\$1,715m (-4.9%)

2015: \$1,803m

Group operating profit

\$678m (-54.8%)

2015: \$1,499m

Joy of travel for all Simple, smart travel The joy of lifetime vacations

Group operating profit before exceptional items

\$707m (+4.0%)

2015: \$680m

The joy of family holidays Feel at ease when you stay with us Your home base

Total gross revenue in IHG's System

\$24.5bn (+2.1%)

2015: \$24.0bn

Total underlying operating profit growth

\$61m (+9.5%)

2015: \$67m

Revenue per available room (RevPAR) growth

+1.8%

2015: +4.4%

Underlying fee revenue growth

+4.4%

2015: +7.7% (excluding growth arising from the acquisition of Kimpton Hotels & Restaurants)
Driven by: +1.8% (2015: 4.4%) RevPAR growth; and 3.1% (2015: 4.8%) net System size growth

For further information on our brands, see pages 10 and 11.

Use of Non-GAAP measures

In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 26, and reconciliations to IFRS figures, where they have been adjusted, are on pages 156 and 157.

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We are one of the world's leading hotel companies, whose purpose is to create Great Hotels Guests Love® through delivering our promise of True Hospitality for everyone.

Definition System

Hotels/rooms operating under our franchise and management agreements, together with IHG owned and leased hotels/rooms.

OUR SCALE

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.

Total hotels (rooms) in the IHG System

5,174

(767,135)

2015: 5,032 (744,368)

Franchised hotels (rooms)

4,321

(542,650)

2015: 4,219 (530,748)

Managed hotels (rooms)

845

(222,073)

2015: 806 (211,403)

Owned and leased hotels (rooms)

8

(2,412)

2015: 7 (2,217)

Total hotels (rooms) in the pipeline

1,470

(230,076)

2015: 1,330 (213,916)

For details on central revenue and net central costs, see page 43.

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Chairman's statement

The work being done by our colleagues day in, day out, to deliver the real hallmarks of our distinctive brands, and bring each of them to life, is truly outstanding.

Patrick Cescau

Chairman

Throughout 2016, we continued to focus on delivering our proven strategy for high-quality growth and enhancing our offer for guests and owners. In what was another year of change for both our sector and the wider world, we once again demonstrated our ability to deliver sustainable growth.

Shaped for success

IHG has a long track record of succeeding in a changing world. As a global business, with a footprint in nearly 100 countries, managing through change and uncertainty is something that we are very used to. Our success comes from having a clear, proven and focused strategy in place, which continues to deliver value in this environment. It is also a result of having a portfolio of brands that mean something to our guests, strong long-term relationships with our owners, and significant global scale.

As the hospitality and consumer landscape continues to evolve, with continued digitisation, changing demographics and further industry consolidation, coupled with broader political, economic and societal

Strategic priorities

Against this backdrop, we continue to make sure that we deliver on our strategy in a way that makes sense for different markets and geographies, and that resources are aligned behind the greatest opportunities. This involves staying close to the trends shaping our industry, something we capture each year in our IHG Trends Report (see page 8). The Board's priority remains to ensure that the business is focused on staying agile and moving at pace, whilst at the same time maintaining our strategic direction and ensuring that we continue to nurture a culture of strong values, develop world-class talent, and maintain trust and integrity with our stakeholders.

Our Board and our culture

Making sure our Board has the right expertise to challenge and support the business in its corporate decision-making is crucial, and is something I personally take very seriously indeed. We regularly review the composition of the Board to ensure that our combined skill set is aligned with the business's strategic priorities. At the end of 2016, the Board comprised six Non-Executive

change, these core strengths and capabilities will remain at the heart of our success.

Crowne Plaza Atlanta Midtown, Georgia, US,

which completed a major renovation in 2016

Directors, myself as Chairman, and two Executive Directors. We are delighted that, effective from 1 March 2017, Malina Ngai will be joining the Board as a Non-Executive Director and she will also sit on the Corporate Responsibility, Nomination and Remuneration Committees. Malina will bring a deep understanding of how consumer-facing, branded companies operate, as well as the role that technology and digital-commerce play in transforming the consumer experience. She also has a truly global perspective and significant insight into the Asian market, which is a key focus for the business.

We are a diverse Board in terms of gender, nationality and age, as well as in the broad range of skills and areas of expertise we collectively bring to the table. Ensuring that we strengthen this breadth, particularly from a regional and gender diversity perspective, will continue to be a key priority for us. This will ensure that the Board has the ability to maintain a high-quality level of discussion and debate, and keep IHG well prepared for the future.

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FULL-YEAR DIVIDEND

Five-year progress (¢)

FINAL DIVIDEND

64.0¢ to be paid on 22 May 2017

(2015: 57.5¢)

RETURN OF FUNDS

Since March 2004, the Group has returned over £5.9 billion of funds to shareholders by way of special dividends, capital returns and share repurchase programmes. A further return of funds of \$400 million via a special dividend with share consolidation is proposed in 2017.

Paid during the last five years

\$500 million paid 22 October 2012

\$350 million paid 4 October 2013

\$750 million paid 14 July 2014

\$500m share buyback completed in 2014

\$1.5 billion paid 23 May 2016, equivalent to 632.9¢/438.2p per share

We know that, to be truly successful, we must also focus on how we deliver sustainable, high-quality growth. We achieve this through a passionate commitment to instilling IHG's effective culture and values in our ways of working, and maintaining our deep commitment to conducting business responsibly – a principle that guides the behaviour of our colleagues, and builds trust with consumers and investors.

Shareholder returns

Our close, trusted relationships with our owners, together with our internationally-renowned brands, people, scale and systems, is a powerful combination that continues to deliver outstanding long-term shareholder value.

I am pleased to announce that the Board is recommending a final dividend of 64.0 cents per ordinary share, an increase of 11 per cent on the final dividend for 2015, resulting in a full year dividend of 94.0 cents per share, up 11 per cent on 2015. The Board has also proposed a \$400 million special dividend with share consolidation, which will take the total funds returned to shareholders since 2003 to \$12.8 billion. With our asset-light strategy concluding in 2015, it is important to note that nearly \$5 billion of the total returns has come from IHG's underlying operations, illustrating the strength of our cash generative business model and ability to deliver sustained organic growth.

Thank you

I spent time in all our regions during the year and visited brands across our portfolio. During this time, I had the opportunity to meet many of our colleagues and have seen first-hand the many improvements that we are making to our brands. I have also spent time with our owners, as well as representatives of the IHG Owners Association, to share ideas, discuss new projects and, alongside our Executive Committee, ensure that we maintain our excellent working relationships.

I am very proud of all the achievements we have made in 2016. The work being done by our colleagues day in, day out, to deliver the real hallmarks of our distinctive brands, and bring each of them to life, is truly outstanding. Their passion and enthusiasm has been a driving factor in our strong and improving satisfaction scores (Guest Love), and has fuelled further demand from our owner community, illustrated by another strong year of hotel openings and signings. As we head into 2017, I would like to thank all colleagues for their tireless efforts to create great guest experiences, and our owners for their continued confidence in our business and commitment to driving success.

Patrick Cescau

Chairman

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Chief Executive Officer's review

Underpinning the success of all our brands is a focus on digital leadership. This involves us using new technologies and data to deliver truly relevant experiences.

Richard Solomons

Chief Executive Officer

KEY HIGHLIGHTS

Gross revenue delivered through mobile bookings

\$1.6bn

The launch of

Your Rate

by IHG® Rewards Club

Total hotel signings

516

The highest number since 2008

IHG delivered another year of consistent, high-quality growth and strong financial and operational performance in 2016, led by the continued execution of our Winning Model.

This focus, brought to life by our talented colleagues and supported by strong owner relationships, enables us to successfully differentiate ourselves from the competition and meet the needs of our guests in an ever-changing consumer environment.

We made important progress against every element of our Winning Model. We built scale where it matters by broadening the global footprint of our brands in key markets, made important enhancements to our digital channels, significantly strengthened our direct-bookings offer for guests and owners, and further improved our industry-leading loyalty programme (see pages 16, 17 and 30).

Financial and operational highlights

Alongside this important work, we delivered strong underlying operating profit growth, signed the highest number of hotels since 2008, and closed the year with almost 5,200 open hotels in our portfolio. We remained focused on driving growth in markets where we see the greatest opportunities, and continued to build important momentum in this approach. IHG finished 2016 with a pipeline of 230,000 rooms, with approximately 90 per cent of them situated in our 10 priority markets. This represents a 14 per cent share of the active industry pipeline – more than three times our share of current supply – and illustrates our attractive prospects for strong, organic growth.

In what is an increasingly important space, we made excellent progress in driving digital growth across the business, strengthening our booking channels and leveraging our leading, data-driven marketing capabilities to engage with more guests in ways that are both relevant and most preferred. Digital revenue grew approximately eight per cent driven by mobile, which delivered \$1.6 billion in revenue. This channel alone now drives more traffic to our websites than desktop, with our award-winning app a key driver of this shifting trend. This is particularly important and helpful for our owners, with increased direct bookings delivering more low-cost revenue.

Brands-led business

The increasing global demand from guests and owners for our portfolio of brands is extremely encouraging. Throughout the year, we made real progress, be it by entering new markets or securing flagship locations, or by introducing important enhancements to service and design that are making a positive difference to the guest experience and helping attract new business.

In InterContinental Hotels & Resorts' 70th anniversary year, we strengthened its position as the world's largest luxury hotel brand with a significant global marketing campaign, more iconic openings, improved service training and the highest number of hotel and room signings since 2008.

Illustrating our ability to successfully grow and develop some of our newer US brands, we celebrated taking Kimpton Hotels & Restaurants global, signing a deal in Paris and opening a property in Grand Cayman. In 2017, the brand will debut in Europe, opening a hotel in Amsterdam. We also doubled the size of our lifestyle brand, EVEN Hotels, to six open hotels, added more to the pipeline and signed a deal to launch the brand in Australia and New Zealand.

For our Crowne Plaza Hotels & Resorts brand, we established a new global identity and service style to help to further build on its industry-leading position in many of our markets around the world. Using this as a foundation, we announced the Crowne Plaza Accelerate programme – a \$200 million investment programme designed to deliver an improved performance in The Americas through enhanced service and marketing that better resonates with the

modern business traveller.

Delivering our strategy

Underpinning the success of all our brands is a focus on digital leadership. In 2016, we made strong progress in enhancing the Guest Journey (Dream, Plan, Book, Stay and Share), building more rewarding loyalty relationships, and strengthening our competitive advantage, by leveraging the latest technology.

Following a successful trial, we rolled out Your Rate by IHG Rewards Club globally, providing access to exclusive, preferential rates to loyalty members booking through our direct channels. This has led to higher direct bookings, delivering better-quality revenue to our hotels, and a rise in membership enrolments. We also

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increased our attractiveness to Chinese travellers through a deal with China's leading third-party online payment solutions company, Alipay, to offer their services across our hotels and online platforms worldwide, and we made important progress with the development of our new Guest Reservation System (GRS), which remains on track to begin roll-out in 2017. IHG has a rich history of innovation, and the new GRS will provide an industry-leading cloud-based booking platform that offers guests a more personalised experience and allows hotels to manage and sell rooms in a more powerful way.

Our digital business is one of the ways in which we build meaningful lifetime relationships with our guests. This involves us using new technologies and data to deliver truly relevant experiences be it more targeted marketing, or through enhanced arrival information that empowers our hotels to create a more personal stay. Mobile check-out and our wifi offer, IHG Connect, are all also making important contributions in this area. All these programmes will continue to expand across our hotels in 2017.

Combining this commercial strength with our unique brand propositions and outstanding colleagues forms the bedrock of creating Great Hotels Guests Love, which we deliver through providing True Hospitality for everyone. This important commitment connects us all at IHG and centres on our passion to make everyone feel welcome and cared

Kimpton Seafire Resort + Spa, Grand Cayman,

the first Kimpton hotel outside of the US, which opened in 2016

our hotels around the world, and across areas including disaster relief and environmental protection. In 2016, the Foundation made 34 grants to 25 organisations, including donations to the Sichuan Province Foundation for Poverty Alleviation in China, and it supported communities affected by disasters such as flooding in France and earthquakes in Japan and Ecuador.

Travel Awards for the sixth consecutive year, while Condé Nast also named the Kimpton RiverPlace Hotel in Portland, Oregon, US one of the world's top hotels.

Strengthened position

for, recognised and respected – be it guests, owners, partners, colleagues or those in the communities in which we work.

Our responsible business credentials

We have made excellent progress with our two corporate responsibility programmes, IHG® Academy and the IHG Green Engage system. IHG Academy has been building hospitality skills in local communities for more than a decade and, in 2016, we introduced 11,985 new participants to programmes in 75 countries, while our group-wide sustainability programme, the IHG Green Engage system, is helping drive real improvements in how our hotels responsibly manage things such as water, carbon and waste.

We reached another significant milestone with the launch of the IHG® Foundation in February 2016. The IHG Foundation builds on the positive impact of our corporate responsibility initiatives, and allows us to make a deeper, more lasting change in communities beyond

Awards

External recognition is the best measure of our progress and, in 2016, IHG won over 200 awards. This is an outstanding achievement. I am particularly proud of the many employer awards, including winning Best Employer Brand in the UK at the Personnel Today Awards, and being named on Atlanta's Best Places to Work list by the Atlanta Business Chronicle. IHG was also named Britain's most admired company in the leisure and hotels sector by Management Today, and 8th in their list of all UK companies. Our brands also picked up many coveted awards. Crowne Plaza was voted best Upscale Hotel Brand in North America by Business Travel News, up from 8th in 2015, and InterContinental Hotels & Resorts was named the World's Leading Hotel Brand at the World Travel Awards. The Flyer Travel Awards named HUALUXE Hotels and Resorts Best New Hotel Brand in China and Holiday Inn was voted the Best Mid-Range Hotel Brand in China at the TTG China

It was a busy year, and both our industry and the world is changing at pace. This brings both challenges and opportunities and I remain confident that, by executing our winning strategy and leveraging the strength of our business model, we will continue to deliver sustainable, organic growth into the future.

We head into 2017 in a position of strength, and I would once again like to thank all our owners for their support and for the trust they place in us. Our owners are crucial to our performance, and we place the utmost importance on our relationship with them. I would also like to thank our talented, passionate and energetic colleagues, who bring our brands to life and remain IHG's greatest competitive advantage.

Richard Solomons

Chief Executive Officer

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Our preferred brands

IHG is a brands-led business, and we create Great Hotels Guests Love[®] through our portfolio of complementary and differentiated hotel brands. Our brands are trusted for meeting guests' needs, for rewarding loyalty and for delivering memorable experiences.

InterContinental[®] Hotels & Resorts:

Live the InterContinental Life

International travel should always be alluring. As the world's first international luxury travel hotel brand, we have been pioneering new international destinations for decades. We are dedicated to those who appreciate and enjoy the InterContinental Life—the glamour and exhilaration of fascinating places, mixed with our international know-how and local cultural wisdom.

Guest stay occasions: short-break experience, mixing business with pleasure, social identity^b.

Kimpton[®] Hotels & Restaurants:

A different way to stay

As the industry pioneer that first introduced the boutique concept to the US, we are renowned for making travellers feel genuinely cared for through thoughtful perks and amenities, inventive meetings and events, bold and playful design, and a sincerely personal style of guest service.

Guest stay occasions: short-break experience, business productivity, family time.

HUALUXE[®] Hotels and Resorts:

Capturing the spirit of Chinese hospitality

We are the first upscale international hotel brand designed specifically for Chinese guests. We have woven into every detail of the luxury brand's service and design an acknowledgement of Chinese culture and heritage, with particular emphasis on the Chinese values of etiquette, rejuvenation in nature, recognition of status and enabling spaces.

Guest stay occasion:

building business interactions.

Hotel Indigo[®]:

Making travel inspiring

We serve the curious—people who are inspired by new places, new people and new ideas. Each hotel is part of the pulse and the rhythm of a place, drawing on the story of its local area to inspire every aspect of the hotel,

EVEN[®] Hotels:

Where wellness is built in

We provide a strong lifestyle offering for travellers seeking more options to stay healthier and happier away from home. Our hotels, and wellness-savvy staff, offer guests a best-in-class fitness experience,

Crowne Plaza[®] Hotels & Resorts:

Making business travel work

We believe business travel should work better. In every market in the world, business has changed, and so has work. It's more digital, more flexible, more mobile, more connected. As one of the world's

from intriguing design to distinctive local ingredients in our menus.

Guest stay occasions: short-break experience, business productivity, romantic getaway^a.

healthier food choices, and natural and relaxing spaces. Beyond our hotels, we support the needs of travellers through wellwellwell.com, a go-to source for healthier, happier travel.

Guest stay occasion: well-being.

largest upscale brands, we have properties located in major urban centres, gateway cities and resort destinations all around the globe.

Guest stay occasions: business productivity, building business interactions^b.

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Our hotel brands are underpinned by the IHG® parent brand, strengthened by our leading loyalty programme, IHG® Rewards Club, and are brought to life by outstanding people in great hotels. Building upon an in-depth understanding of what matters most to guests, we continually enhance our brands promises.

In a crowded marketplace, our brands therefore stand out from the competition and continue to deliver memorable stay experiences, which in turn drives the performance of our business.

See page 29 for a breakdown of IHG hotels open and in the pipeline.

Definition Guest stay occasion

We broadly segment the market into nine globally relevant categories that align to the different occasions for which guests might travel, such as for family time or for a romantic getaway. By understanding these guest stay occasions, we are able to deliver a differentiated brand experience that better meets our guests expectations.

Holiday Inn® Hotels & Resorts:

Joy of travel for all

We believe the joy of travel is for everyone. We pride ourselves on delivering an affordable, enjoyable hotel experience where guests are always welcomed warmly. We opened the doors of our first hotel in 1952, and since then we have been making travel a more enjoyable experience for all.

Guest stay occasions: family time, mixing business with pleasure, social identity^b.

Holiday Inn Express® Hotels:

Simple, smart travel

We keep it simple and smart. As IHG's largest hotel brand, we're the clear choice for the increasing number of travellers who need a simple, engaging place to rest, recharge and get a little work done. We offer everything guests need, and provide more where it matters most.

Guest stay occasion: rest and go.

Staybridge Suites Hotels®:

Feel at ease when you stay with us

As an extended-stay brand, we make sure every space features a sense of community, comfort and convenience, so guests can feel at home while on the road. Staybridge Suites is ideal for upscale business and leisure travellers who want to enjoy the best of home and hotel.

Guest stay occasion: business productivity.

Holiday Inn Club Vacations®:

The joy of lifetime vacations

Our owners are part of a community of people who understand the importance of family and investing in a lifetime of invaluable memories. All of our properties offer spacious villa accommodation for families in top leisure destinations, and access to world-class attractions such as mountain adventures, championship golf courses and serene beaches.

Guest stay occasion: family time.

Holiday Inn Resort®:

The joy of family holidays

We want all families to experience the joy of great holidays together. In some of the world's most desirable locations – on the beach, by the theme park, next to the golf course, our resorts offer a wide variety of activities and comforts, from kids clubs and signature swimming pools, to informal restaurants and quiet, fireside lounges.

Guest stay occasion: family time.

Candlewood Suites Hotels®:

Your home base

We offer a more casual kind of longer stay, where you will always feel at home, at your best and really productive while on the road. All of our locations throughout The Americas are easily accessible, and we are always opening new hotels, so guests can book a spacious suite whenever and wherever it works for them.

Guest stay occasion: business productivity.

^a US only

^b China/India only

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Our business model

Our portfolio of 12 preferred brands are built on unique customer insights and cater to a broad range of needs. We predominantly franchise our hotel brands to, or manage hotels on behalf of, third-party hotel owners, resulting in an asset-light business model.

Whether we franchise or manage hotels to third-party hotel owners depends largely on market maturity, owner preference and, in certain cases, the particular brand.

Mature markets predominantly follow a franchise model:

- In The Americas and Europe, over 90 per cent of IHG hotels are franchised.

While a managed model is typically used in emerging markets:

- In AMEA about 80 per cent of IHG hotels are managed by us; and
- In Greater China, that figure rises to more than 98 per cent.

In addition, we own/lease and manage a few select hotels, however, this figure has dramatically reduced from over 180 owned hotels 15 years ago, to just eight hotels at 31 December 2016.

Definition System Fund or Fund

assessment fees and contributions collected from hotels within the IHG System which fund specifically marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System.

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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. We seek to maintain an efficient balance sheet with an investment-grade credit rating. Our business is highly cash-generative (see page 45), and we have three primary uses for this cash:

1.

Invest in the business to drive growth: this includes strategic investments and our day-to-day capital expenditures – see table below, and page 107 for further details of our capital expenditure in 2016.

2.

Maintain sustainable growth in the ordinary dividend: compound annual growth of 11 per cent since 2003.

3.

Return surplus funds to shareholders. In February 2017, we proposed a further \$400 million 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 Hotels brand.

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

The development of tools and systems that hotels use to drive performance, such as our new, pioneering Guest Reservation System developed with Amadeus.

See Chairman's statement for progress on dividends, page 5.

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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, via our portfolio of preferred brands.

Our strategy is unchanged. Through our Winning Model, we focus on value-creation by building preferred brands, delivering a superior owner proposition, leveraging scale and generating revenue through the lowest-cost, direct channels. We concentrate on a Targeted Portfolio that, together with

Disciplined Execution of our strategy and a commitment to doing business responsibly, will drive superior shareholder returns.

We measure our performance with a set of carefully selected key performance indicators (KPIs), which monitor our success in achieving our strategy – see pages 23 to 25.

For further information on our strategy, go to www.ihgplc.com/about-us under Our strategy.

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Doing business responsibly

We genuinely care about the well-being of our guests and colleagues – and the impact we have on local communities and businesses too. Our responsible business culture is embedded throughout our organisation and underpins our entire strategy.

Our culture of responsible business

In a climate where employees, guests and other stakeholders want confirmation that companies uphold their values, it's important that the credibility and value of our brands are maintained through a culture of responsible business. We achieve this through:

strong governance and leadership, which promote responsible business attitudes and behaviours;

ensuring our employees understand key legal and reputational issues and our Winning Ways (see box to the left);

ensuring the safety and security of employees, guests and other visitors to our hotels and offices;

operating effective risk management and internal controls; and

engaging in responsible procurement.

Our responsible business activities are also closely aligned to the objectives of the United Nations Sustainable Development Goals (SDGs), which means that we are contributing to the UN's aim of transforming our world by 2030.

Corporate responsibility

Through our corporate responsibility programmes, we are capitalising on our unique position to help make communities

around the world better places to be for all. In September 2013, IHG released a number of five-year corporate responsibility targets, which focus on measuring the positive impact IHG has around the globe (see page 25 for our performance against these targets).

Our communities

Through the IHG® Academy, a collaboration between our hotels, education providers and community organisations in our local communities, we are nurturing and developing people, to improve their employability and grow their careers in the hospitality industry. It is our way of opening doors and creating opportunities for all.

Our environment

IHG Green Engage system is our Group-wide, online sustainability programme, which helps hotels manage their use of energy, carbon, water and waste, and minimise their overall utility costs and environmental impact. By delivering more environmentally sustainable hotels, we can drive cost efficiencies for owners as well as meet the expectations of all our stakeholders.

Human rights

IHG focuses on those areas of human rights that are most relevant to our business and we work to ensure our values are reflected consistently across our business. We have developed an e-learning module on human rights and modern slavery. In addition, we publish a human rights policy, which is translated into more than 40 languages.

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. We also require our suppliers to adhere to our Vendor Code of Conduct.

See www.ihgplc.com/responsible-business for details on our first Slavery and Human Trafficking Statement, detailing the steps we are taking to eradicate modern slavery in our supply chain and business.

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Employee Engagement

88.7%

of survey respondents in 2016 were engaged,

an improvement of

14ppt

since 2010

Awards

24

received in 2016 for our people practices

More information on our employees can be found on page 161 and on our website

at www.ihg.com/responsible-business under Our people.

Our people and our culture

Our colleagues live our corporate values, and are fundamental to helping us create Great Hotels Guests Love. To attract and retain the best talent, we invest in our people – we offer our people our commitment to develop their careers, keep them involved in the business and reward and recognise them for their contributions. We call this our room to be yourself commitment.

In turn, we ask our employees to live our Winning Ways, see box on page 18.

As we prioritise recruiting, developing and building talent capability to lead growth, we are progressing key initiatives in these areas.

Attracting talent

This year, we have further embedded our employer brand identity with the *All of you at IHG* campaign, which captures colleagues across our regions doing what they love best, to highlight our diverse roles, people and brands. In November, we were recognised for our achievements by *Personnel Today*, and presented with the award for employer branding.

Continuous learning

We are evolving our learning strategy through examining what technology we need to support the future of learning at IHG and improving our focus on priority content. In 2017, we will be launching an updated Learning Management system that will enable us to better reach colleagues with the right learning content at the right time. In 2016, we launched a new-look General Manager (GM) interactive-learning platform, providing all GMs with social learning and other online tools to connect them together and share their progress with one another. IHG's frontline colleagues now have access to more than 50 courses globally via IHG Frontline. As a result, more than 100,000 colleagues worldwide are able to take charge of their development and complete consistent brand, service and operations training through a single channel.

Developing a strong performance culture

Our regions and functions are aligned to the internal performance measures that most effectively drive business performance across our organisation. This framework, together with our talent and leadership programmes for colleagues in our hotels and corporate offices, is designed to enhance our colleagues' performance while allowing them to focus on what matters most. This comprises our *Winning Culture*.

How we measure our culture

Understanding how engaged our teams feel is a fundamental part of how we run our business, and we measure this through our Employee Engagement survey. In 2017, we will launch *Colleague HeartBeat*, which incorporates a new engagement survey, among other modules.

Diversity and inclusion

At IHG, we recognise we can drive innovation, sustainable growth and competitive advantage if we mirror the diverse markets in which we operate and strive to be as inclusive and diverse as our brands. IHG in The Americas was recently recognised in the list of *The Best Places to Work for LGBT Equality* Corporate Equality Index Human Rights Campaign.

We are also making strong progress in attracting and retaining female leaders. The Hampton-Alexander review recently listed IHG in the top 20 of the FTSE 100 for female representation across Executive Committees and their direct reports.

As at 31 December 2016:

three of the nine Directors on the Board were female (33 per cent), however, following the appointment of Malina Ngai on 1 March 2017, four of the 10 Directors on the Board will be female (40 per cent);

34 out of the 128 senior managers employed by the Group (including directors of the subsidiaries) were female (27 per cent).

6,890 out of the 12,021 people employed by the Group and whose costs were borne by the Group or the System Fund were female (57 per cent).

Please see page 61 for more information on Board diversity and succession planning.

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Risk management

We deliver on our commitment to responsible business practices through our robust and effective risk management system, which continues to evolve in step with our business, and results in sustainable, long-term growth.

Our Winning Model strategy and risk

Our strategy and business model create a number of risks and opportunities for the business. The Board is ultimately accountable for the effectiveness of our risk management and internal control systems, and is supported by the Audit Committee, Executive Committee and delegated committees, who oversee our risk management system to ensure that risks are appropriately identified and managed within IHG's risk appetite.

Risk appetite

IHG's risk appetite reflects the nature and extent of risk that the Board is willing to take in pursuit of strategic and other business objectives. The risk appetite is then cascaded through the goals we set, the strategy we choose, decisions we make and how we allocate resources. IHG's risk appetite is further reflected in our governance committees, structures, policies and targets we select, as well as in development guidelines for new hotels. In 2016, the Audit Committee also considered IHG's approach to risk appetite more generally and in relation to the principal risk areas.

For more information, see page 57.

OUR RISK MANAGEMENT SYSTEM

Our risk management system is fully integrated with the way we run the business through our culture, our controls and our reporting, and is reflected in our strategy. The Global Risk Management function is responsible for the support, enhancement and monitoring of the effectiveness of this system and includes the following key areas.

More information on our risk management system is available at www.ihgplc.com/responsible-business under Our culture of responsible

business in the Risk management section.

IHG's principal risks, uncertainties and review process

The external risk environment remains dynamic. 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 Group, 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. The approach to principal risks was further strengthened in 2016 through an increased consideration of risks within the strategic-planning processes and the engagement of all Executive Committee members in the discussion of principal risks throughout the year. We have a standing risk working group who provide guidance and oversight with regard to the principal risks and risk management system.

See pages 54 and 57 for details of the assessment of our principal risks by the Board and the Audit Committee.

Our principal risks remain unchanged, however, reflecting the dynamic environment in which we operate, we continue to review and refine the approach we take to mitigating our risk – see the table on pages 21 and 22.

These principal risks are supplemented by a broader description of risk factors set out on pages 164 to 167.

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RISK TREND		RISK IMPACT	
How the external environment for each principal risk has changed over the past year:		How each principal risk links to our strategic priorities:	
Increased risk	No change in risk	Winning Model Disciplined Execution	Targeted Portfolio Responsible Business

Risk description

Failure to deliver **preferred brands and loyalty** could impact our competitive positioning, our growth ambitions and our reputation with guests, owners and investors.

Trend Impact

Initiatives to manage these risks

Each of the brands in our portfolio is designed, and continues to evolve, to meet specific guest needs and occasions, through distinct and complementary brand propositions informed by guest research and insights see pages 10 and 11.

We continue to innovate and evolve our hotel-room and public-space designs to ensure we deliver differentiated, relevant guest experiences. In 2016, we introduced several new design initiatives across our Holiday Inn and Holiday Inn Express brands see pages 17, 31 and 34.

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.

Failure to recruit and retain the right **leadership and talent**, and to give them the tools, guidance and support to be successful, could impact the delivery of our strategic ambition.

For further information on our brand-strengthening initiatives this year, see pages 16 and 17.

We have a comprehensive, global people strategy in place, which includes a talent leadership programme, both in hotels and at a corporate level.

The talent development programme also reflects our culture and values. Our leadership framework, support tools, and training and development programmes help our people grow their careers – see page 19.

Our HR strategy manages specific training programmes globally, catering to specific talent needs in local markets, such as in Greater China.

We proactively manage succession planning at all levels and consider the diversity (more broadly than gender) of our people and leadership – see page 61.

Failure to maintain and enhance our **channel management and technology platforms** could impact on our ability to deliver revenue.

We recognise that technological advances, the growth of intermediaries and the sharing economy, and changing guest expectations mean that we must continually invest in, and improve, our technological systems 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 improved terms with those intermediaries for our hotels.

This year, we extended our Your Rate by IHG Rewards Club loyalty benefit (see page 16) to further markets, allowing more guests to get the best hotel rates by booking directly through IHG's booking channels.

We remain on track to roll out our new Guest Reservation System (see page 17) in 2017, providing easier booking interfaces for both guests and hotels, enhanced digital functionality and easier technology upgrades to better meet guest needs.

Failure to maintain strong relationships with owners, and to demonstrate attractive returns on investment, which we call our **owner proposition**, could impact the retention and growth of IHG's System and development pipeline.

We have a multi-award-winning mobile app, which has been downloaded over seven million times since launching. Consistent with our philosophy and focus, our app includes the most advanced loyalty functionality across the industry.

Our franchise and managed owner offer includes tools, hotel solutions, revenue delivery systems, operational support and guidance to allow us to support our hotels and maintain relationships with owners throughout the hotel lifecycle.

We carefully monitor net System size growth, and focus on contract renewals and renegotiations, to ensure that our owners receive the best value with IHG franchise and management agreements.

Through the IHG Owners Association, we work with our owners to understand their key priorities and perspectives, for example, in respect of the use of the System Fund (described on page 43).

In 2016, we reviewed and enhanced the hotel budget guidance process to provide owners with better information.

We manage this risk by promoting a strong safety culture through our values and attitudes, our **Winning Ways** (see pages 18 and 19) and a strong governance system.

Failure to operate an appropriate risk management system which safeguards the **safety and security** of our guests and employees could impact our reputation.

In 2016, we enhanced oversight through the development of a Safe Hotel Advisory Group comprising risk and standards measurement.

We continuously monitor and refresh our brand safety standards where necessary, and work with our hotels to ensure that brand safety standards are met throughout the hotel lifecycle across our entire portfolio.

Our operational safety and security teams have extensive subject matter expertise and experience, and provide support to line management to equip them to plan for, and respond to, incidents across all of our regions.

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RISK MANAGEMENT CONTINUED

Risk description

The threat faced from the risk of **cybersecurity and information governance** is constantly evolving and, in 2016, has impacted a large number of organisations across multiple industries, including a number of cyber attacks on the hospitality industry. This threat could impact our operations, result in fines and legal actions, and undermine stakeholder trust in our business. In 2016, our Kimpton Hotels & Restaurants business in The Americas was subject to a cyber attack, and an investigation into another such attack at hotels in The Americas region is ongoing (see note 30 on page 141).

Failure to effectively manage our **programme and project**

Trend Impact Strategic Initiatives to manage these risks

We have applied a risk-based methodology to considering the value of our information assets, including Payment Card Information (PCI), other Personally Identifiable information (PII), non-public financial information and employee data, to formulate a set of policies, processes, guidance and accountabilities with regards to information security.

We monitor the evolution of this risk through our Information Security team and our Threats and Intelligence team, using forward-looking indicators and intelligence to inform our approach to managing this risk.

We are implementing a number of initiatives to address specific elements of this risk. These include the roll out of a Secure Payment System, tokenisation of key systems, the development of a revised information-management policy and increased focus on information shared with our suppliers and business partners.

The approach to the risk is overseen by an Information Security Committee, who led and sponsored a full review of all relevant policies in 2016.

We have a clearly defined incident management capability, which we are continuously developing and embedding across the organisation. We have deployed our incident response plan to develop and implement investigation, containment and mitigation steps in relation to both the Kimpton Security Incident and the Americas Security Incident (see note 30 on page 141).

Our programme management capability is overseen by our Strategic Portfolio Governance Group and implemented by our

delivery could impact the value realised from our investments.

Strategic Portfolio Management team.

The Strategic Portfolio Management team ensure strategic alignment and prioritisation of key programmes, develop organisational capability through training and implement the Group's project delivery approaches and tools. This team is supported by regional and functional project management teams, who manage and monitor specific programmes and projects.

In 2016, we continue to streamline our priorities to ensure we focus on those core programmes that have a significant impact on our business, including Crowne Plaza Accelerate (see page 30) and our new Guest Reservation System (see page 17).

Our regulatory compliance programme works to identify and respond to relevant regulatory requirements. These include anti-bribery and corruption, data privacy and antitrust.

While the hotel sector is not subject to stringent industry-specific regulations, failure to ensure legal, **regulatory and ethical compliance** could impact our reputation.

We ensure that our corporate employees conduct annual Code of Conduct training that highlights, on a rolling basis, key areas such as anti-bribery and competition law, to ensure that we consistently adhere to the highest legal and ethical standards. Our hotels across the globe also provide training to their employees to ensure they are aware of their obligations.

Increased public scrutiny, litigation and regulatory investigation highlight the need for companies to ensure that their **financial management and control 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 that includes, among others, 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 (SOX) see page 57 for further details of our SOX review process).

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 scenario-testing focuses mostly, but not exclusively, on the impact of declining RevPAR on the viability of the Group, as most of the principal risks outlined on pages 21 and 22 will cause a deterioration in RevPAR. The scenarios included a severe but plausible downturn, like the financial crisis that occurred from 2008 to 2009 (when the Board maintained the ordinary dividend despite the severity of the downturn in trading), a widespread cyber security breach 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 2019 is an appropriate period to be covered by the viability statement. Although hospitality industry business cycles are on average longer than three years, the end of those cycles has only resulted in declining RevPAR when that has been caused by exogenous shocks, and the decline in RevPAR has only lasted two years. The Board has therefore determined that no additional insight can be gained from assessing these scenarios over a longer period, particularly as each year the Group's planning process builds into a robust three-year plan against which to test the scenarios.

The detailed three-year plan takes into consideration the principal risks, the Group's strategy, and current market conditions.

That 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 2019, 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 2019.

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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.

KPIs

2016 status

2017 specific priorities

WINNING MODEL AND TARGETED PORTFOLIO

Net rooms supply

Net total number of rooms in the IHG System.

87%

of open rooms are in priority markets

Continue to accelerate growth in our 10 priority markets (such as Germany – see page 30) and key city locations in order to achieve further scale benefits.

Growth in underlying fee revenues^b

Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages.

89%

of pipeline rooms are in priority markets

Support the expansion of Holiday Inn Express Franchise Plus programme in Greater China (see page 30 for details) and the development of Kimpton outside the US.

75,812

rooms signings

Continue to drive strong rooms supply growth, whilst ensuring that we maintain a high level of guest satisfaction across our entire portfolio of hotels with removals from the System.

Total gross revenue from hotels in IHG's System^a

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.

\$4.3bn

digital revenues delivered in 2016, up by 8% on 2015

Continue to drive adoption and impact of our revenue management tools, systems and processes amongst our owners.

Keep our focus on driving a greater revenue contribution from IHG Rewards Club members (see page 16).

49%

of hotels adopting IHG's revenue management service

Our new Guest Reservation System (see page 17) is on track to begin roll-out in 2017.

System contribution to revenue

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

Continue to expand the language capabilities of our online channels and call centres across all regions.

Drive greater food and beverage revenue, and support brand preference, by introducing new food and beverage concepts for our hotels to adopt.

^a Including the acquisition of Kimpton (11,325 rooms).

^b Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 26, and reconciliations to IFRS figures, where they have been adjusted, are on pages 156 and 157.

LINK BETWEEN KPIS AND DIRECTORS REMUNERATION

KPIs that could have an impact on the performance measures

for 2016 remuneration plans:

The Annual Performance Plan

The Long Term Incentive Plan

Key performance indicators (KPIs)

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KEY PERFORMANCE INDICATORS (KPIs) CONTINUED

KPIs	2016 status	2017 specific priorities
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WINNING MODEL AND TARGETED PORTFOLIO CONTINUED

Global RevPAR growth

Revenue per available room: rooms revenue divided by the number of room nights that are available.

105

Holiday Inn Express hotels with the new room design opened in 2016

Continue the roll-out of our enhanced internet connectivity and wifi offer, IHG Connect, for guests across our estate (see page 31).

+200

Embed and drive adoption of customer relationship management systems in our hotels to help us to build lifetime relationships with guests.

Guest Love

IHG's guest satisfaction measurement indicator.

external recognitions for our brands, hotels and loyalty programme in 2016

Continue to invest in brand innovation, such as the new room designs for Holiday Inn Express.

Implemented, or in the process of installing, IHG Connect in over

1,800

Support the development of our high-performing general managers.

Focus on driving consistency and quality across our Crowne Plaza portfolio in the US through Crowne Plaza Accelerate (see page 30).

hotels in The
Americas

Drive adoption of our learning solutions, such as the IHG Frontline online training platform, and brand-orientated services training across all IHG hotels, enabling our people to deliver consistently great guest experiences and maintain brand preference.

Expand the roll-out of our China Ready hotel accreditation in key Chinese outbound destinations across The Americas, Europe and AMEA to further increase the attractiveness of our hotels to Chinese travellers. Accredited hotels offer a range of services and amenities catering specifically to the Chinese traveller with frontline teams who have received cultural training to better serve Chinese guests.

^a Changes to the method for calculating IHG's guest satisfaction scores (previously Guest HeartBeat) were introduced in 2016. The comparatives for 2014 and 2015 have been restated on the basis that the Guest Love methodology had always applied.

**LINK BETWEEN KPIS AND DIRECTORS
REMUNERATION**

KPIs that could have an impact on the performance measures for

2016 remuneration plans:

The Annual Performance Plan

The Long Term Incentive Plan

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KPIs	2016 status	2017 specific priorities
DISCIPLINED EXECUTION		
<p>Fee margins^a</p> <p>Operating profit as a percentage of revenue, excluding revenue and operating profit from owned and leased hotels, managed leases and significant liquidated damages.</p>	<p>3.3ppt</p> <p>growth in fee margin in 2016</p>	<p>Leverage our increasing scale in operations and systems to drive economies of scale across our portfolio of brands.</p> <p>Continue to strengthen our delivery capabilities to ensure that critical in-hotel initiatives are embedded on time and on target.</p>
<p>Employee Engagement survey scores</p> <p>Average of our biannual Employee Engagement survey, completed by employees and those who work in our managed hotels (excluding our joint ventures).</p>	<p>1.4ppt</p> <p>increase in Employee Engagement scores in 2016</p>	<p>Continue to develop our Winning Culture (see page 19), in particular encouraging our employees to have 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>
DOING BUSINESS RESPONSIBLY		
<p>Number of people</p>	<p>2,145</p>	<p>Continue to provide skills and</p>

**participating in IHG®
Academy programmes**

IHG Academy programmes across 75 countries improved employability to people through IHG Academy (see page 18), ensuring a positive impact for local people, our owners and IHG.

Continue to drive quality growth in the programme, including by increasing engagement with our franchise hotels and enabling the transfer of talent between regions.

Carbon footprint per occupied room

7.4%
reduction in carbon footprint per occupied room (to 31.21 kgCO₂e), from 2013 to 2016, on a 2012 baseline across our entire estate

Continue to reduce our carbon footprint across our entire estate.

Continue to drive quality use of the IHG Green Engage system across our entire estate.

Water use per occupied room in water-stressed areas

7.9%^c
reduction in water use per occupied room (by 0.06m³), from 2013 to 2016, 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.

Implement initiatives at hotel level to improve water stewardship and enable further reductions in water use.

^a **Use of Non-GAAP measures:** In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 26, and reconciliations to IFRS figures, where they have been adjusted, are on pages 156 and 157.

^b Restated.

^c We calculate water performance to 15 decimal places. Using a full decimal place calculation results in a 7.9 per cent reduction.

For full disclosure of our carbon and water data, please see

www.ihgplc.com/responsible-business under Our performance.

Key performance indicators (KPIs)	IHG Annual Report and Form 20-F 2016	25
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Performance

Key performance measures (including

Non-GAAP measures) used by management

In addition to the performance measures that are directly observable in the Group Financial Statements, the performance review (and Group highlights on page 2) include the following key performance measures.

With the exception of RevPAR, these are financial measures that are either not defined under IFRS or are adjusted IFRS figures and are therefore described as Non-GAAP measures.

The performance review should be read in conjunction with the Non-GAAP reconciliations on pages 156 and 157 and the glossary on pages 184 to 185.

Revenue per Available Room (RevPAR)

RevPAR is the primary metric used by management to track hotel performance across regions and brands. RevPAR is also a commonly used performance measure in the hotel industry.

RevPAR comprises IHG System rooms revenue divided by the number of room nights available and can be mathematically derived from occupancy rate multiplied by average daily rate. Occupancy rate is rooms occupied by hotel guests expressed as a percentage of rooms that are available. Average daily rate is rooms revenue divided by the number of room nights sold.

References to RevPAR, occupancy and average daily rate are presented on a comparable basis comprising groupings of hotels that have traded in all months in both the current and prior year. The principal exclusions in deriving this measure are new hotels, hotels closed for major refurbishment and hotels sold in either of the two years.

RevPAR and average daily rate are quoted at a constant US dollar conversion rate, in order to allow a better understanding of the comparable year-on-year trading performance excluding distortions created by fluctuations in

exchange rates.

Total gross revenue

An important measure of IHG System performance is the growth in total gross revenue which provides a measure of the overall strength of the Group's brands.

Total gross revenue comprises 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. A reconciliation of total gross revenue to the owned and leased revenue included in the Group Financial Statements is set out on page 28.

Underlying revenue Underlying operating profit growth Underlying fee revenue Fee margin growth

Underlying revenue and underlying operating profit both exclude the impact of owned asset disposals, managed leases, significant liquidated damages and current year acquisitions, all translated at constant currency using prior year exchange rates. Underlying operating profit growth also excludes the impact of exceptional items (see below). The presentation of these additional performance measures allows a better understanding of comparable year-on-year trading and thereby allows an assessment of the underlying trends in the Group's financial performance. These measures also provide consistency with the Group's internal management reporting.

Underlying fee revenue and fee margin further exclude the revenue and operating profit of the Group's remaining owned and leased properties, thereby providing metrics which measure the underlying performance of the Group's core fee-based business model.

The performance review should be read in conjunction with the Non-GAAP reconciliations on pages 156 and 157, which reconcile these alternative performance measures to the nearest comparable GAAP measures and also show the amounts on both an actual and constant currency basis.

Total operating profit before exceptional items and tax Adjusted earnings per ordinary share

Total operating profit before exceptional items and tax enables a better understanding of the ongoing operational performance of the Group. For example, total operating profit including exceptional items can be significantly skewed

by the profit on disposal of owned assets, as was the case in 2015 with the disposal of InterContinental Hong Kong. In addition, taxes can be influenced by external factors such as legislative changes, and a before tax measure of operating profit is therefore considered more reflective of the Group's success in executing against its strategy.

Adjusted earnings per ordinary share excludes exceptional items, and their related tax impacts, and is reconciled to basic earnings per share in note 9 on page 117 of the Group Financial Statements. Adjusted earnings per share provides a per share measure that is not skewed by exceptional items.

An analysis of exceptional items for the periods covered by the performance review is included in note 5 on page 112 of the Group Financial Statements.

Exceptional items are identified by virtue of either their size or nature and are excluded from these measures so as to facilitate comparison with prior periods and to assess underlying trends in the financial performance of the Group and its regional operating segments. Exceptional items can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, and restructuring costs.

Total operating profit both before and after exceptional items is shown on the face of the Group income statement on page 91, as permitted under IFRS.

Net debt

Net debt is used in the monitoring of the Group's liquidity and capital structure, and is a number used to calculate the key ratios attached to the Group's bank covenants.

Net debt comprises loans and other borrowings less cash and cash equivalents, and is reconciled to the amounts included in the Group Financial Statements in note 21 on page 128.

These are Non-GAAP financial measures which should be viewed as complementary to, and not as a substitute for, the measures prescribed by GAAP.

Table of Contents*Group***Group results**

	12 months ended 31 December					
	2016	2015	2016 vs 2015		2015 vs 2014	
	\$m	\$m	% change	\$m	% change	
Revenue						
Americas	993	955	4.0	871	9.6	
Europe	227	265	(14.3)	374	(29.1)	
AMEA	237	241	(1.7)	242	(0.4)	
Greater China	117	207	(43.5)	242	(14.5)	
Central	141	135	4.4	129	4.7	
Total	1,715	1,803	(4.9)	1,858	(3.0)	
Operating profit before exceptional items						
Americas	633	597	6.0	544	9.7	
Europe	75	78	(3.8)	89	(12.4)	
AMEA	82	86	(4.7)	84	2.4	
Greater China	45	70	(35.7)	89	(21.3)	
Central	(128)	(151)	15.2	(155)	2.6	
	707	680	4.0	651	4.5	
Exceptional items	(29)	819	(103.5)	29		
Operating profit	678	1,499	(54.8)	680	120.4	
Net finance costs	(87)	(87)		(80)	(8.8)	
Profit before tax	591	1,412	(58.1)	600	135.3	
Earnings per ordinary share						
Basic	195.3¢	520.0¢	(62.4)	158.3¢	228.5	
Adjusted	203.3¢	174.9¢	16.2	158.3¢	10.5	
Average US dollar to sterling exchange rate	\$1:	\$1:	13.8	\$1:	6.6	
	£ 0.74	£ 0.65		£ 0.61		

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 page 103 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 112 of the Group

Highlights for the year ended**31 December 2016**

During the year ended 31 December 2016, revenue decreased by \$88m (4.9%) to \$1,715m primarily as a result of the sale of InterContinental Paris Le Grand and InterContinental Hong Kong. Operating profit and profit before tax both decreased by \$821m to \$678m and \$591m, primarily due to the gain on sale of InterContinental Paris Le Grand and InterContinental Hong Kong during the year ended 31 December 2015. Operating profit before exceptional items increased by \$27m (4.0%) to \$707m.

Underlying^a Group revenue and underlying^a Group operating profit increased by \$69m (4.6%) and \$61m (9.5%) respectively.

Comparable Group RevPAR increased by 1.8% (including an increase in average daily rate of 1.2%). IHG System size increased by 3.1% to 767,135 rooms, whilst underlying Group fee revenue^b increased by 2.3% (4.4% at constant currency).

At constant currency, the net central operating loss before exceptional items decreased by \$12m (7.9%) to \$139m compared to 2015 (but at actual currency decreased by \$23m (15.2%) to \$128m).

Group fee margin was 48.8%, up 3.3 percentage points (up 2.5 percentage points at constant currency) on 2015, after adjusting for owned and leased hotels, managed leases, and significant liquidated damages. Group fee margin benefited from efficiency improvements and by leveraging our global scale.

Basic earnings per ordinary share decreased by 62.4% to 195.3¢, whilst adjusted earnings per ordinary share increased by 16.2% to 203.3¢, reflecting the increase in operating profit before exceptional items and the impact of the share consolidation in May 2016.

^a Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates (see pages 156 and 157). Underlying operating profit growth also excludes the impact of exceptional items.

^b Underlying fee revenue is defined as Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages (see pages 156 and 157).

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PERFORMANCE CONTINUED

Group continued

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 and profit before tax increased by \$819m (120.4%) to \$1,499m and by \$812m (135.3%) to \$1,412m respectively, primarily due to the gain on sale of InetrContinental Paris Le Grand and InterContinental Hong Kong during the year. 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.

Underlying^a revenue and underlying^a 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 underlying Group fee revenue^b increased by 7.5% (3.0% excluding Kimpton).

At constant currency, the net central operating loss before exceptional items 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.

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¢.

Global total gross revenue

	12 months ended		
	2016 \$bn	2015 \$bn	31 December % change
Analysed by brand			
InterContinental	4.6	4.5	2.2
Kimpton	1.1	1.1	
Crowne Plaza	4.1	4.2	(2.4)
Hotel Indigo	0.4	0.3	33.3
Holiday Inn	6.2	6.2	
Holiday Inn Express	6.3	6.1	3.3
Staybridge Suites	0.8	0.8	
Candlewood Suites	0.7	0.7	
Other	0.3	0.1	200.0
Total	24.5	24.0	2.1
Analysed by ownership type			
Franchised	14.3	14.1	1.4
Managed	10.0	9.6	4.2
Owned and leased ^c	0.2	0.3	(33.3)
Total	24.5	24.0	2.1

Total gross revenue is a Non-GAAP financial measure, see page 26 for additional information.

Total gross revenue increased by 2.1% (4.2% increase at constant currency) to \$24.5bn, driven by IHG System size and comparable RevPAR growth.

^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 (see pages 156 and 157). Underlying operating profit growth also excludes the impact of exceptional items.

^b Underlying fee revenue is defined as Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages (see pages 156 and 157).

^c See note 2 of the Group Financial Statements on page 106.

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

	Hotels		Rooms		
	Change		Change		
At 31 December	2016	over 2015	2016	over 2015	
Analysed by brand					
InterContinental	187	3	63,650	1,610	
Kimpton	61		11,238	262	
HUALUXE	4	1	1,096	298	Total number of rooms
Crowne Plaza	408	2	113,803	519	
Hotel Indigo	75	10	8,905	1,241	
EVEN Hotels	6	3	1,010	564	
Holiday Inn ^a	1,241	15	231,756	3,656	767,135
Holiday Inn Express	2,497	72	247,009	10,603	
Staybridge Suites	236	16	25,610	1,646	
Candlewood Suites	362	21	34,192	1,864	
Other	97	(1)	28,866	504	
Total	5,174	142	767,135	22,767	
Analysed by ownership type					
Franchised	4,321	102	542,650	11,902	
Managed	845	39	222,073	10,670	
Owned and leased	8	1	2,412	195	
Total	5,174	142	767,135	22,767	

Total number of hotels

5,174

Total number of rooms

767,135

During 2016, the global IHG System (the number of hotels and rooms which are franchised, managed, owned or leased by the Group) increased by 142 hotels (22,767 rooms) to 5,174 hotels (767,135 rooms). Openings of 258 hotels (40,134 rooms) were 5.5% lower than in 2015.

Openings in The Americas included 128 hotels (15,680 rooms) in the Holiday Inn brand family. 29 hotels (7,938 rooms) were opened in Greater China in 2016, with the Europe and AMEA regions contributing openings of 24 hotels (4,188 rooms) and 17 hotels (4,473

rooms) respectively. 116 hotels (17,367 rooms) left the IHG System in 2016, a decrease from the previous year (143 hotels, 21,679 rooms).

^a Includes 46 Holiday Inn Resort properties (11,652 rooms) and 26 Holiday Inn Club Vacations properties (7,601 rooms) (2015: 47 Holiday Inn Resort properties (11,518 rooms) and 16 Holiday Inn Club Vacations properties (5,231 rooms)).

Group pipeline

At 31 December	Hotels Change		Rooms Change		Total number of hotels in the pipeline
	2016	over 2015	2016	over 2015	
Analysed by brand					
InterContinental	62	10	17,480	1,804	
Kimpton	18		3,098	(268)	1,470
HUALUXE	22	1	6,956	324	
Crowne Plaza	90	6	24,536	1,355	
Hotel Indigo	75	12	10,593	1,385	
EVEN Hotels	6	(2)	780	(482)	
Holiday Inn ^b	261	5	52,678	474	
Holiday Inn Express	676	74	83,882	8,277	Total number of rooms in the pipeline
Staybridge Suites	140	26	15,321	2,680	
Candlewood Suites	108	10	9,604	884	
Other	12	(2)	5,148	(273)	
Total	1,470	140	230,076	16,160	230,076
Analysed by ownership type					
Franchised	1,039	134	117,694	15,525	
Managed	431	7	112,382	837	
Owned and leased		(1)		(202)	
Total	1,470	140	230,076	16,160	

^b Includes 14 Holiday Inn Resort properties (3,531 rooms) (2015: 14 Holiday Inn Resort properties (3,548 rooms)).

At the end of 2016, the global pipeline totalled 1,470 hotels (230,076 rooms), an increase of 140 hotels (16,160 rooms) on 31 December 2015. 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 2016 is in our 10 priority markets.

Group signings increased from 474 hotels in 2015 to 516 hotels whilst rooms decreased from 78,438 rooms to 75,812 rooms in 2016 due to the signing of one large hotel in the Middle East (5,154 rooms) in 2015. This included 328 hotels (47,842 rooms) signed for the Holiday Inn brand family, 28.2% of which were contributed by Greater China (63 hotels, 13,472 rooms).

Active management of the pipeline to remove deals that have become dormant or no longer viable reduced the pipeline by 118 hotels (19,518 rooms), compared to 108 hotels (17,004 rooms) in 2015.

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The Americas

Maximise the quality of growth and scale of our System, by focusing on driving brand preference across our core upper midscale and upscale portfolio, over the next three years.

PROGRESS AGAINST 2016

REGIONAL PRIORITIES

1. Grew System size by opening 188 hotels, and through key signings for our InterContinental brand (including Houston, Minneapolis, and San Diego). Grew our EVEN Hotels brand, including opening the first franchise in Omaha and two openings in New York City. Delivered a strong year of signings for Kimpton Hotels & Restaurants, and opened its first international hotel with the Kimpton Seafire Resort + Spa, Grand Cayman.
2. Strengthened brand preference by embedding the new Holiday Inn Express room design (see page 17), which has delivered strong performance and penetration in the estate. Began driving adoption of the new Holiday Inn room design (see page 17), which became a brand standard in the US and Canada in 2016. Launched the Crowne Plaza Accelerate programme (see page 30).
3. Built more meaningful relationships with our guests by implementing IHG Connect, which delivers a faster, more reliable and consistent hotel internet experience. Guests benefit from a seamless, wifi log-in across our estate using their IHG Rewards Club credentials. Hotels that have adopted the system have seen wifi-related scores increase by five points since implementation.
4. Drove superior returns for our owners by refining our revenue toolkit, including expansion of the newly approved standard for revenue management, expansion of our revenue management services and embedding our operational model for hotel support.

IHG S 2017 REGIONAL PRIORITIES

1. Grow System size by opening key properties and strengthening our upscale and luxury portfolio (including the InterContinental Los Angeles Downtown, Hotel Indigo Los Angeles Downtown, and Crowne Plaza HY36 Midtown Manhattan).
2. Drive brand preference through the Crowne Plaza Accelerate programme (see page 30), and through the continued scaling of Holiday Inn Express and Holiday Inn new designs.
3. Drive superior returns for our owners by expanding our revenue management service, Revenue Management for Hire and, in particular, through the expansion of our owner-centric support model and revenue management standard to Mexico.

Industry performance in 2016

Industry RevPAR in the Americas increased by 3.8%, driven by a 1.5% increase in room demand and a 4.0% increase in average daily rate. On the supply side, the number of available rooms increased by 1.6%, the highest growth since 2009. All industry segments experienced RevPAR growth, driven by average daily rate. RevPAR in the upper midscale segment, where the Holiday Inn and Holiday Inn Express brands operate, increased by 2.1%, driven by a 2.5% increase in average daily rate. In the US, lodging industry room demand increased by 1.7%, continuing to outpace GDP for the past seven years. Industry room demand set records in all months this year as it has done, except in one month, since March 2011. US supply growth continued to move upwards, reaching 1.6%, (still below the 1.9% per annum historic average). Average daily rate growth of 3.1% drove a 3.2% increase in US RevPAR. In the US, RevPAR increased by 2.3% in upper midscale, 2.1% in upscale and 1.3% in luxury. In Canada, industry RevPAR increased by 4.9%, driven by a 4.3% increase in average daily rate, and in Mexico, RevPAR increased by 17.2%, due to a 17.1% increase in average daily rate.

Source

Smith Travel Research for all of the above industry facts.

IHG's regional performance in 2016

IHG's comparable RevPAR in the Americas increased 2.1%, driven by 2.0% average daily rate growth. The region is predominantly represented by the US, where comparable RevPAR increased 1.8%. US RevPAR growth was impacted by our concentration in oil producing markets, where RevPAR declined by 7.5%; in the remainder of the estate RevPAR increased by 3.0%. In the US, we are most represented by our upper midscale brands Holiday Inn and Holiday Inn Express. The Holiday Inn brand increased RevPAR 2.5%, slightly ahead of the segment, whilst Holiday Inn Express brand increased by 1.5%, behind the segment. However, absolute occupancy for both brands was ahead of the industry. In Canada, our comparable RevPAR increased by 2.7% and Mexico increased by 12.9%, both led by rate growth.

Strong demand for IHG-branded hotels continued, with 37,038 rooms signed during 2016. We continued to demonstrate our commitment to quality, with 15,117 rooms leaving the IHG System.

Americas comparable RevPAR

movement on previous year

			12 months ended
			31 December 2016
Franchised		Managed	
Crowne Plaza	1.5%	InterContinental	2.7%
Holiday Inn	2.6%	Kimpton	2.9%
Holiday Inn Express	1.7%	Crowne Plaza	5.7%
All brands	1.9%	Holiday Inn	4.9%
		Staybridge Suites	5.3%
		Candlewood Suites	1.2%
		All brands	3.2%
		Owned and leased	
		EVEN Hotels	15.5%
		All brands	4.0%

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PERFORMANCE CONTINUED

*The Americas continued***Americas results**

	12 months ended 31 December				
	2016	2015	2016 vs 2015 %	2014	2015 vs 2014 %
	\$m	\$m	change	\$m	change
Revenue					
Franchised	685	661	3.6	630	4.9
Managed	172	166	3.6	103	61.2
Owned and leased	136	128	6.3	138	(7.2)
Total	993	955	4.0	871	9.6
Percentage of Group revenue	57.9	53.0	4.9	46.9	6.1
Operating profit before exceptional items					
Franchised	600	575	4.3	544	5.7
Managed	64	64		47	36.2
Owned and leased	24	24		18	33.3
	688	663	3.8	609	8.9
Regional overheads	(55)	(66)	16.7	(65)	(1.5)
	633	597	6.0	544	9.7
Exceptional items	(29)	(41)	29.3	110	(137.3)
Operating profit	604	556	8.6	654	(15.0)
Percentage of Group operating profit before central overheads and exceptional items	75.8	71.9	3.9	67.5	4.4

Highlights for the year ended**31 December 2016**

With 3,925 hotels (487,993 rooms), The Americas represented 64% of the Group's room count and 76% of the Group's operating profit before central overheads and exceptional items for the year ended 31 December 2016. 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 upper upscale segment, Kimpton is entirely managed. In the luxury segment, InterContinental-branded hotels are operated under both franchise and management agreements. 11 of the Group's 12 hotel brands are

represented in The Americas.

Revenue and operating profit increased by \$38m (4.0%) to \$993m and by \$48m (8.6%) to \$604m respectively. Operating profit before exceptional items increased by \$36m (6.0%) to \$633m. Underlying^a revenue increased by \$53m (5.8%), while underlying^a operating profit increased by \$46m (7.7%), driven predominantly by RevPAR growth in the fee business and an increase in net rooms. The underlying results exclude the impact of owned asset disposals, managed leases, and the benefit of significant liquidated damages receipts (2016: \$nil; 2015: \$3m).

Franchised revenue and operating profit increased by \$24m (3.6%) to \$685m and by \$25m (4.3%) to \$600m respectively. Royalties^b growth of 2.4% was driven by comparable

RevPAR growth of 1.9%, including 2.6% for Holiday Inn and 1.7% for Holiday Inn Express, together with 2.0% rooms growth. On a constant currency basis, revenue and operating profit increased by \$29m (4.4%) to \$690m and by \$30m (5.2%) to \$605m respectively.

Managed revenue increased by \$6m (3.6%) to \$172m, whilst operating profit stayed flat at \$64m due to costs relating to our 20% interest in InterContinental New York Barclay and the ongoing impact of new supply on RevPAR growth in New York. Revenue and operating profit included \$34m (2015: \$38m) and \$nil (2015: \$nil) respectively from one managed-lease property. Excluding results from this managed-lease hotel, the benefit of significant liquidated damages receipts (2016: \$nil; 2015: \$3m) and on a constant currency basis, revenue increased by \$16m (12.8%) and operating profit increased by \$5m (8.2%) respectively.

Owned and leased revenue increased by \$8m (6.3%) to \$136m, whilst operating profit stayed flat at \$24m.

Regional overheads decreased by \$11m (16.7%) to \$55m due to a \$10m year-on-year decrease in US healthcare costs.

^a Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates (see pages 156 and 157). Underlying operating profit growth also excludes the impact of exceptional items.

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

^c 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 (see pages 156 and 157). Underlying operating profit growth also excludes the impact of exceptional items.

Highlights for the year ended

31 December 2015

Revenue increased by \$84m (9.6%) to \$955m and operating profit decreased by \$98m (15.0%) to \$556m, primarily due to the gain on sale of InterContinental New York Barclay and InterContinental Mark Hopkins San Francisco during the year ended 31 December 2014. Operating profit before exceptional items increased by \$53m (9.7%) to \$597m. Underlying^c revenue increased by \$71m (8.8%), while underlying^a 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.

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

	Hotels		Rooms		
	Change		Change		
At 31 December	2016 over 2015		2016 over 2015		
Analysed by brand					
InterContinental	48	(2)	16,408	(701)	
Kimpton	61		11,238	262	Total number of rooms
Crowne Plaza	164	(8)	44,116	(2,200)	
Hotel Indigo	46	6	5,932	861	
EVEN Hotels	6	3	1,010	564	
Holiday Inn ^a	774	2	136,744	749	487,993
Holiday Inn Express	2,154	48	192,371	5,399	
Staybridge Suites	226	15	24,185	1,523	
Candlewood Suites	362	21	34,192	1,864	
Other	84		21,797	97	The Americas System size
Total	3,925	85	487,993	8,418	increased by 85 hotels
					(8,418 rooms) to 3,925
					hotels (487,993 rooms)
					during 2016. 188 hotels
Analysed by ownership type					(23,535 rooms) opened in
Franchised	3,633	85	430,866	8,636	the year, compared to 183
Managed	286	(1)	55,302	(413)	hotels (22,942 rooms) in
Owned and leased	6	1	1,825	195	2015. Openings included
Total	3,925	85	487,993	8,418	128 hotels (15,680 rooms)
Percentage of Group hotel					in the Holiday Inn brand
and room count	75.9	(0.4)	63.6	(0.8)	family, representing 66.6%

^a Includes 25 Holiday Inn Resort properties (6,791 rooms) and 26 Holiday Inn Club Vacations properties (7,601 rooms)

(2015: 23 Holiday Inn Resort properties (5,902 rooms) and 16 Holiday Inn Club Vacations properties (5,231 rooms)).

103 hotels (15,117 rooms) were removed from The Americas System in 2016, demonstrating our continued commitment to quality, compared to 104 hotels (14,709 rooms) in 2015. 37.3% of 2016 room

removals were Holiday Inn rooms in the US (30 hotels, 5,638 rooms) compared to 44.0% in 2015 (31 hotels, 6,466 rooms).

Americas pipeline

	Hotels Change		Rooms Change		Total number of hotels in the pipeline
At 31 December	2016	over 2015	2016	over 2015	
Analysed by brand					
InterContinental	7	3	2,532	987	
Kimpton	17	(1)	2,949	(417)	945
Crowne Plaza	17	2	3,286	796	
Hotel Indigo	32	2	3,965	(59)	
EVEN Hotels	6	(2)	780	(482)	
Holiday Inn ^b	128	3	17,304	(899)	
Holiday Inn Express	488	39	46,796	2,851	
Staybridge Suites	131	26	13,896	2,666	
Candlewood Suites	108	10	9,604	884	Total number of rooms in the pipeline
Other	11	(2)	1,339	(260)	
Total	945	80	102,451	6,067	102,451
Analysed by ownership type					
Franchised	897	88	93,295	7,432	
Managed	48	(7)	9,156	(1,163)	
Owned and leased		(1)		(202)	
Total	945	80	102,451	6,067	

^b Includes three Holiday Inn Resort properties (455 rooms) (2015: seven Holiday Inn Resort properties (1,657 rooms)).

At 31 December 2016, The Americas pipeline totalled 945 hotels (102,451 rooms), representing an increase of 80 hotels (6,067 rooms) over the prior year. Strong signings of 332 hotels (37,038 rooms) were ahead of last year by seven hotels, but lower by 617 rooms. The majority of 2016 signings were within the Holiday Inn brand family (204 hotels, 21,826 rooms) and our extended-stay brands, Staybridge Suites and Candlewood Suites (93 hotels, 9,130 rooms).

64 hotels (7,436 rooms) were removed from the pipeline in 2016 compared, to 69 hotels (7,661 rooms) in 2015.

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PERFORMANCE CONTINUED

Europe

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.

PROGRESS AGAINST 2016

REGIONAL PRIORITIES

1. Grew our System size, and our potential for future growth, by focusing on significantly increasing our scale in Germany (see page 30). In 2016, 22 hotels were signed or opened.
2. Strengthened brand preference by embedding the new Holiday Inn open-lobby concept – 58 per cent of the estate has implemented or committed to implement it, which has already resulted in an eight percentage-point increase in Guest Love scores versus pre-refurbishment. Embedded the new room design for Holiday Inn Express – 56 per cent of the estate has implemented or committed to implement it, which has already resulted in a five percentage-point increase in Guest Love scores versus pre-refurbishment. Signed the first two Kimpton Hotels & Restaurants hotels in Europe’s key cities, the first to open in Amsterdam in early 2017.
3. Drove demand through our direct channels by rolling out Your Rate across the UK and Ireland, Belgium, Netherlands, France and Germany (see page 16).

IHG’S 2017 REGIONAL PRIORITIES

1. Grow System size by driving growth in our priority markets of the UK, Germany, and Russia and CIS, and across key cities, localising our brands as necessary.

2. Drive brand preference through the adoption of our innovative design concepts, including the Holiday Inn open-lobby concept and the new room design for Holiday Inn Express, thereby continuing to improve the guest experience and increase guest satisfaction. Establish Kimpton in the region, by building on the momentum of our 2016 signings.
3. Drive demand through our direct channels by completing the roll-out of Your Rate in the whole Europe region.

Industry performance in 2016

The hotel industry in Europe is influenced by the larger markets in the region, notably the UK and Germany. Slowing demand due to security concerns held back European industry RevPAR in 2016, which increased by 2.5%. Regional room demand increased 1.4% and the average daily rate increased by 2.0%. RevPAR growth in the UK was 1.4%, driven by a 1.6% increase in average daily rate and a 1.8% increase in demand. In Germany, RevPAR saw strong growth of 4.7%, driven by a 3.7% growth in average daily rate and a 1.5% increase in demand. Russia saw growth of 15.7% driven by a 7.7% increase in average daily rate.

Source

Smith Travel Research for all of the above industry facts.

IHG's regional performance in 2016

IHG's regional comparable RevPAR increased by 1.7%, driven by average daily rate growth of 1.4%. The UK achieved strong growth of 2.6%, ahead of the industry, led by average daily rate growth in the provinces. In Germany, a favourable trade fair calendar led to RevPAR growth of 6.8%, ahead of industry in both occupancy and average daily rate. Russia RevPAR increased by 16.4%, ahead of industry. Across the rest of Europe, RevPAR declined by 1.4%, impacted by challenging trading conditions in France, Turkey and Belgium.

Europe comparable RevPAR

movement on previous year

		12 months ended	
		31 December 2016	
Franchised		Managed	
All brands	2.0%	All brands	(0.3)%

Table of Contents**Europe results**

	12 months ended 31 December				
	2016	2015	2016 vs 2015 %	2014	2015 vs 2014 %
	\$m	\$m	change	\$m	change
Revenue					
Franchised	102	104	(1.9)	104	
Managed	125	131	(4.6)	159	(17.6)
Owned and leased		30	(100.0)	111	(73.0)
Total	227	265	(14.3)	374	(29.1)
Percentage of Group revenue	13.3	14.7	(1.4)	20.1	(5.4)
Operating profit before exceptional items					
Franchised	78	77	1.3	78	(1.3)
Managed	22	28	(21.4)	30	(6.7)
Owned and leased		1	(100.0)	14	(92.9)
	100	106	(5.7)	122	(13.1)
Regional overheads	(25)	(28)	10.7	(33)	15.2
	75	78	(3.8)	89	(12.4)
Exceptional items		175	(100.0)	(56)	412.5
Operating profit	75	253	(70.4)	33	666.7
Percentage of Group operating profit before central overheads and exceptional items	9.0	9.4	(0.4)	11.0	(1.6)

Highlights for the year ended**31 December 2016**

Comprising 677 hotels (110,069 rooms) at the end of 2016, Europe represented 14% of the Group's room count and 9% of the Group's operating profit before central overheads and exceptional items for the year ended 31 December 2016. 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 decreased by \$38m (14.3%) to \$227m and operating profit decreased by \$178m (70.4%) to \$75m, primarily due to the gain on sale of InterContinental Paris – Le Grand during the year ended 31 December 2015. Operating profit before exceptional items decreased by \$3.0m (3.8%) to \$75m. Underlying^a revenue increased by \$1m (0.6%) and underlying^a operating profit stayed flat at \$76m. Overall, comparable RevPAR in Europe increased by 1.7%, with the UK increasing by 2.6%, led by average daily rate growth in the provinces, Germany growing by 6.8% and Russia and

CIS growing at 14.7%.

Franchised revenue decreased by \$2m (1.9%) to \$102m, whilst operating profit increased by \$1m (1.3%) to \$78m. On a constant currency basis, revenue and operating profit increased by \$6m (5.8%) and \$6m (7.8%) respectively.

Managed revenue decreased by \$6m (4.6%) and operating profit decreased by \$6m (21.4%). Revenue and operating profit included \$77m (2015: \$75m) and \$2m (2015: \$1m) respectively from managed leases. Excluding properties operated under this arrangement, and on a constant currency basis, revenue decreased by \$5m (8.9%) and operating profit decreased by \$6m (22.2%). Performance was impacted by difficult trading conditions for our hotels in Paris, and a revenue reduction in relation to three managed hotels; two of which have exited the system and one of which is undergoing a major refurbishment.

The last remaining hotel in the owned and leased estate, InterContinental Paris Le Grand, was sold in 2015. Following this, revenue and operating profit in the estate decreased to nil.

^a Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior year exchange rates (see pages 156 and 157). Underlying operating profit growth also excludes the impact of exceptional items.

Highlights for the year ended

31 December 2015

Revenue decreased by \$109m (29.1%) to \$265m and operating profit increased by \$220m (666.7%) to \$253m, primarily due to the gain on sale of the InterContinental Paris Le Grand. Operating profit before exceptional items decreased by \$11m (12.4%) to \$78m. The decrease in revenue and operating profit before exceptional items was primarily due to InterContinental Paris Le Grand becoming a managed property and the negative impact of significant foreign exchange translation movement. Underlying revenue and underlying 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.

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PERFORMANCE CONTINUED

*Europe continued***Europe hotel and room count**

	Hotels		Rooms	
	Change		Change	
At 31 December	2016	over 2015	2016	over 2015
Analysed by brand				
InterContinental	31	(1)	9,724	(162)
Crowne Plaza	92	4	20,887	618
Hotel Indigo	21	2	1,910	120
Holiday Inn ^a	291	6	47,829	1,679
Holiday Inn Express	234	6	28,578	1,053
Staybridge Suites	7	1	1,000	123
Other	1	(1)	141	(73)
Total	677	17	110,069	3,358

Total number of hotels

677

Total number of rooms

110,069**Analysed by ownership type**

Franchised	629	14	97,030	2,620
Managed	48	3	13,039	738
Total	677	17	110,069	3,358

Percentage of Group hotel and room count

13.1	14.4	0.1
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During 2016, Europe System size increased by 17 hotels (3,358 rooms) to 677 hotels (110,069 rooms). The Group opened 24 hotels (4,188 rooms) in Europe in 2016, compared to 36 hotels (5,493 rooms) in 2015.

Seven hotels (830 rooms) left the Europe System in the period, compared to 23 hotels (2,990 rooms) in the previous year.

^a Includes one Holiday Inn Resort property (88 rooms) (2015: two Holiday Inn Resort properties (212 rooms)).

Europe pipeline

	Hotels Change		Rooms Change		Total number of hotels in the pipeline
At 31 December	2016 over 2015		2016 over 2015		
Analysed by brand					
InterContinental	6	1	813	(69)	137
Kimpton	1	1	149	149	
Crowne Plaza	14	3	3,185	512	
Hotel Indigo	18	7	2,264	861	
Holiday Inn	35	(2)	7,511	(323)	
Holiday Inn Express	58	13	9,395	2,197	
Staybridge Suites	5	1	637	126	Total number of rooms in the pipeline
Other				(31)	
Total	137	24	23,954	3,422	
Analysed by ownership type					23,954
Franchised	111	23	17,908	3,781	
Managed	26	1	6,046	(359)	
Total	137	24	23,954	3,422	

The Europe pipeline totalled 137 hotels (23,954 rooms) at 31 December 2016, representing an increase of 24 hotels (3,422 rooms) over 31 December 2015. New room signings reached their highest level since 2007 with 60 hotels (9,554 rooms), an increase of 12 hotels (728 rooms) from the prior year. Signings included 17 hotels (2,790 rooms) in Germany, a record number of signings for the third year running and 12 hotels (1,952 rooms) in the UK.

12 hotels (1,944 rooms) were removed from the pipeline in 2016, compared to 13 hotels (1,694 rooms) in 2015.

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Asia, Middle East and Africa (AMEA)

Focus on portfolio growth in key cities and resort destinations, while increasing our revenue share through enhanced guest satisfaction and greater loyalty contribution, over the next three years.

PROGRESS AGAINST 2016

REGIONAL PRIORITIES

1. Grew System size with in-year conversions of over 2,150 rooms in Japan, India, Indonesia and elsewhere. We accelerated our growth by signing over 10,500 rooms, most for full-service brands, and many in high RevPAR locations such as Japan, Australia and the Republic of Maldives.
2. Strengthened brand preference in the boutique and lifestyle segment in the AMEA region by opening the Hotel Indigo Singapore Katong, and entering into an agreement to introduce EVEN Hotels to Australia and New Zealand.
3. Supported our people strategy through the launch of our Learning Culture for General Managers and Corporate colleagues, to further leadership skills and business agility. Recognised by Great Places to Work as the third preferred employer in Singapore and fourth in Saudi Arabia across all industries.

IHG S 2017 REGIONAL PRIORITIES

1. Grow System size in key cities and resort destinations through both new build and conversion signings. Particular attention to be paid to IHG s strong portfolio of boutique and lifestyle brands to drive high-value growth.
2. Drive brand preference through relentless focus on service and enhance contribution from IHG Rewards Club, thereby continuing to improve the guest experience and increase guest satisfaction.

3. Drive superior returns for our owners through improved communication and refinement of our hotel design and opening processes, to ensure market-leading ROI.

Industry performance in 2016

AMEA room demand growth was offset by supply growth, resulting in flat occupancy. Falling average daily rate in several key countries suppressed RevPAR growth to 0.9%. Slowing global trade and weak oil prices impacted lodging performance in Indonesia, United Arab Emirates (UAE) and Saudi Arabia. Industry RevPAR declined in all three countries by 4.0% in Indonesia, 8.5% in Saudi Arabia and 9.0% in UAE. Decreasing average daily rates were the principal driver in Indonesia and UAE, whilst both occupancy and average daily rate fell in Saudi Arabia. In contrast, Japan achieved solid RevPAR growth of 4.0% due to an increase in average daily rate. RevPAR increased in India by 5.9% and in Thailand by 3.7%, both led by occupancy growth. Australia RevPAR increased by 2.2%, driven by a 1.2% increase in average daily rate.

Source

Smith Travel Research for all of the above industry facts.

IHG's regional performance in 2016

Across this large region, IHG is widely represented, both geographically and by brand, meaning comparisons with the industry are hard to make. IHG regional comparable RevPAR decreased by 0.2% due to a decline in average daily rate, offset by occupancy gains. Middle East RevPAR declined by 7.0%, impacted by declining oil prices. Performance outside the Middle East was strong with 3.7% RevPAR growth overall. Performance was led by strong positive trading in the mature markets of Japan, where RevPAR increased by 3.6%, and in Australia where RevPAR increased by 2.9% ahead of the industry. India outperformed the market with strong RevPAR growth of 14.1%. Total RevPAR was down 2.0% for the year impacted by the proportion of hotel openings in developing markets where RevPARs are significantly lower than developed markets.

AMEA comparable RevPAR movement on previous year

		12 months ended	
		31 December 2016	
Franchised		Managed	
All brands	(0.1)%	All brands	(0.2)%

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PERFORMANCE CONTINUED

*Asia, Middle East and Africa (AMEA) continued***AMEA results**

	12 months ended 31 December				
	2016	2015	2016 vs 2015 %	2014	2015 vs 2014 %
	\$m	\$m	change	\$m	change
Revenue					
Franchised	16	16		16	
Managed	184	189	(2.6)	187	1.1
Owned and leased	37	36	2.8	39	(7.7)
Total	237	241	(1.7)	242	(0.4)
Percentage of Group revenue	13.8	13.3	0.5	13.0	0.3
Operating profit before exceptional items					
Franchised	12	12		12	
Managed	89	90	(1.1)	88	2.3
Owned and leased	2	3	(33.3)	3	
	103	105	(1.9)	103	1.9
Regional overheads	(21)	(19)	(10.5)	(19)	
	82	86	(4.7)	84	2.4
Exceptional items		(2)	100.0		(100.0)
Operating profit	82	84	(2.4)	84	
Percentage of Group operating profit before central overheads and exceptional items	9.8	10.4	(0.6)	10.5	(0.1)

Highlights for the year ended**31 December 2016**

Comprising 280 hotels (76,051 rooms) at 31 December 2016, AMEA represented 10% of the Group's room count and contributed 10% of the Group's operating profit before central overheads and exceptional items during the year. 83% of rooms in AMEA are operated under the managed business model.

Revenue and operating profit decreased by \$4m (1.7%) to \$237m and by \$2m (2.4%) to \$82m respectively. Operating profit before exceptional items decreased by \$4m (4.7%) to \$82m. Underlying^a revenue and underlying^a operating profit decreased by \$8m (4.1%) and \$3m (3.7%) respectively.

Comparable RevPAR decreased 0.2% primarily due to a fall in rate. Performance was positive in India, which grew by 14.1%, and Japan exhibited growth of 3.6%, however the Middle East decreased by 7.0%, impacted by declining oil prices and oversupply.

On an actual and constant currency basis franchised revenue and operating profit remained flat at \$16m and \$12m respectively.

Managed revenue and operating profit decreased by \$5m (2.6%) to \$184m and \$1m (1.1%) to \$89m respectively. Revenue and operating profit included \$51m (2015: \$46m) and \$5m (2015: \$5m) respectively from one managed-lease property. Excluding results from this hotel and on a constant currency basis, revenue decreased by \$9m (6.3%) to \$134m, whilst operating profit remained flat at \$85m. Good underlying growth in our managed business was offset by a \$7m revenue reduction in relation to four hotels; three long standing contracts being renewed onto standard market terms and one equity stake disposal.

In the owned and leased estate, on an actual and constant currency basis, revenue increased by \$1m (2.8%) to \$37m and operating profit decreased by \$1m (33.3%) to \$2m.

^a Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior year exchange rates (see pages 156 and 157). Underlying operating profit growth also excludes the impact of exceptional items.

Highlights for the year ended

31 December 2015

Revenue decreased by \$1m (0.4%) to \$241m, whilst operating profit remained flat at \$84m. Operating before exceptional items increased by \$2m (2.4%) to \$86m. Revenue and operating profit before exceptional items were both adversely impacted by foreign exchange translation. Underlying revenue and underlying 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%).

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

	Hotels		Rooms		
	Change		Change		
At 31 December	2016 over 2015		2016 over 2015		
Analysed by brand					
InterContinental	69	1	21,203	(35)	
Crowne Plaza	73	2	20,749	738	
Hotel Indigo	2	1	323	131	Total number of rooms
Holiday Inn ^a	93	2	21,312	328	
Holiday Inn Express	34	7	7,583	1,697	
Staybridge Suites	3		425		
Other	6		4,456	619	76,051
Total	280	13	76,051	3,478	
Analysed by ownership type					
Franchised	55	3	12,570	646	The AMEA System size increased by 13 hotels (3,478 rooms) to 280 hotels (76,051 rooms) as at 31 December 2016. Openings decreased by five hotels (2,139 rooms) to 17 hotels (4,473 rooms) in 2016. Four hotels (995 rooms) were removed from the AMEA System in 2016, compared to eight hotels (1,915 rooms) in 2015.
Managed	223	10	62,894	2,832	
Owned and leased	2		587		
Total	280	13	76,051	3,478	
Percentage of Group hotel and room count					
	5.4	0.1	9.9	0.1	

^aIncludes 14 Holiday Inn Resort properties (2,953 rooms) (2015: 15 Holiday Inn Resort properties (3,169 rooms))

AMEA pipeline

	Hotels		Rooms		
	Change		Change		
At 31 December	2016 over 2015		2016 over 2015		
					Total number of hotels in the pipeline

Analysed by brand					149
InterContinental	27	5	6,681	1,332	
Crowne Plaza	21	2	5,554	253	
Hotel Indigo	14	1	2,582	301	
Holiday Inn ^b	48	3	13,022	1,493	
Holiday Inn Express	35	(8)	7,486	(1,858)	
Staybridge Suites	4	(1)	788	(112)	Total number of rooms in the pipeline
Other			3,530	18	
Total	149	2	39,643	1,427	
 Analysed by ownership type					 39,643
Franchised	11	3	2,406	227	
Managed	138	(1)	37,237	1,200	
Total	149	2	39,643	1,427	

^b Includes five Holiday Inn Resort properties (1,256 rooms) (2015: four Holiday Inn Resort properties (1,071 rooms)).

At 31 December 2016, the AMEA pipeline totalled 149 hotels (39,643 rooms) compared to 147 hotels (38,216 rooms) at 31 December 2015. Hotel signings in AMEA were at their highest since 2008 with 42 hotels (10,551 rooms), an increase of seven hotels although a fall in terms of rooms (1,890 rooms) from the level seen in 2015. Signings in 2016 included 23 hotels (5,934 rooms) in the Holiday Inn brand family and eight InterContinental hotels (1,737 rooms).

23 hotels (4,651 rooms) were removed from the pipeline in 2016, compared to eight hotels (1,959 rooms) in 2015.

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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.

PROGRESS AGAINST 2016

REGIONAL PRIORITIES

1. Grew System size by opening five InterContinental hotels, including two flagship hotels in Beijing and Shanghai. We also signed 82 new hotels, including four HUALUXE hotels, and increased our pipeline to 239 hotels, out of which around 90 per cent are in tier 2 and 3 cities.
2. Drove superior returns for our owners through the successful introduction of the Franchise Plus business model for the Holiday Inn Express brand in May (see page 30), with a dedicated support structure to capture the growth opportunity in the midscale segment. In 2016, a total of 20 hotels under the Franchise Plus business model were signed.
3. Supported our people strategy through the resourcing and development of hotel talent. Rolled out the IHG Frontline programme to drive consistent and effective frontline training, with almost 150 hotels actively adopting the system.

IHG S 2017 REGIONAL PRIORITIES

1. Grow System size, under both the managed and franchised business models, through a deeper penetration in tier 2 and 3 cities and a strengthened Holiday Inn and Holiday Inn Express presence to capture the growing midscale segment opportunity.

2. Maximise System size growth potential by further expanding IHG's brand portfolio in the market. Continue to build brand awareness and drive performance of opened hotels for the HUALUXE brand.
3. Drive brand preference by focusing on the delivery of consistent guest experiences for our brands. Further tailor IHG enterprise platforms to better meet evolving market needs.
4. Support our people strategy by developing a strong local talent pipeline, particularly in tier 2 and 3 cities. Continue to develop and strengthen capabilities to support the needs of the franchise business.

Industry performance in 2016

Lodging industry RevPAR growth in Greater China was flat in the year, an improvement on a 2.4% decline in 2015. Industry occupancy increased 1.6 points driven by a 6.4% increase in room demand. Average daily rate decreased by 2.5%. RevPAR in mainland China increased by 1.6%, driven by a 6.9% increase in room demand and an occupancy increase of 1.8 points. The average daily rate decreased by 1.3%. The country's two largest city markets in terms of hotel rooms, Beijing and Shanghai, both increased RevPAR due to rising room demand. Shanghai RevPAR growth of 3.1% was due to an occupancy increase. Beijing RevPAR growth of 5.0% was due to both occupancy and a moderate average daily rate increase of 2.0%. RevPAR in Hong Kong and Macau declined by 2.1% and 9.1% respectively, both driven by average daily rate declines as room demand increased.

Source

Smith Travel Research for all of the above industry facts.

IHG's regional performance in 2016

IHG's regional comparable RevPAR increased 2.2% in 2016, significantly ahead of the industry. Our RevPAR growth was driven by better than industry occupancy, which increased by 4.4%, whilst average daily rate decreased by 2.2%. Mainland China RevPAR increased by 3.9% led by growth of 6.3% in tier 1 cities driven by strong corporate demand. The rest of mainland China grew by 2.2%. Hong Kong RevPAR declined by 2.3%, slightly below the industry. Taiwan and Macau experienced significant trading declines of 10.5% and 13.5% respectively.

Greater China comparable RevPAR

movement on previous year

	12 months ended
	31 December 2016
Managed	
All brands	3.0%

Table of Contents**Greater China results**

	12 months ended 31 December				
	2016	2015	2016 vs 2015 %	2014	2015 vs 2014 %
	\$m	\$m	change	\$m	change
Revenue					
Franchised	3	4	(25.0)	4	
Managed	114	105	8.6	99	6.1
Owned and leased		98	(100.0)	139	(29.5)
Total	117	207	(43.5)	242	(14.5)
Percentage of Group revenue	6.8	11.5	(4.7)	13.0	(1.5)
Operating profit before exceptional items					
Franchised	3	5	(40.0)	5	
Managed	64	59	8.5	63	(6.3)
Owned and leased		29	(100.0)	42	(31.0)
	67	93	(28.0)	110	(15.5)
Regional overheads	(22)	(23)	4.3	(21)	(9.5)
	45	70	(35.7)	89	(21.3)
Exceptional items		698	(100.0)		100.0
Operating profit	45	768	(94.1)	89	762.9
Percentage of Group operating profit before central overheads and exceptional items	5.4	8.4	(3.0)	11.0	(2.6)

Highlights for the year ended**31 December 2016**

Comprising 292 hotels (93,022 rooms) at 31 December 2016, Greater China represented approximately 12% of the Group's room count and contributed approximately 5% of the Group's operating profit before central overheads and exceptional items for the year ended 31 December 2016. 98% of rooms in Greater China are operated under the managed business model.

Revenue decreased by \$90m (43.5%) to \$117m and operating profit decreased by \$723m (94.1%) to \$45m, primarily due to the gain on sale of InterContinental Hong Kong in 2015. Operating profit before exceptional items decreased by \$25m (35.7%) to \$45m. Underlying^a revenue and underlying^a operating profit increased by \$14m (12.8%) and by \$6m (14.6%) respectively. Overall, the region achieved comparable RevPAR growth of 2.2%. Trading in mainland tier 1 cities was particularly strong, whilst the rest of mainland China showed slower growth.

On an actual and constant currency basis, franchised revenue and operating profit decreased by \$1m (25.0%) and by \$2m (40.0%) respectively.

Managed revenue and operating profit increased by \$9m (8.6%) to \$114m and by \$5m (8.5%) to \$64m respectively. Comparable RevPAR increased by 3.0%, whilst the Greater China System size grew by 9.0%, driving a 7.0% increase in total gross revenue derived from rooms business. Total gross revenue derived from non-rooms business increased by 6.8%, primarily due to increased food and beverage revenue. On a constant currency basis, revenue and operating profit increased by \$15m (14.3%) to \$120m and by \$8m (13.6%) to \$67m respectively, with ongoing investment in growth initiatives more than offset by scale efficiencies and strategic cost management.

The last remaining hotel in the owned and leased estate, InterContinental Hong Kong, was sold in 2015. Following this, revenue and operating profit in the estate decreased to nil.

^a Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior year exchange rates (see pages 156 and 157). Underlying operating profit growth also excludes the impact of exceptional items.

Highlights for the year ended

31 December 2015

Revenue decreased by \$35m (14.5%) to \$207m and operating profit increased by \$679m to \$768m due to the gain on sale of InterContinental Hong Kong. Operating profit before exceptional items decreased by \$19m (21.3%) to \$70m. Underlying 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.

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*Greater China continued***Greater China hotel and room count**

	Hotels		Rooms		
	Change		Change		
At 31 December	2016	over 2015	2016	over 2015	
Analysed by brand					
InterContinental	39	5	16,315	2,508	
HUALUXE	4	1	1,096	298	Total number of rooms
Crowne Plaza	79	4	28,051	1,363	
Hotel Indigo	6	1	740	129	
Holiday Inn ^a	83	5	25,871	900	
Holiday Inn Express	75	11	18,477	2,454	93,022
Other	6		2,472	(139)	
Total	292	27	93,022	7,513	
Analysed by ownership type					
Franchised	4		2,184		
Managed	288	27	90,838	7,513	
Total	292	27	93,022	7,513	
Percentage of Group hotel and room count	5.6	0.3	12.1	0.6	

Total number of hotels

292

Total number of rooms

93,022

The Greater China System size increased by 27 hotels (7,513 rooms) in the year to 292 hotels (93,022 rooms). 29 hotels (7,938 rooms) opened during 2016, three hotels and 1,442 rooms lower than 2015. Recent growth in the region has focused on tier 2 and 3 cities, which now represent approximately 65% of our open rooms. 17 Holiday Inn brand family hotels (3,773 rooms) were also added in the year, compared to 19 hotels (4,567 rooms) in 2015.

Two hotels (425 rooms) were removed in 2016 compared to eight hotels (2,065 rooms) in 2015.

^a Includes six Holiday Inn Resort properties (1,820 rooms) (2015: seven Holiday Inn Resort properties (2,235 rooms)).

Greater China pipeline

	Hotels Change		Rooms Change		Total number of hotels in the pipeline
At 31 December	2016 over 2015		2016 over 2015		
Analysed by brand					
InterContinental	22	1	7,454	(446)	
HUALUXE	22	1	6,956	324	239
Crowne Plaza	38	(1)	12,511	(206)	
Hotel Indigo	11	2	1,782	282	
Holiday Inn ^b	50	1	14,841	203	
Holiday Inn Express	95	30	20,205	5,087	
Other	1		279		
Total	239	34	64,028	5,244	Total number of rooms in the pipeline
Analysed by ownership type					
Franchised	20	20	4,085	4,085	
Managed	219	14	59,943	1,159	64,028
Total	239	34	64,028	5,244	

^b Includes six Holiday Inn Resort properties (1,820 rooms) (2015: three Holiday Inn Resort properties (820 rooms)).

At 31 December 2016, the Greater China pipeline totalled 239 hotels (64,028 rooms) compared to 205 hotels (58,784 rooms) at 31 December 2015. Signings (82 hotels (18,669 rooms)) were the highest since 2007 in terms of hotel count but decreased from 19,516 rooms in 2015. 63 hotels (13,472 rooms) were signed for the Holiday Inn brand family, including 20 franchised Holiday Inn Express hotels since launching the new franchise model in May. Overall, the Holiday Inn Express brand pipeline increased to 95 hotels (20,205

rooms).

19 hotels (5,487 rooms) were removed from the pipeline in 2016, compared to 18 hotels (5,690 rooms) in 2015.

Table of Contents*Central***Central results**

	12 months ended 31 December				
	2016	2015	2016 vs 2015 %	2015	2015 vs 2014 %
	\$m	\$m	change	\$m	change
Revenue	141	135	4.4	129	4.7
Gross costs	(269)	(286)	5.9	(284)	(0.7)
Operating loss before exceptional items	(128)	(151)	15.2	(155)	2.6
Exceptional items		(11)	100.0	(25)	56.0
Operating loss	(128)	(162)	21.0	(180)	10.0

Highlights for the year ended**31 December 2016**

The net operating loss decreased by \$34m (21.0%) compared to 2015. Central revenue, which mainly comprises technology fee income, increased by \$6m (4.4%) to \$141m (an increase of \$9m (6.7%) at constant currency), driven by increases in both comparable RevPAR (1.8%) and IHG System size (3.1%). At constant currency, gross costs decreased by \$3m (1.0%) compared to 2015 (a \$17m or 5.9% decrease at actual currency) driven by a continued focus on strategic cost management. Net operating loss before exceptional items decreased by \$23m (15.2%) to \$128m (a \$12m or 7.9% decrease to \$139m at constant currency).

Highlights for the year ended**31 December 2015**

The net operating loss decreased by \$18m (10.0%) compared to 2014. 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 costs increased by \$13m (4.6%) compared to 2014 (a \$2m or 0.7% increase at actual currency). Net operating loss before exceptional items decreased by \$4m (2.6%) to \$151m (a \$5m or 3.2% increase to \$160m at constant currency).

System Fund

System Fund assessments

	12 months ended 31 December					31 December 2015
	2016	2015	2016 vs 2015 %	2014	2015 vs 2014 %	
	\$m	\$m	change	\$m	change	
Assessment fees and contributions received from hotels	1,439	1,351	6.5	1,271	6.3	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.
Proceeds from sale of IHG Rewards Club points	283	222	27.5	196	13.3	
Total	1,722	1,573	9.5	1,467	7.2	

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 2016**

In the year to 31 December 2016, System Fund income increased by 9.5% to \$1,722m primarily as a result of a 6.5% 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 27.5% increase in proceeds from the sale of IHG Rewards Club points.

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Other financial information

Exceptional items

Exceptional items totalled a loss of \$29m which included \$13m relating to the cost of integrating Kimpton into the operations of the Group and a \$16m impairment charge relating to the Barclay associate which owns InterContinental New York Barclay, a hotel managed by the Group. The impairment charge reflects the currently depressed trading outlook for the New York market and the high cost of renovation of the hotel. See note 5 to the Group Financial Statements which provides further detail.

Exceptional 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 (for more information see page 26).

Net financial expenses

Net financial expenses were flat at \$87m, reflecting the issue of £350m 2.125% public bonds in August 2016, and a full year of interest on the £300m 3.75% bonds issued in August 2015, offset by the impact of a weaker pound on translation of sterling interest expense.

Financing costs included \$3m (2015: \$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 2016 also included \$20m (2015: \$20m) 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% (2015: 30%). Excluding the impact of prior-year items, the equivalent tax rate would be 31% (2015: 36%). This rate is higher than the average UK statutory rate of 20% (2015: 20.25%), due mainly to certain overseas profits (particularly in the US) being subject to statutory tax rates higher than the UK statutory rate, unrelieved foreign taxes and disallowable expenses.

Taxation within exceptional items totalled a credit of \$12m (2015: charge of \$8m). In 2016, the credit included a \$6m deferred tax credit in respect of the impairment charge relating to the Barclay associate and a \$5m deferred tax credit representing future tax relief on \$13m of Kimpton integration costs. 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.

Net tax paid in 2016 totalled \$130m (2015: \$110m, including \$1m in respect of disposals). Tax paid represents an effective rate of 22% (2015: 8%) on total profits and is lower than the effective income statement tax rate of 30% (2015: 30%), primarily due to the timing of US tax payments and the impact of deferred taxes.

IHG pursues an approach to tax that is consistent with its business strategy and its overall business conduct principles. This approach 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 IHG Audit Committee.

The Group's Approach to Tax document is available on IHG's website at www.ihgplc.com/responsible-business under Policies.

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 material 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 80% 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 64.0¢. With the interim dividend per ordinary share of 30.0¢, the full-year dividend per ordinary share for 2016 will total 94.0¢, an increase of 11% over 2015.

In February 2017, the Board proposed a \$400m return of funds to shareholders by way of a special dividend and share consolidation.

IHG pays its dividends in pounds sterling and US dollars. The sterling amount of the final and special dividend will be announced on 11 May 2017 using the average of the daily exchange rates from 8 May 2017 to 10 May 2017 inclusive.

Earnings per ordinary share

Basic earnings per ordinary share decreased by 62.4% to 195.3¢ from 520.0¢ in 2015. Adjusted earnings per ordinary share increased by 16.2% to 203.3¢ from 174.9¢ in 2015.

Share price and market capitalisation

The IHG share price closed at £36.38 on 31 December 2016, up from £26.58 on 31 December 2015. The market capitalisation of the Group at the year end was £7.2bn.

DIVIDEND POLICY

The Group's business is highly cash-generative and the Group has three primary uses for its cash; investing to drive growth, maintaining sustainable growth in the ordinary dividend and returning surplus funds to shareholders. These are kept under constant review by the Board.

IHG has a progressive dividend policy, which means growing dividend per ordinary share each year. The Group has an excellent track record of returning funds to shareholders through ordinary and special dividends and

share buybacks, with the ordinary dividend seeing 11% CAGR since 2003. This is in addition to special returns of funds detailed on page 178.

The Group seeks to maintain an efficient balance sheet and investment grade credit rating and aims to maintain a net debt:EBITDA ratio of 2.0 – 2.5x. The ratio at 31 December 2016 was 1.9x, however, this is before the payment of the \$400 return of funds to shareholders via a special dividend with share consolidation proposed by the Board in February 2017.

Table of Contents*Liquidity and capital resources***Sources of liquidity**

In August 2016, the Group issued a £350m, 10-year bond at a 2.125% coupon rate, the lowest funding rate the Group has achieved in the sterling bond market. The bonds are repayable in 2026, extending the maturity profile of the Group's debt.

This is in addition to £400m of public bonds which are repayable on 28 November 2022 and £300m of public bonds which are repayable on 14 August 2025. On 9 December 2016, the Group repaid £250m of maturing public bonds which were issued in 2009.

The Group is further financed by a \$1.275bn revolving syndicated bank facility (the Syndicated Facility) and a \$75m revolving bilateral facility (the Bilateral facility) which mature in March 2021, with a one-year extension option exercisable in 2017. \$110m was drawn under the Syndicated Facility at the year end.

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.

Additional funding is provided by the 99-year finance lease (of which 89 years remain) on InterContinental Boston and other uncommitted bank facilities (see note 20 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 \$1,506m (2015: \$529m) is analysed by currency as follows:

	2016	2015
	\$m	\$m
Borrowings		
Sterling	1,289	1,405
US dollar	418	253
Euros	2	4
Other	3	4
Cash and cash equivalents		
Sterling	(27)	(619)
US dollar	(127)	(460)
Euros	(12)	(15)
Canadian dollar	(8)	(8)

Chinese renminbi	(7)	(4)
Other	(25)	(31)
Net debt	1,506	529
Average debt level	1,235	1,420

Borrowings included bank overdrafts of \$89m (2015: \$39m), 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 \$3m (2015: \$1m) 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 22 to the Group Financial Statements.

The Group had net liabilities of \$759m at 31 December 2016, (net assets of \$319m at 31 December 2015), with the decrease due to the \$1.5bn special dividend paid in May 2016.

Cash from operating activities

Net cash from operating activities totalled \$752m for the year ended 31 December 2016, up \$124m on the previous year largely due to cash receipts on behalf of the System Fund of approximately \$95m from renegotiation of long-term partnership agreements.

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 outflows from investing activities totalled \$216m. In 2015 net cash inflows totalled \$589m, including \$1,277m of disposal proceeds primarily related to the disposal of InterContinental Paris Le Grand and InterContinental Hong Kong and \$438m on the acquisition of Kimpton Hotels & Restaurants. Excluding the effect of these major acquisitions and disposals, net cash outflows from investing activities decreased by \$34m, primarily driven by proceeds from other financial assets in 2016.

The Group had committed contractual capital expenditure of \$97m at 31 December 2016 (2015: \$76m).

Cash used in financing activities

Net cash used in financing activities totalled \$1,456m, which was \$1,346m higher than 2015, mainly due to the \$1.5bn special dividend paid in May 2016. Net cash inflows from borrowings were \$150m higher than in 2015.

Overall net debt increased during the year by \$977m to \$1,506m as at 31 December 2016.

Off-balance sheet arrangements

At 31 December 2016, 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 2016.

	\$m				
	Less				
	Total	than			
	amounts	1	1 3	3 5	After 5
	committed	year	years	years	years
Long-term debt obligations^{a, b}	1,402			110	1,292
Interest payable^b	320	42	84	84	110
Derivatives	3	3			
Finance lease obligations^c	3,333	17	32	32	3,252
Operating lease obligations	590	53	92	99	346
Agreed pension scheme contributions	5	5			
Capital contracts placed	97	97			
Total	5,750	217	208	325	5,000

^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 89 years remain) on InterContinental Boston. Payments under the lease step up at regular intervals over the lease term.

Contingent liabilities

Contingent liabilities include performance guarantees with possible cash outflows totalling \$14m, guarantees over the debt of equity investments of \$33m, outstanding letters of credit of \$37m, and an indemnity over a \$43m bank loan made to an associate. The Group may also be exposed to additional liabilities resulting from security incidents. See note 30 to the Group Financial Statements for further details.

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Chairman s overview

***As a Board, we instil a culture of strong values,
ethics and integrity in our business.***

We embrace good governance, which we see both as a product of good leadership and as key in creating long-term value.

The Board is responsible for ensuring leadership through effective oversight and review of the Group s activities. The Board considers 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 in our business.

Governance framework

Governance for us is about our values, our ethics, and doing the right thing. Led by the Board, and supported by its principal Committees (Audit, Corporate Responsibility, Nomination and Remuneration Committees), effective corporate governance is embedded in our corporate culture and permeates throughout the business. Together with our ways of working, rigorous structures of reporting, sound system of controls, and commitment to conducting business responsibly, our practices and policies not only ensure the smooth operation of our business but also effectively safeguard our reputation.

Board culture and composition

Good governance at IHG begins with the Board. We carefully plan our annual agenda, allowing time to consider and review strategic, operational, governance, and financial and performance-related agenda items. Effective meetings also depend on the dynamics of the Board, and we strive to create an inclusive environment, where every Director is encouraged to contribute to the discussion, and where constructive challenge is welcomed. See pages 54 and 55 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.

As of 31 December 2016, the Board comprised six Non-Executive Directors, myself as Chairman, and two Executive Directors, including 33 per cent female representation. In February 2017, we approved the appointment of Malina Ngai to the Board as a Non-Executive Director, with effect from 1 March 2017. Malina will bring to the Board considerable experience in consumer-facing, branded operations, and will provide significant insight into the Asian market, and her appointment will also increase the level of female representation on the Board from 33 to 40 per cent. We are proud to be a diverse company and value the benefits that this brings. 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.

In 2016, we said goodbye to Tracy Robbins, Jennifer Laing and Ying Yeh, after four, 10 and eight years on the Board respectively. Jill McDonald, a Non-Executive Director, succeeded Jennifer as Chairman of the Corporate

Responsibility Committee. Details about her induction are set out on page 55.

Further details of our Board structure and composition can be found on pages 49 to 51, and details of our approach to succession planning and diversity are located in the Nomination Committee Report on page 61.

Training, development and Board performance review

The Board's training needs are reviewed regularly as part of our agenda-setting and the annual Board effectiveness evaluation. In 2016, the Directors received training on a variety of topics, including updates on technology trends, changes in accounting regulations, and key areas of our Responsible Business ethics and compliance programme, in addition to regular briefings on legal and corporate governance developments. Further information about our ongoing training arrangements for Directors can be found on page 55.

We recognise the importance of regularly evaluating the Board and how this contributes to an effective Board that adds real value to the Group. In 2016, we engaged an independent external facilitator to lead our Board effectiveness evaluation. An evaluation plan has been devised, and will be carried out in early 2017. More information on the evaluation, including our performance against the 2015 action plan, is on pages 55 and 56.

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 a Form 20-F in the US. Our statement of compliance with the UK Corporate Governance Code (the Code) is located on pages 62 and 63. I am pleased to report that, during 2016, we complied fully with all principles and provisions of the Code, with the exception of the provision relating to audit tendering (see page 63). However, we have established a sub-committee of the Audit Committee to oversee the audit tender process and recommend a detailed plan, to be presented to that Committee in 2017 (see page 59).

To ensure continued consistency of information provided to both UK and US investors for 2016, 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 can be found on page 176.

We recognise the importance of governance in creating long-term, sustainable value, and in 2017 we will continue to drive the execution of our strategy and enhance our governance framework.

Patrick Cescau

Non-Executive Chairman

20 February 2017

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Corporate Governance

Our Board and Committee governance structure

The Group's governance framework, which supports our culture and our values, and underpins our long-term performance, is directed by the Board and through the Group's Board and Management Committees.

The Board and its Committees

The Board is accountable for the long-term success of the Group. It 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. Supported by its principal Committees (Audit, Corporate Responsibility, Nomination and Remuneration Committees), the Board sets the Group's strategic direction, oversees how it delivers these objectives and aims to deliver sustainable shareholder value for the long term. See page 54 for details on the Board and how it spent its time during 2016.

Management Committees

Operational matters, routine business and information disclosure procedures are delegated by the Board to 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 and listing requirements.

More information on our Board and Committees, including the schedule of matters reserved for the Board (which sets out those areas that are not delegated by the Board to its Committees), is available on our website at www.ihgplc.com/investors under Corporate governance.

BOARD AND COMMITTEE MEMBERSHIP AND ATTENDANCE IN 2016

	Appointment	Meetings				Remuneration
		Board	Corporate Responsibility	Nominations	Remuneration	
	Committee	Committee	Committee	Committee	Committee	Committee
Total meetings held		8	5	3	2	6
Chairman						
Patrick Cescau	01/01/13	8			2	
Chief Executive Officer						
Richard Solomons	10/02/03	8		3		
Executive Directors						
Paul Edgecliffe-Johnson	01/01/14	8				
Senior Independent Non-Executive Director						
Dale Morrison	01/06/11	8	5		2	6
Non-Executive Directors						
Anne Busquet	01/03/15	8	5	3	2	
Ian Dyson	01/09/13	8	5		2	6
Jo Harlow	01/09/14	8	5		2	6
Jennifer Laing	25/08/05	2	2	1	1	
Luke Mayhew	01/07/11	8		3	2	6
Jill McDonald	01/06/13	8	5	3	2	
Ying Yeh	01/12/07	2		1	1	2

Board Committee membership key

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

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CORPORATE GOVERNANCE CONTINUED

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. He was formerly a Senior Independent Director and Non-Executive Director of Pearson plc and Tesco PLC, and a Director at INSEAD.

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.

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,

Other appointments: Currently Senior Independent 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.

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 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 over \$12 billion to shareholders. 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.

Paul Edgecliffe-Johnson

Chief Financial Officer

Appointed to the Board:
1 January 2014

Skills and experience: Paul is a fellow of the Institute of Chartered Accountants and a member of the Association of Corporate Treasurers. 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

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

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.

Dale Morrison

**Senior Independent
Non-Executive Director**

Appointed to the Board: 1 June
2011

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.

Other appointments: Currently a Non-Executive Director of International Flavors & Fragrances Inc., and Non-Executive Chairman of Marlin 1 (holding company for Young's Seafood International Holdings Ltd.).

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.

CHANGES TO THE BOARD

Tracy Robbins	Tracy resigned from the Board and her role as Executive Vice President, Human Resources on 15 January 2016.
Jennifer Laing	Jennifer retired from the Board following the AGM on 6 May 2016.
Jill McDonald	Jill was appointed to the Chair of the Corporate Responsibility Committee on 6 May 2016.

Ying Yeh Ying retired from the Board following the AGM on 6 May 2016.

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Anne Busquet

Independent Non-Executive Director

Appointed to the Board: 1 March 2015

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.

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, Elior Group and Provista Diagnostics, Inc. and on the advisory boards of JEGI and SheSpeaks.

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

Ian Dyson

Independent Non-Executive Director

Appointed to the Board: 1 September 2013

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.

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, Senior Independent Non-Executive Director and Chairman of the Audit Committee of ASOS plc, and Senior Independent Non-Executive Director of Paddy Power Betfair plc.

Board contribution: Ian has gained significant experience from working in various senior finance roles, predominantly in the hospitality sector.

Jo Harlow

Independent Non-Executive Director

Appointed to the Board:
1 September 2014

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.

Other appointments: Currently a Non-Executive Director of Halma plc.

Luke Mayhew

Independent Non-Executive Director

Appointed to the Board: 1 July
2011

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 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 Brambles Limited where he chaired the Remuneration Committee. He was 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 Senior Independent Director of DFS Furniture Holdings plc, and a trustee of BBC Children in Need.

Jill McDonald

Independent Non-Executive Director

Appointed to the Board: 1 June
2013

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. Jill became Chief Executive Officer of the Halfords Group plc in May 2015.

Board contribution: Jill has nearly 30 years experience working with high-profile international consumer-facing brands at both marketing and operational level. As Chairman of the Corporate Responsibility Committee she is responsible for corporate responsibility objectives and strategy and approach to sustainable development.

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

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CORPORATE GOVERNANCE CONTINUED

Our Executive Committee

In addition to Paul Edgecliffe-Johnson and Richard Solomons, the Executive Committee comprises:

<p>Keith Barr Chief Commercial Officer</p> <p>Appointed to the Executive Committee:</p> <p>April 2011 (Joined the Group: 2000)</p>	<p>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.</p>	<p>Keith is currently a member of The Leland C. and Mary M. Pillsbury Institute for Hospitality Entrepreneurship Advisory Board.</p> <p>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.</p>
<p>Angela Brav Chief Executive Officer, Europe</p> <p>Appointed to the Executive Committee:</p> <p>August 2011 (Joined the Group: 1988)</p>	<p>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.</p>	<p>Key responsibilities: These include business development and performance of all the hotel brands and properties in Europe.</p>
<p>Federico Lalatta Costerbosa</p>	<p>Skills and experience: Prior to IHG, Federico worked for 20 years at The Boston Consulting Group (BCG). From 2004 he was Partner and Managing Director, focusing on Consumer Practice</p>	<p>Key responsibilities: These include shaping and overseeing the execution of corporate strategy, exploring global business development opportunities, enhancing our owner proposition and</p>

**Executive Vice President,
Global Strategy
and Corporate Development,**

Appointed to the Executive
Committee:

April 2016 (Joined the
Group: 2014)

and active across retail, consumer and luxury goods, travel and tourism sectors. Among other responsibilities, Federico was part of BCG's global leadership teams for Retail and for Social Impact. Before joining BCG Federico developed his own business, offering high-end art-related travel services in Italy.

delivering IHG's major transformation programmes.

Yasmin Diamond

**Executive Vice
President, Global Corporate
Affairs**

Appointed to the Executive
Committee:

April 2016 (Joined the
Group: 2012)

Skills and experience: Yasmin was Director of Communications at the Home Office, where she advised the Home Secretary, Ministers and senior officials on the strategic development and daily management of all the Home Office's external and internal communications. She was previously Director of Communications at the Department for Environment, Food and Rural Affairs and Head of Communications for Welfare to Work and New Deal and Head of Marketing at the Department for Education and Skills. Before joining government

communications, Yasmin was Publicity Commissioner for the BBC. In 2011, Yasmin was awarded a Companion of the Order of the Bath (CB) in the New Year's honours list in recognition of her career in government communications.

Key responsibilities: These include all global internal and external communications activity, as well as key public affairs work, ensuring that it supports and enables IHG's broader strategic priorities.

Elie Maalouf

**Chief Executive Officer, The
Americas**

Appointed to the Executive
Committee:

February 2015 (Joined the
Group: 2015)

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.

CHANGES TO THE EXECUTIVE COMMITTEE

Federico Lalatta Costerbosa

Federico was appointed to the Executive Committee on 4 April 2016.

Yasmin Diamond	Yasmin was appointed to the Executive Committee on 4 April 2016.
Lori Gaytan	Lori was Interim Executive Vice President of Human Resources from January 2016.
Ranjay Radhakrishnan	Ranjay was appointed to the Executive Committee on 1 December 2016.

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Kenneth Macpherson

Chief Executive Officer,
Greater China

Appointed to the Executive
Committee:

April 2013 (Joined the Group:
2013)

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)

Skills and experience: Eric has a background in engineering and technology and started his career with IHG 20 years ago, building IHG's internet business. Since then, he has held various senior positions in global e-commerce, distribution marketing and global brands. 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 technology strategy, application development and global operations for IHG corporate systems and hotels around the world.

Ranjay Radhakrishnan

Chief Human Resources
Officer

Appointed to the Executive
Committee:

Skills and Experience: Ranjay joined IHG as Chief Human Resources Officer in December 2016. He previously spent 23 years at Unilever, in a range of senior leadership roles at global, regional and country levels. At Unilever, Ranjay was most recently Executive Vice President Global HR (Categories & Market Clusters), where he led HR for Unilever's eight regions (Market Clusters) and four global Product Categories under a unified global HR leadership role.

Key responsibilities: These include global talent management, learning and capability building, diversity, organisation development, reward and benefit programmes, employee relations, and all aspects of the people and organisation strategy for the Group.

December 2016 (Joined the Group: 2016)

Ranjay has worked and lived in several countries, including the UK, The Netherlands, Singapore, UAE, and India.

Jan Smits

Chief Executive Officer, Asia, Middle East and Africa

Appointed to the Executive Committee:

April 2011 (Joined the Group: 2002)

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.

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 compliance, internal audit, legal, corporate responsibility, public affairs and hotel standards.

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CORPORATE GOVERNANCE CONTINUED

Board meetings

The Group's performance and compliance with the governance framework, and other key matters are overseen and monitored by the Board. The Company Secretary maintains an annual agenda schedule for Board meetings that tracks routine matters and updates on both strategic and operational matters. Meetings begin with an update from the Chairman and Chief Executive Officer, and the Chief Financial Officer provides a financial review of the Group. Executive Committee members and other senior management present deep dives on key initiatives and developments in each region and function throughout the year.

In addition to the business discussed and considered at Board meetings, the Board allows time for more informal presentations and discussion at pre-dinner meetings during the evenings before Board meetings.

The Board held eight scheduled meetings during the year, and individual attendance is set out on page 49. Time is set aside at the start and end of meetings for the Chief Executive Officer to meet with the Chairman and Non-Executive Directors, and for the Chairman to meet privately with the Senior Independent Non-Executive Director and Non-Executive Directors. Careful agenda planning allows the Board sufficient time to consider key matters at appropriate stages across the year.

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

Strategic and operational matters

The Board continued to focus on matters of strategic and operational importance in 2016, which included:

our commercial strategy (see pages 14 to 17);

guest loyalty (see page 16);

information governance and the information security landscape;

strategic portfolio management and priorities agreed at the March Board strategy day;

regional updates on The Americas, AMEA, Europe and Greater China regions (see pages 31 to 42);

online travel agents and distribution;

an in-depth trends review (see page 9);

progress against the development of our next-generation Guest Reservation System (see page 17);

in-depth brand reviews for Holiday Inn, Holiday Inn Express (see page 17), Kimpton and Crowne Plaza; and

finance and procurement update.

The Board also discussed the UK's EU referendum result and the impact of Brexit on IHG. As IHG is a global business, with operations in nearly 100 countries, the Board concluded that the result would have no material impact on our strategy or operations.

Governance and investor relations

The Board routinely considers shareholder relations and deals with corporate governance matters, including:

Governance:

updates from each of the Board Committees;

quarterly corporate governance and regulatory updates, including reviews of regulatory developments and any upcoming legislative changes affecting the business, our Board and/or its Committees;

the Annual Report and Form 20-F;

internal controls and risk management systems, our risk appetite and our global insurance programme;

Board effectiveness evaluation; and

the terms of reference for each Board Committee.

Investor relations and communications:

the review and approval of shareholder returns strategies for 2016;

updates on investor perceptions and shareholder relations, consideration of analysts' reports and media updates;

preparations for the AGM; and

our share register movements during 2016, share price performance, relative share price performance and the investor road show (including investor feedback).

ANNUAL STRATEGY MEETING MARCH 2016

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.

As well as reviewing and discussing our global strategy in detail, we also spent time focusing on the European market. We visited three of our priority markets in the region, UK (London), Germany (Frankfurt and Berlin) and Russia (Moscow), giving the Board the opportunity to see at first-hand the diversity of the European market and the progress we are making in cementing our foothold. More details of this, and more key trends affecting our industry, can be found on pages 8 and 9.

Each Board member 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 European market. The briefing also included an overview of the key macroeconomic figures, trends (including technology), and our key international competitors' business in the region.

The Board had the opportunity to meet with senior executives in the region, key-market experts and some of the owners to hear about the dynamics at play in the hospitality sector in the region and discuss more specifically IHG's position.

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Director induction, training and development

New Director inductions

There were no new Director appointments in 2016. However, all new Directors, upon appointment, 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 to enabling all Directors to contribute to the Board effectively with their knowledge, skills, experience and expertise.

During 2016, our induction focus supported Jill McDonald upon her appointment as Chair of the Corporate Responsibility (CR) Committee following Jennifer Laing's retirement from the Board on 6 May, 2016. An induction programme was put in place and entailed:

a detailed handover from Jennifer Laing; and

a series of meetings with the heads of Corporate Responsibility and the Company Secretary, which included planning and setting the meeting agendas and a deep dive on the CR programmes, their background and development.

Malina Ngai will receive a full induction programme during 2017, details of which will be reported in the 2017 Annual Report.

Ongoing Director training and development

At IHG, we believe that updating skills and knowledge through a progressive and continual training programme is of great importance because it facilitates a better understanding of the Group's business and its operations. The Chairman regularly reviews and agrees any training and development needs with each Director and the Board is made aware of training opportunities.

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. The Company Secretary provides updates to the Board on regulatory, corporate

governance and legal matters, or relevant changes, as part of meetings. Individual meetings are also set up with senior management, as necessary, to enable the Board to keep up to date with, and enhance their knowledge of, the business.

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 2016, Board members attended Board and Committee meetings held at InterContinental London Park Lane and Crowne Plaza Gerrards Cross in the UK, and InterContinental New York Barclay in the US, in addition to meetings held at the Group's head offices in Denham, UK. As part of our annual strategy meeting, Board members visited hotels in Frankfurt, Moscow and London prior to assembling at InterContinental Berlin. Whilst in New York, Board members visited the Hotel Indigo Lower East Side, EVEN Times Square South and Hotel Kimpton Eventi. Directors are also encouraged to visit hotels across our brands informally.

Training focus areas in 2016

Audit and governance developments

Regulatory developments including:

Corporate governance

and stewardship;

EU Market Abuse Regulation;

Sanctions updates; and

General Data Protection

Regulation.

Embedding responsible business

in our practices

Technology trends

Data and information governance

How we delivered the training

Ernst & Young LLP presentation

Quarterly Board reports

Human rights eLearning;

Competition law eLearning

Accenture presentation

PricewaterhouseCoopers presentation

Board effectiveness evaluation

IHG continues to recognise the importance of evaluating the performance of the Board as a whole, its main Committees and its Directors, in line with the Code recommendations.

2015 EVALUATION OBSERVATIONS AND ACTION TAKEN DURING 2016

2015 observations

The Board was much more focused on brands, although the Board would still benefit from regular reviews of the progress of each brand against its strategy.

Action taken

during 2016

Regular brand updates were provided at Board meetings with performance reports and deep-dives held on the Holiday Inn, Holiday Inn Express, Crowne Plaza and Kimpton brands (see page 54).

The Board's understanding of competitors' strategy and performance had been achieved through enhanced analysis. No further enhancements to the current practice were required.

Increased exposure to the Group's US business was requested, including a review of the Kimpton integration.

The Americas review was presented at the June Board meeting and an update on the Kimpton integration was presented at the December Board meeting.

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

Industry reports have been provided to the Board as well as consumer trends reports.

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CORPORATE GOVERNANCE CONTINUED

Board effectiveness evaluation continued

Directors performance evaluation

During 2016, internal performance evaluations of Directors were 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 Director	Chief Executive Officer
Non-Executive Directors	Chairman

Directors' additional appointments and time commitments were also considered as part of the internal performance evaluations, and we concluded that all Directors continue to be able to perform their duties effectively. Particular attention was paid to Ian Dyson and Anne Busquet's commitments, and we determined that these do not adversely impact their ability to fulfil their roles as Non-Executive Directors.

External evaluation

In 2014 and 2015, IHG conducted internal evaluations of the Board, its Committees and the performance of individual Directors, with guidance and assistance from independent external facilitators with no connection to IHG.

In accordance with our three-year cycle, Dr Tracy Long of Boardroom Review Limited, an independent external facilitator with no connection to IHG, was engaged to lead our 2016 external evaluation.

Dr Long met with the Chairman and the Company Secretary to review the previous evaluation processes and outcomes, and devised an in-depth evaluation process, comprising:

confidential one-on-one interviews with each Board member and certain attendees at meetings;

observation of a Board meeting in February 2017; and

individual feedback interviews with all Directors.

Following this process, a detailed report will be presented to the Board in May 2017. Initial observations and feedback shared with the Chairman indicate that the Board and its Committees were operating effectively, and the Board will consider the detailed recommendations at its meeting in May 2017. During 2017, the Board will focus on the key recommendations of the evaluation and will report on the observations and actions taken in the 2017 Annual Report.

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. We maintain an active programme of dialogue with our shareholders, through our investor relations activities, and our Registrar, Equiniti, has a team of people to deal with shareholder queries. 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 2016 included:

meeting shareholders at the AGM;

presentations by Richard Solomons and Paul Edgecliffe-Johnson to institutional investors, analysts and the media following half-year and full-year results announcements;

first and third-quarter telephone conferences after trading updates, including Q&A sessions with sell-side analysts;

hosting two capital market events focusing on The Americas region and our commercial strategy, attended by the Executive Committee;

seeking feedback via an annual investor perception survey, facilitated by our capital markets advisers;

attendance at key institutional investor conferences; and

a programme of one-to-one meetings with major institutional shareholders, including Non-Executive Director meetings hosted by the Chairman and Remuneration Committee Chairman.

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 Results and Presentations. Around 25 sell-side research analysts publish research on the Group; their details are available at www.ihgplc.com/investors under Analysts details and consensus.

AGM

The AGM is an opportunity for shareholders to vote on certain aspects of Group business. The Board values the AGM as it provides a useful forum for one-to-one communication with private shareholders. At each AGM, shareholders receive presentations on the Group's performance and may ask questions of the Board, both during the meeting and more informally over lunch after the meeting.

The 2017 AGM will be held at 11:00am on Friday 5 May 2017. The notice convening this meeting will be sent to shareholders and will be available at www.ihgplc.com/investors under Shareholder centre in the AGMs and meetings section.

Shareholder services

During the third quarter of 2016, IHG ran its annual share-dealing programme for shareholders with shareholdings of up to 200 shares, giving them the option to sell or increase their shareholdings at a preferable set fee. Shareholders who sold their shares had the further option to donate their proceeds to the IHG Foundation.

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Audit Committee Report

We play a crucial role in ensuring that IHG maintains a strong control environment.

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Audit Committee plays a crucial role in ensuring that IHG maintains a strong control environment. It influences the culture of the organisation through its oversight and review of our risk management systems, the processes and controls in place to manage risk, the Group's internal controls, and the behaviours expected of IHG's employees through the Group's Code of Conduct and other related policies. The Committee's role and responsibilities are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board. The Committee's key responsibilities and focus over the year have been:

ensuring the robustness of the Group's internal controls and risk management, including, in particular, financial controls;

reviewing, challenging (where necessary), and ensuring accurate financial and narrative reporting;

overseeing the relationship with the Group's external Auditor;

monitoring and reviewing the role of Internal Audit; and

overseeing and ensuring the effectiveness of the Group's regulatory compliance policies, procedures and controls including whistleblowing and fraud.

The ToR are available on IHG's website at

www.ihgplc.com/investors under Corporate governance.

Membership and attendance at meetings

Details of the Committee's membership and attendance at meetings are set out on page 49. The Chief Executive Officer, Chief Financial Officer, Chairman of the Remuneration Committee, Head of Global Internal Audit (GIA), Group Financial Controller, Head of Global Risk Management and our external Auditor, Ernst & Young LLP (EY), attended all meetings in 2016. The Chairman of the Board attended four out of five meetings. Other attendees are invited to meetings as appropriate. To ensure open dialogue, transparency, independence and feedback, the Committee Chairman held private sessions (together with and separately to the Committee) with the Auditors and Head of GIA without the presence of management. The Committee Chairman has recent and relevant financial experience and all members are independent Non-Executive Directors, with a range of financial and commercial experience relevant to both the hospitality industry and the broader commercial environment we operate in.

Reporting to the Board

Following each Committee meeting, the Board receives an update from the Committee Chairman on the key issues discussed. The papers and minutes for each meeting are circulated to all Board members, who are invited to request further information if required and to provide any challenge where considered necessary.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chairman of the Committee and the Chairman (who attended most Committee meetings) and will also be reviewed as part of the in-depth external evaluation process conducted by Boardroom Review Limited (see pages 55 and 56).

Focus areas and activities

Internal controls and risk management

The Committee supports the Board by reviewing and interrogating the effectiveness of the Group's risk management and internal control systems, and by having oversight of the risk and control activities in operation. The Committee supports this process by regularly reviewing the principal risks, risk trends, the risk environment and the operation of the risk management systems. It seeks assurance that, in light of the Group's risk appetite, the Group's current and emerging risks are identified, assessed, prioritised, and appropriately managed and mitigated in day-to-day decision-making (see pages 20 to 22).

The key financial controls across the business are continually monitored and tested throughout the year. The Committee considers the Group's treasury and tax strategy and policies annually and, to ensure that an appropriate framework exists to ensure compliance with our US obligations arising from the Sarbanes-Oxley Act 2002 (SOX), assesses the approach to SOX compliance each year, reviewing reports on the progress of the SOX programme at each meeting.

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 concluded that there are no material weaknesses in the control environment and that there are no significant failings or weaknesses.

In addition to the regular review of the Group's risk management framework and assessment of the principal risks, the Committee has a schedule for in-depth reviews over the year, where senior management provide more detailed insight into specific risk, financial, compliance and operational areas. During 2016, the Committee met with senior risk and finance management, the Chief Information Officer and the Head of Information Security, considering, in particular:

the financial controls relating to the System Fund and significant technology projects;

the progress made against the opportunities identified to enhance the Group's SOX control processes, following the external review conducted in 2015;

the Group's revenue systems, and related risk-management processes and controls;

the principal risk areas, the risk review process and how this is supported by the Group's culture and organisational governance, and the Group's approach to risk appetite;

technology and cyber risks, IHG's information-security strategy, processes and controls, and, with specific reference to cyber incidents, the Group's incident response and the containment and mitigation plans, including assurance that there was no impact on the Group's financial systems;

safety and security practices at hotels; and

the review and approval of the Group's Approach to Tax document required to be published under the Finance Act 2016.

The Group's Approach to Tax document is available on IHG's website at www.ihgplc.com/responsible-business under Policies.

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CORPORATE GOVERNANCE CONTINUED

Audit Committee Report continued

Financial and narrative reporting

During the year, the Committee reviewed the interim and annual Financial Statements (considering the relevant accounting and reporting matters) and the Group's quarterly trading updates.

The Committee recognises the importance of understanding changes in accounting policies and practice, and receives an annual update from EY on key changes in this area. In 2016, the Committee undertook an in-depth review of the future impact on the Group of the implementation of IFRS 15 concerning revenue recognition – see page 104.

It also challenged the key judgements applied in the Financial Statements as described below and considered the basis of, and assumptions underlying, the going concern statement and the viability statement. A letter from the SEC containing comments on the Annual Report 2015 was discussed, and the Group's proposed response to the SEC agreed. As a result of this process, additional disclosures have been made (see page 26 for details of the key performance measures used by management, and pages 156 and 157 for reconciliations of the Non-GAAP measures used in this Annual Report).

Where appropriate, the Committee sought input and guidance from EY and, to gain further assurance over the process of preparation of the Financial Statements, the Committee also received regular reports from the Chairman of the Disclosure Committee and copies of the minutes of that Committee.

The Committee received early drafts of the Annual Report and Form 20-F 2016 (Annual Report) in order to provide timely comment, 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, GIA, Risk and Legal; (ii) a report from the Chairman of the Disclosure Committee; and (iii) the checklist prepared by the Annual Report team confirming compliance with the relevant regulatory requirements.

The Committee (and a sub-committee specifically convened for this purpose) also considered management's analysis of how the content benchmarked against the 'fair, balanced and understandable' communication principles, and whether it contained the necessary information for shareholders to assess the Group's position and performance, business model and strategy. It reported its recommendation to approve the Annual Report to the Board.

SIGNIFICANT MATTERS IN THE 2016 FINANCIAL STATEMENTS

The Committee discussed with management and the Auditors 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	Why it is important	What we did
Accounting for the System Fund	Given the unique nature of the System Fund, the Committee reviews the controls and judgements related to system Fund accounting.	In forming a conclusion on the appropriateness of the System Fund accounting, the Committee met with senior finance management to review and evaluate the risk areas associated with the System Fund. The Committee further reviewed a paper from management outlining the accounting approach for the System Fund. The Committee concluded that good progress has been made in strengthening the financial oversight of the System Fund, and that judgements in respect of the accounting treatment of the System Fund, and related disclosures, were appropriate.
IHG Rewards Club points liability	The IHG Rewards Club points liability represents a material liability for the Group and in determining the liability the Committee challenges judgements and estimations used to determine the liability.	The Committee reviewed the approach to the valuation of the liability and, in particular, the judgements used in evaluating the points expiry policy introduced in 2015. Management was questioned on the consistency of the valuation approach adopted, the results of the external actuarial review and the increased judgement required as a result of 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	Impairment reviews require significant judgement and the Committee therefore scrutinises the methodologies applied and the inherent sensitivities in determining any potential asset impairment.	The Committee reviewed a management report outlining the approach taken on impairment testing, in particular, the key assumptions and sensitivities supporting the conclusion on the various asset categories. The Committee examined the assumptions related to assets previously impaired, management contract valuations resulting from asset sales, and the assets acquired as part of the Kimpton acquisition. The impairments recorded in the year on a joint venture in The Americas (see note 14 on page 121 and page 103) were discussed in detail. The Committee agreed with the conclusions reached on impairment.
Litigation and contingencies	From time to time, the Group is subject to legal proceedings with the ultimate outcome of each being subject to many uncertainties. The Committee reviews and evaluates the need for any provisioning on a case-by-case basis.	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 in page 103. The Committee also evaluated the need for, and the amount of, a provision in respect of the Kimpton Security Incident (assessing the information currently available) and the disclosure in relation to the Americas Security Incident (see note 30 on page 141).
Exceptional items	The Group exercises judgement in presenting exceptional items. The Committee reviews and	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. The Committee reviewed and challenged the significance, timing and nature of

Capitalisation of software projects	<p>challenges the classification of items as exceptional based on their materiality or nature.</p> <p>The Group is making a significant investment developing a robust technology platform. The Committee reviews the appropriateness of capitalising the investment and the strength of the control environment.</p>	<p>the exceptional items disclosed in note 5 on page 112. EY's audit procedures were also taken into consideration in reaching the conclusion that the disclosures and the treatment of the items shown as exceptional were appropriate.</p> <p>In forming a conclusion on the appropriateness of software capitalisation, the Committee considered the following: a presentation from senior finance management regarding financial controls and financial oversight of the technology investment; a review of software assets from an impairment perspective; the conclusions from the SOX control testing in this area; EY's audit procedures and GIA review. The Committee concluded that capitalisation is adequately controlled, and that the controls on impairment are appropriate.</p>
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EXTERNAL AUDITOR APPOINTMENT OF ERNST & YOUNG LLP (EY) AND AUDIT TENDER

The Committee considered the appointment of its Auditor after assessing EY's performance (including its independence, effectiveness and objectivity) and the requirements for putting the 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.

As part of its annual review, the Committee reviewed 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 52 senior IHG employees who work with EY and members of the Audit Committee), and received reports from EY on its independence.

Having reviewed the effectiveness of the external audit processes, the Committee 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. The Committee has considered the Group's position on its audit services contract and the process for audit tender in the context of the regulations. Although there is no immediate intention to tender the audit contract, the Group will re-tender at the latest by the end of 2020 in compliance with the regulations requiring a mandatory audit tender for the 2021 financial year. The Committee has approved the establishment of a sub-committee to oversee the audit tender process, and a detailed plan (including the applicable supplier-selection criteria), will be presented to the Committee in 2017.

To ensure the external Auditor's independence is safeguarded, lead audit partners are required to rotate every five years. A new audit partner, Sarah Kokot, was appointed for 2016 onwards. The Committee reviewed the new audit partner's induction and transfer plan with her, and assessed the effectiveness of the handover.

The Group confirms that it has complied with the requirements of The Competition and Market's Authority Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

Relationship with external auditor

A detailed audit plan was received from EY at the beginning of the audit cycle for the 2016 financial year, which gave an overview of the audit risk assessment, the audit materiality and scope, and the key areas of the proposed audit approach.

The Committee reviewed the significant audit risks to ensure they were appropriate and regularly assessed the progress of the 2016 audit through both the Committee meetings and private meetings with the partner in charge.

Non-audit services

The independence and objectivity of the non-audit services provided by EY to the Group are safeguarded by IHG's Audit and Non-Audit Services Pre-Approval Policy. The policy is reviewed by the Audit Committee annually, and, for the 2016 financial year, the policy was updated and approved at the December 2015 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 quarterly.

The Committee also considered the increased scope of prohibited services following the EU audit regulation. While the Committee was satisfied that the Group would not be materially impacted by the regulations, the Committee did consider those areas where a transition plan would be required for certain tax compliance services.

The Committee is aware of, and sensitive to, investor advisory bodies guidelines on non-audit fees. During 2016, 31 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 2016, and for fees paid for statutory audit work during 2016, see page 111.

Global Internal Audit (GIA)

The Committee discusses and approves the GIA plan in December. The 2016 plan took into account both the Group's principal risks and key strategic objectives and included reviews of System Fund controls, programme and project delivery (including assurance over the development of our new Guest Reservation System), the IHG Rewards Club loyalty programme, and technology-related processes and controls. The Committee actively monitors progress against the GIA plan, which is reported on a quarterly basis and includes the results of completed audits and the management action plans to address any unsatisfactory findings. The Committee confirmed its agreement to the key control themes identified by GIA, and the scope and extent of GIA's activity.

An effectiveness review of GIA is undertaken annually and reported to the Committee. In 2016, GIA undertook an externally facilitated assessment, which concluded that GIA continues to operate effectively. The assessment confirmed GIA's approach to audit coverage and its hotel assurance strategy, and highlighted how GIA could extend their use of data analytics as part of audit activity.

Compliance, whistleblowing and fraud

The Committee is responsible for reviewing the Group's Code of Conduct (which is reviewed and approved annually) and related policies. In 2016, the Committee considered and approved a revised antitrust policy and received the annual in-depth report on the Group's regulatory compliance activities and programme. In addition to competition laws, the key focus areas for review, training and awareness in 2016 included data privacy, bribery and corruption.

The Committee receives a separate report on matters raised through the Group's confidential disclosure channel and any related investigations each year, reviewing both the reporting and investigation process and the number, and potential impact, of substantiated and unsubstantiated cases. Any significant claims are brought to the immediate attention of the Committee by the Head of GIA.

As well as monitoring incidents of fraud, the Group's approach to fraud risk management was reviewed in 2016. The Committee approved proposals to further enhance IHG's fraud prevention and detection programme through more formal articulation of the applicability of the Group's existing controls in fraud-risk management.

Looking forward, the Committee will continue to focus on the integrity of the control environment and oversee the management of the principal risk areas.

Ian Dyson

Audit Committee Chairman

20 February 2017

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CORPORATE GOVERNANCE CONTINUED

Corporate Responsibility Committee Report

We ensure that IHG's corporate responsibility priorities help us to deliver our core purpose:

to create Great Hotels Guests Love.

Key duties and role of the Committee

Key objectives and summary of responsibilities

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

I was appointed Chair of the Committee on 6 May 2016. I would like to thank Jennifer Laing for her significant contribution to the Committee and the wealth of experience and skill she brought to it. Significant progress has been made over recent years, and there is clear alignment between the Group's corporate responsibility, brand and operational strategies.

The Committee's role and responsibilities are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board. In 2016, they were amended to state that the duties of the Committee do not extend to providing advice or oversight to the IHG Foundation, given the independent nature of that charitable organisation. The Committee's key responsibilities and focus over the year have been:

reviewing IHG's impact on the environment;

monitoring and reviewing social, community and human-rights issues that have a bearing on the Group; and

overseeing stakeholder engagement.

The ToR are available on IHG's website at

www.ihgplc.com/investors under Corporate governance.

Membership and attendance at meetings

Details of the Committee's membership and attendance at meetings are set out on page 49. The Heads of Corporate Responsibility and the Chairman of the Board also attended all meetings. The full Board were invited to join the Committee's meeting in June at InterContinental New York Barclay, where members of the hotel's team shared their experiences of our Corporate Responsibility programmes and provided insight into how these programmes are being brought to life in hotels.

Reporting to the Board

The Committee Chairman provides an update to the Board following each meeting on the key issues discussed at the Committee meetings. The papers and minutes for each meeting are circulated to all Board members, who are invited to request further information if required and to provide any challenge where considered necessary.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chairman of the Committee and the Chairman (who attended all Committee meetings) and will also be reviewed as part of the in-depth external evaluation process conducted by Boardroom Review Limited (see pages 55 and 56).

Focus areas and activities

Impact on the environment

The Committee regularly monitored and assessed progress against IHG's five-year targets (2013–2017), and considered the scope and effectiveness of the Group's IHG Green Engage system, progress

against the Group's carbon and water-reduction goals, and the Group's water stewardship efforts. Recognising the impact of water use, the Committee also considered sustainability concerns in this area, and the Group's response to such concerns, which included risk assessments, reviews of our processes, and targeted actions.

Social, community and human rights issues

We received detailed progress updates on key achievements across the Group's social and community programmes and assessed the strategy to increase engagement in IHG Academy and the Group's disaster relief and preparedness programme. The Humanitarian Director from Care International UK also presented on their collaboration with IHG on sharing best practice in disaster preparedness and response. Recognising the importance of responsible procurement, the Committee received a presentation from the Head of Global Procurement and Head of Global Risk Management, and evaluated the Group's approach to suppliers and ethical sourcing.

More information on our responsible business programmes,

and our approach to human rights, is on page 18.

In support of the Group's sixth annual charitable fundraising week, an event held in hotels and corporate offices across the globe, the Committee was joined by the remaining members of the Board, the members of our Corporate Responsibility team and the team from InterContinental London Park Lane for a sponsored walk in Hyde Park, London to raise funds for the IHG Foundation. In total, there were more than 726,000 acts of participation in this year's event.

Stakeholder engagement

The Committee assessed the 2015 communications activity and stakeholder engagement, and reviewed the 2016 communication plan, including the approach to crisis and issue management. The Committee also spent time reviewing and providing feedback on the 2016 Responsible Business Report.

Visit www.ihgplc.com/responsible-business under Reporting

and performance to view the Responsible Business Report.

Other key issues reviewed by the Committee

On 3 February 2016, we launched the IHG Foundation, an independent charitable trust founded to help local communities address the key social, economic and environmental challenges affecting them. As part of its review of the establishment of the IHG Foundation, the Committee reviewed and challenged the Foundation's governance systems and controls programme. It also received a report, for noting only, on the projects supported by the IHG Foundation in 2016. The IHG Foundation will continue to operate independently.

As we head into 2017 and come to the end of our five-year target period, we will consider new targets in the context of our corporate responsibility strategy and continue to monitor progress against delivery of our 2013–2017 targets.

Jill McDonald

Corporate Responsibility Committee Chairman

20 February 2017

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Nomination Committee Report

We ensure IHG's Board and senior management retains an appropriate mix of skills, experience, knowledge and diversity, in line with our strategy.

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Nomination Committee 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.

The Committee's role and responsibilities are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board. The Committee's key responsibilities and focus over the year have been:

reviewing the structure, size, skill set, experience, diversity and composition required of the Board, linking the strategy to future changes in the Board;

managing the appointment process for new Directors and changes in Committees;

overseeing the executive and talent pipeline, and succession and development plans; and

induction, training, and continuous development of Directors.

The ToR are available on IHG's website at

www.ihgplc.com/investors under Corporate governance.

Membership and attendance at meetings

Details of the Committee's membership and attendance at meetings are set out on page 49. The Chief Executive Officer also attended appropriate agenda items at all meetings in 2016.

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. When the Committee considers matters relating to my position, Dale Morrison, the Senior Independent Non-Executive Director, acts as Chairman of the Committee.

Reporting to the Board

The Committee makes recommendations to the Board for all Non-Executive Director appointments, and minutes of meetings are circulated to all Board members.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by myself as the Chairman of the Committee and the Chairman of the Board, and will also be reviewed as part of the in-depth external evaluation process conducted by Boardroom Review Limited (see pages 55 and 56).

Focus areas and activities

Board and Committee composition and appointments

To ensure the Board has an appropriate mix of skills, experience, knowledge and diversity, the Committee keeps under review the tenure and qualifications of the Non-Executive Directors and the composition of the Board. The Committee also concentrates on strengthening the Board's existing capabilities and matching the right skills and experience to those required by the Board's Committees. In particular, we plan to further strengthen diversity and regional representation (focusing on Asia) in the Board's composition.

During the year, Jill McDonald, a Non-Executive Director, was appointed Chairman of the Corporate Responsibility (CR) Committee. Jill's notable marketing and operational skills and experience, and her interest in, as well as already being an active member of, the CR Committee, made her the ideal candidate. Details of Jill's induction can be found on page 55. Following a review of the composition of the Board, in February 2017 we recommended the appointment of Malina Ngai as a Non-Executive Director. Our search was supported by Spencer Stuart, who have no connection to IHG. Malina will bring considerable experience in consumer-facing, branded operations, and will provide significant insight into the Asian market.

Diversity

IHG recognises the value of diversity in its broadest sense and, while all appointments to the Board are based on 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.

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). As well as continuing to deliver on our commitment to maintain a minimum of at least 25 per cent female Directors on the Board over the short to medium term (a position we have maintained since 2012), we were also recognised in the Hampton-Alexander report for the number of women who hold senior-management level positions throughout the Group.

Development and succession planning

Recognising the importance of strong and effective development and succession plans to support the continuous improvement of our leadership teams, and in line with talent and development initiatives throughout the organisation, the Committee oversaw a detailed talent and development review for senior leaders. Following discussion with the Chief Executive Officer, we have finalised a tailored plan to support key senior leaders in their future development.

The Committee reviews the talent pipeline at senior levels within the organisation. 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.

In December 2016, Ranjay Radhakrishnan joined the Group as Chief Human Resources Officer from Unilever, following the resignation of Tracy Robbins from the Board and her role as Executive Vice President, Human Resources in January 2016.

The Committee is satisfied that we have in place appropriate development and succession plans to ensure that IHG has a strong leadership pipeline and that the Board has the appropriate mix of skills, experience, knowledge and diversity.

Patrick Cescau

Nomination Committee Chairman

20 February 2017

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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 April 2014 (the Code). This should be read in conjunction with the corporate governance statement on pages 49 to 63 and the Directors' Remuneration Report as a whole.

The Board considers that the Group has complied in all material respects with the Code for the year ended 31 December 2016 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, and a sub-committee of the Audit Committee has been approved to oversee the auditor tender process and recommend a detailed plan to be presented to that Committee in 2017 (further details are provided on pages 59).

A. Leadership

A.1 The role of the Board

The Board leads IHG's strategic direction, long-term objectives and success of the Group. Further responsibilities of the Board are set out on page 49.

The Board met eight times this year. Further details of 2016 Board meetings are set out on page 54, attendance information on page 49 and biographical information on pages 50 and 51.

All Directors are covered by the Group's directors' and officers' liability insurance policy (see page 160).

A.2 Divisions of responsibility

The separate roles of the Chairman and Chief Executive Officer are clearly established, set out in writing and are agreed by the Board.

Chief Executive Officer

Richard Solomons leads the development of the Group'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. See page 50 for more details.

A.3 The Chairman

As well as building and maintaining an effective Board, Patrick Cescau leads the operation and governance of the Board and its Committees. The Chairman was independent on appointment. See page 50 for more details.

A.4 Non-Executive Directors

Senior Independent Non-Executive Director

Dale Morrison was appointed as Senior Independent Non-Executive Director on 31 May 2014. He 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 (see page 56), and as necessary provides advice and judgement to the Chairman, and serves as an intermediary for other Directors when necessary.

After each Board meeting, Non-Executive Directors and the Chairman meet without Executive Directors being present (see page 54). 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 in the Committees section.

B. Effectiveness

B.1 The composition of the Board

The size and composition of the Board and its Committees is kept under review by the Nomination Committee to ensure the appropriate balance of skills, experience, independence and knowledge.

Potential conflicts of interest are reviewed annually. At least half of the Board, excluding the Chairman, are independent Non-Executive Directors (see page 49). Further details of the composition of the Board and its Committees are available on pages 50 and 51.

B.2 Appointments

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 in the Committees section 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 2016 are in the Nomination Committee Report on page 61. The overall process of appointment and removal of Directors is overseen by the Board as a whole. All Non-Executive Directors have served for less than six years – see pages 50 and 51.

B.3 Commitment

Non-Executive Director terms of appointment outline IHG's time commitment expectations required to fulfil their role. Executive Directors are not permitted to take on more than one external non-executive directorship or chairmanship in addition to their role. The commitments of each Director are included in the Directors' biographical details on pages 50 and 51. Details of Directors' service contracts and appointment terms are set out on pages 75, 81 and 167.

The Chairman annually reviews the time each Non-Executive Director dedicates to IHG as part of the internal performance evaluation of each Director (see page 56) and is satisfied that their other duties and time commitments do not conflict with those as Directors.

B.4 Development

The Chairman and Company Secretary ensure that new Directors are fully inducted and that all Directors continually update their skills and have the requisite knowledge and familiarity with the Group to fulfil their role (see page 55).

B.5 Information and support

The Chairman and Company Secretary ensure that the Board and its Committees receive timely and appropriate information, and a flow of information between the Executive Committee and Non-Executive Directors. The Board and Committees also have access to the Company Secretary and General Counsel, independent advice and necessary resources, at the Company's expense. They receive administrative and logistical support of a full-time executive assistant. See page 54 for more details.

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B.6 Evaluation

In 2016, we engaged Dr Tracy Long of Boardroom Review Limited, an external facilitator with no connection to IHG, to lead the Board effectiveness evaluation. More information on the evaluation, including our performance against the 2015 action plan, is on pages 55 and 56.

B.7 Re-election

All of the Directors retire and seek election or re-election at each AGM. Directors biographies are set out on pages 50 and 51 and will be included in the Notice of Meeting (see paragraph E.2). Details of their performance evaluation are on page 56.

C. Accountability

C.1 Financial and business reporting

The 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 84.

The status of IHG as a going concern is set out in the Directors' Report on page 163. 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 47.

The statement from our Auditor, Ernst & Young LLP, about its reporting responsibilities is set out on pages 85 to 89.

C.2 Risk management and internal control

The Board determines the nature and extent of the risk the organisation is willing to take in achieving its strategic objectives.

A robust assessment of the principal risks facing the Group was carried out, including those risks that would threaten the Group's business model, financial performance, solvency or liquidity (see pages 20 to 22 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 their effectiveness. 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. See pages 49, 54, and 57 to 59.

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 2016 and up to 21 February 2017; (iii) they are regularly reviewed by the Board and Audit Committee; and (iv) the systems accord with

C.2 Risk management and internal control continued

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 57 to 59.

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

C.3 Audit Committee and Auditor

The Audit Committee is comprised entirely of Independent Non-Executive Directors (see page 49 for membership details). Ian Dyson, the Chairman of the Committee has recent and relevant financial experience. Details of the Committee's role, responsibilities and activities are set out on pages 57 to 59.

The Committee has reviewed the effectiveness and independence of Ernst & Young LLP during 2016 and has concluded that it would not undertake an Auditor tender during 2016. However, we have approved the establishment of a sub-committee of the Audit Committee to oversee the audit tender process and recommend a detailed plan to be presented to that Committee in 2017. See page 56 for more details.

D. Remuneration

D.1 The level and components of remuneration

The Remuneration Committee's activities during 2016 are set out on pages 64 to 75 and its membership details are on page 49. The proposed Directors Remuneration Policy is set out on pages 76 to 81 and an ordinary resolution to approve the Policy will be proposed at the AGM in 2017.

D.2 Procedure

The Remuneration Committee is responsible for developing policy on executive remuneration and fixing remuneration packages of Directors. Further details are set out on page 64 to 75.

During 2016, no individual Director was present when his or her own remuneration was discussed.

E. Relations with shareholders

E.1 Dialogue with shareholders

The Board engage actively with both institutional and retail shareholders to promote mutual understanding of objectives and ensure that their views are communicated to the Board as a whole. See page 56 for details of meetings

with major institutional investors and other shareholders.

E.2 Constructive use of the AGM

The AGM is a key opportunity for the Board to engage with Shareholders. The Notice of Meeting will be sent to shareholders and will be available at www.ihgplc.com/investors under Shareholder centre in the AGMs and meetings section. The Board will be available to answer questions during the AGM and after the formal business has concluded. See page 56 for more details.

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Directors Remuneration Report

Remuneration Committee Chairman's statement

The updated Directors Remuneration Policy aims to set the right remuneration framework for delivering strong sustainable returns to shareholders while recognising the responsibility to be transparent, fair and accountable to all our stakeholders.

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In 2016, IHG delivered target results for EBIT, record guest satisfaction scores and continued to deliver strong shareholder returns.

As a result, the Executive Directors received Annual Performance Plan (APP) awards of 127.7 and 124.8 per cent of salary; this is 63.9 and 62.4 per cent of their maximum potential payouts respectively. The Long Term Incentive Plan (LTIP) 2014/16 cycle, granted in 2014, vested at a level of 49.4 per cent of the maximum potential payout due to the Total Shareholder Return achievement. However, the three-year threshold targets for relative RevPAR and rooms growth were just missed. Overall, this reflects good results in a more challenging market.

While the vesting levels were lower than last year, the total remuneration increased on the back of an increase of over 71% in IHG's share price since the LTIP shares were awarded.

Looking back over the three years that the current Directors Remuneration Policy (DR Policy) has been in place, IHG has returned \$2,933m to shareholders and its Total Shareholder Return has been 90.6 per cent. Payouts under the APP have varied between 62.4 and 75.0 per cent of the maximum opportunity, and vesting of the LTIP between 49.4 and 56.1 per cent.

The Board has reviewed the DR Policy in depth over the past 18 months in light of the strategic priorities for the business going forward. IHG has effectively finished its major asset disposal programme. We have concluded that, while the current APP remains appropriate and effective, there should be modest changes in some of the measures in

the LTIP. In particular, there needs to be even more emphasis on operational metrics to drive shareholder value-creation.

At the same time, with the industry going through a period of change, we consider that the current use of only relative measures in the LTIP will not be appropriate. We are therefore proposing a reduced weighting for the relative Total Shareholder Return measure and are introducing a mix of absolute growth and cash flow targets. Total revenue and system size are key lead indicators of business growth. Quality, organic growth in revenue and room numbers is central to IHG's business strategy, building the strength and reach of the global brands IHG manages. We are introducing cash flow targets because cash generation and efficient capital allocation are at the heart of our business model and ensure sustainable growth. In addition, we have amended our approach to discretion underlying the LTIP payouts, to reflect the use of absolute measures and give the Committee the ability to ensure that vesting levels are not inappropriate.

We have had significant shareholding guidelines in place for many years for our Executive Directors, with the CEO's actual shareholding being very much higher. We consider it a key element of aligning the interests of Executive Directors with shareholder returns. Although such requirements are beyond the DR Policy, we will be introducing shareholding guidelines to the rest of the senior management team. Furthermore, the Board also proposes the introduction of a requirement for Executive Directors to hold shares for a period of 12 months after leaving IHG. This contractual change will be introduced over the next 12 months.

As part of the review, the Remuneration Committee have consulted with shareholders and representative groups regarding the proposed changes to the DR Policy. We have also listened to the wide-ranging debate on executive pay and considered how best to reflect that in our arrangements. We have contributed to the consultation on the Government's corporate governance reform green paper. We have pointed out that, for a global business based in the UK with much of its executive team based elsewhere, we need to ensure that there is a coherent remuneration approach and a clear and attractive progression path to the senior roles in the business. We also need to ensure that we do not undermine our ability to recruit good talent globally. We take our lead from the UK market and shareholder expectations in setting Executive Director remuneration levels. However, for instance, our major competitors for talent are mainly based in the US, where regulation and market practice can be different, particularly in areas such as executive share plan structure and related vesting and holding periods.

This updated policy aims to set the right remuneration framework for recruiting and retaining high-quality management across our global operations and delivering strong sustainable returns to shareholders, while recognising the responsibility to be transparent, fair and accountable to all our stakeholders and compliant with UK good practice and regulations.

The Board is very conscious that remuneration on its own does not drive good performance. It is not a substitute for strong leadership, a competitive business model and good governance. However, it is an important part of the mix and the Board recommends the revised Directors' Remuneration Policy to shareholders.

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Element	Proposed changes to Directors Remuneration Policy from 2017
LTIP measures	<p>Vesting will be subject to achievement of Total Shareholder Return (TSR) measured against a comparator group of companies (40%), total gross revenue (20%), net System size growth (20%) and cash flow targets (20%) over a three-year period.</p> <p>We have reduced the TSR component to 40% and, following a robust review process, updated the comparator group of companies against which outcomes are measured. TSR remains a key measure of long-term success and aligns the interests of Executive Directors with those of shareholders. The targets for total gross revenue, net System size growth and cash flow will be absolute rather than relative to competitors as we feel that this provides the best opportunity to set challenging and meaningful objectives for quality, organic growth over a three-year period given the changing structure of the market.</p>
Discretion	<p>We disclose the parameters of the TSR measure in this report. The targets under the cash flow measure were not available at the time of writing this report, but will be disclosed in the next Directors Remuneration Report. Targets under the other measures are, in the opinion of the Directors, commercially sensitive, and will therefore be disclosed retrospectively at the end of the LTIP cycle.</p> <p>We have updated this discretion in light of the introduction of absolute measures. The Remuneration Committee can therefore ensure that LTIP outcomes are aligned with shareholder considerations and, in particular, take into account the quality of financial performance and growth over the period and the efficient use of capital.</p>
Shareholding	<p>A new shareholding requirement will be introduced from 2018 covering the 12-month period after cessation of employment.</p> <p>The existing guideline shareholding requirements for our Executive Directors are 300% of salary for the Chief Executive Officer and 200% of salary for other Executive Directors. These requirements will continue for six months after cessation of employment and 50% of these requirements will continue for an additional six months.</p>

^a The full details of the proposed changes are set out on pages 76 to 81.

We always aim to make the remuneration report as clear and accessible as possible, given regulation. The last Report received a Highly Commended recognition at the Building Public Trust in Corporate Reporting Awards. We have tried this year to make the proposed changes to the DR Policy clear and easy to understand. The full details of the proposed changes are set out on pages 76 to 81. We have again included an at-a-glance summary of the key points from this year's report on pages 66 and 67. We have also provided an overview of the wider context of remuneration at IHG on page 68. This includes how performance-related pay works for teams across the business and wider pension arrangements.

The sections of this report that are subject to a formal vote by shareholders are the Annual Report on Directors Remuneration starting on page 69 and the revised Directors Remuneration Policy starting on page 76, which will be put to advisory and binding shareholder votes respectively at the May 2017 Annual General Meeting.

Luke Mayhew

Chairman of the Remuneration Committee

20 February 2017

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DIRECTORS REMUNERATION REPORT CONTINUED

At a glance

How to use this report

Within the Directors Remuneration Report we have used colour coding to denote different elements of remuneration. The colours used and the corresponding remuneration elements are:

HOW WE PERFORMED IN 2016

The 2016 outcomes reflect the progress made as a result of our focus on high-quality growth and superior value-creation through our brands, our people and our systems. We achieved our targets for EBIT and guest satisfaction and delivered strong shareholder returns but we fell just short of our three-year threshold target for rooms and RevPAR growth. These financial and business measures make up 90 per cent of our APP (with individual performance making up the final 10 per cent) and 100 per cent of our LTIP.

EXECUTIVE DIRECTOR REMUNERATION

2016 remuneration

The table below shows the 2016 potential opportunity and actual achievement compared to 2015 actual achievement. Although vesting and performance levels were slightly lower in 2016, overall remuneration is higher than 2015 due to an increase of over 71% in IHG's share price since the 2014/16 LTIP shares were awarded. The comparable increase last year was just under 27%. 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 69.

Current Directors shareholdings

For further details of shares and awards held and guideline shareholdings, see page 72.

Director	Number of shares held outright	Number of shares held as % of salary	Guideline shareholding %
Richard Solomons	211,594	943	300
Paul Edgecliffe-Johnson	26,034	185	200

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Summary of proposed Directors Remuneration Policy (DR Policy) and remuneration architecture from 2017 Executive Directors

Following the completion of our major asset disposal programme, our strategic business objectives are focused on the delivery of further high-quality growth through preferred brands, strong direct channels and lifetime relationships. A sharpened focus on operational excellence informed our review of the DR Policy.

2017 Directors Remuneration Policy [link to strategy](#)

See pages 14 and 15 for further

information on our strategy.

EBIT Guest Love Overall Performance Rating (OPR) TSR Net System size growth Total gross revenue Cash

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Pay at risk

Malus and clawback arrangements apply to the APP and LTIP. 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.

Directors Remuneration Report	IHG Annual Report and Form 20-F 2016	67
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DIRECTORS REMUNERATION REPORT CONTINUED

Remuneration at IHG – the wider context

Our reward philosophy

We will drive high-quality growth and financial returns for our shareholders by attracting and retaining high-quality talent through the following reward principles, making IHG a truly great place to work:

rewarding competitively within the market in which each employee is located;

providing reward opportunities which are appropriate in each location reflecting the differing legal frameworks and relevance of benefits to specific markets; and

ensuring rewards promote a Winning Culture based on delivery, engagement and collaboration.

Reward and business strategy

IHG has a clear purpose: to create Great Hotels Guests Love. We have established our Winning Model (page 14) to maintain focus on the key areas of our strategy and our Winning Ways and Winning Culture (pages 18 and 19) to drive the right values and behaviours which will help us deliver this. Our employees are rewarded in line with these fundamental aims and principles as part of our Winning Culture:

A range of stretching and measurable core performance metrics, aligned to our strategic priorities, are set each year for our senior management and hotel teams and form a first-stage gate for our performance management process; employees' overall performance is then measured by reference to the delivery of individual key performance objectives, aligned to our strategic priorities, and the day-to-day application of the values and behaviours expected at that employee's level of seniority. Together, these contribute to an employee's remuneration as part of the annual salary review process and as both a measure and a minimum performance condition of annual incentive plans.

In addition to the individual performance measure described above, the remaining measures in the annual and long-term incentive plans are also aligned with the business' strategic approach so that employees are only rewarded under these arrangements through the successful delivery of the short and long-term objectives set by the Committee, including the delivery of superior shareholder returns and value.

Remuneration for other employees

Decisions on the remuneration of Executive Directors are taken in the context of wider remuneration at IHG. However, the composition of remuneration and annual incentives differs between employees in a number of ways, and this generally relates to measures relevant to the individual's role and seniority. For example:

A greater proportion of performance-related variable pay and share-based incentives applies for more senior executives, including Executive Directors, who will have a greater degree of influence over performance outcomes. Incentive plans for other corporate employees are typically based on a combination of individual performance and the Group's EBIT.

Role-specific specialist plans apply in certain areas such as corporate reservations, sales and hotel development. Incentive plans for General Managers of IHG owned, leased and managed hotels commonly include targets based on gross operating profit, guest satisfaction and employee engagement.

Eligibility for, and participation in, benefits and incentive plans differs depending on location, seniority, length of service and other factors, such as local taxation and legislative arrangements.

	Fixed elements		Variable elements	
	Mid senior (or role dependent) only	All employees	Mid senior (or role dependent) only	All employees
All employees				
Base salary	Enhanced pension	Short-term incentive relevant to role (APP for senior executives)	Deferred share-based element to short-term incentive	
Pension	Enhanced benefits			
Benefits	Car/allowance		Long-term incentive	
Pension				

Our global retirement benefit policy is to provide access to an appropriate defined contribution retirement savings plan where such a vehicle is typically offered, and with benefit levels in line with the local market. UK pension plan contribution rates differ for various employee grades within the Group, including Executive Directors. The current rates were set following a review of UK pension benefits in light of the closure of the previous defined benefit pension arrangement. Increased employer contribution rates at higher seniority levels are prevalent in the wider market; and reflect to an extent the accelerated accrual rates in place under the old defined benefit arrangement. Where employees would otherwise exceed relevant tax limits on pension contribution or accrual, a cash equivalent may be offered in lieu of pension at an equivalent value to the maximum company matching contribution.

Employee grade	Employee contribution (%)	Matching contribution multiple	Maximum matching contribution (up to %)
Corporate band 1 (Executive Directors)	3 7.5	4	30
Corporate bands 2 and 3	3 5	4	20
Corporate band 4	3 5	2.5	12.5
Corporate band 5	3 5	2	10

Corporate bands 6-8 and hotel employees Chief Executive Officer's pay	3-5	1.5	7.5
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We recognise that there is currently greater pressure than ever for increased clarity on executive remuneration and, in particular, in relation to the justification of CEO pay in the context of business performance and the wider employee population.

In light of the recent Corporate Governance Reform Green Paper, we have shown below the change in total CEO remuneration, from the first full year in which the current CEO was in office to date, alongside the performance of the IHG PLC share price and, for comparison, that of the FTSE 100 share index. We do not think that share price alone is an ideal proxy for company performance, however, this shows the relative increases in the Company's share price over this period to have been higher than those in respect of the CEO's remuneration.

CEO pay and share price (rebased 2012 = 100)

^a Excludes one-off payment in respect of pension arrangement as this related to benefits already accrued.

Use of discretion

The use of discretion enables the Committee to ensure that outcomes are consistent with business performance and the interests of shareholders. It also enables the Committee to treat Executive Directors who leave IHG in a fair and equitable manner.

The discretion applied in relation to Tracy Robbins in respect of her stepping down as a Director and subsequent cessation of employment is set out on page 74. There have been no other cases of discretion applied within the terms of the DR Policy set out in the 2013 Annual Report.

Table of Contents*Annual Report on Directors Remuneration*

This Annual Report on Directors remuneration explains how the Directors Remuneration Policy (DR Policy) was implemented in 2016 and the resulting payments each of the Executive Directors received.

This report is subject to an advisory vote by shareholders at the 2017 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

Executive Directors	Salary		Fixed pay		Pension benefit		Variable pay		Total			
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2014/15 cycle value of shares) £000	2013/15 cycle value of shares) £000	2016 £000	2015 £000
Richard Solomons	810	785	26	31	243	236	1,042	1,187	1,329	958	3,450	3,197
Paul Edgecliffe-Johnson	500	450	24	23	150	135	640	690	730	349	2,044	1,647
Tracy Robbins ^b	18	445	1	30	5	134	14	672	31	550	69	1,831

^a While vesting for this cycle was slightly lower than the 2013/15 cycle, outcomes are higher due to a greater increase in share price over the period since shares were granted.

^b 2016 figures for Tracy Robbins relate to the period 1 January 2016 to 15 January 2016.

Fixed pay

Salary: salary paid for the year. The 2016 figure shown for Tracy Robbins is the actual amount earned for the portion of the year she remained an Executive Director before she stepped down from the Board on 15 January

2016.

Benefits: for Executive Directors, this includes, but is not limited to, taxable benefits such as company car, healthcare and life cover. Provision during 2016 was in line with previous years and the approved DR Policy. No extraordinary payments were made.

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.

Richard Solomons did not participate in any IHG pension plan in 2016 and instead received a cash allowance of 30% of salary equal to £242,946. Mr Solomons also received life assurance cover of six times pensionable salary.

Neither Paul Edgecliffe-Johnson nor Tracy Robbins participated in any IHG pension plan in 2016 and instead they both received a cash allowance of 30% of salary equal to £149,902.50 and £5,419 respectively the latter being the amount received in respect of the period to 15 January 2016. They both also received life assurance cover of four times pensionable salary.

Variable pay

APP (cash and deferred shares)

Operation

Award levels were determined based on salary as at 31 December 2016 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 (57.5% of salary); for achievement below threshold, no award is made.

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 (capped at 200% of salary).

The threshold award was subject to a global EBIT affordability gate and Overall Performance Rating (OPR) such that:

if global EBIT was below 85% of target, no awards relating to the Guest Love and OPR would be made;

if global EBIT was between 85% and 90% of target, half of any award relating to the Guest Love and OPR would be made;

if OPR was 2, EBIT and Guest Love awards were reduced by 50%; and

if OPR was 2.5, EBIT and Guest Love awards were reduced by 25%.

Outcome for 2016

The performance measures for the 2016 APP were EBIT (70%), Guest Love (20%) and OPR (10%) and were determined in accordance with the DR Policy. The table below shows threshold, target and maximum opportunity, as well as weighting and actual 2016 achievement for the EBIT and Guest Love performance measures:

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DIRECTORS REMUNERATION REPORT CONTINUED

*Annual Report on Directors Remuneration continued***APP**

Performance		Achievement	Weighting	Weighted achievement
EBIT: performance relative to target				
Threshold	\$ 626.3m	50%		
Target	\$ 695.9m	100%	70.0%	72.8%
Actual	\$ 698.9m	104%		
Maximum	\$ 765.5m	200%		
Guest Love: improvement in guest survey score from prior year s baseline score of 79.71%				
Threshold	+0.26ppt	50%		
Target	+0.52ppt	100%	20.0%	23.3%
Actual	+0.68ppt	116.3%		
Maximum	+1.52ppt	200%		

The remaining 10% weighting of the APP is based on a personal overall performance rating (OPR).

EBIT is operating profit before exceptional items. Budgeted exchange rates for the year are used in determining EBIT for APP purposes. However, no adjustments were made to the underlying operating profit before exceptional items for 2016 APP purposes.

Operating profit before exceptional items (at actual exchange rates)	\$ 706.7m
Difference due to exchange rates	(\$7.8m)
Operating profit before exceptional items (at 2016 budget exchange rates)	\$ 698.9m

OPR results are determined by reference to individual employee performance relating to the delivery of a range of measurable annual objectives aligned to our Winning Model. 2016 objectives included a range of financial targets, such as revenue and fee margins; strategic aims, including brand developments and growth in key markets; and targets for our Responsible Business agenda.

When combined with the EBIT and Guest Love results, the total weighted achievement was 111.0 per cent for Richard Solomons and 108.5 per cent for Paul Edgecliffe-Johnson of a target bonus of 115% of salary. The APP award for 2016 was therefore 127.7 per cent of salary for Richard Solomons and 124.8 per cent for Paul Edgecliffe-Johnson.

Awards for 2016 will be paid 50 per cent in cash and 50 per cent in deferred shares, vesting three years after the date of grant, in February 2020. 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.

Executive	Salary as at		Total value of award
	31 December		
Director	£000	% of salary	£000
Richard Solomons	816	127.7	1,042
Paul Edgecliffe-Johnson	513	124.8	640
2014/16 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 Worldwide Corp. In respect of Marriott's acquisition of Starwood in September 2016,

Starwood was retained as a part of the comparator group for the period up to the date of the acquisition and was removed only for the period after which the transaction had completed. TSR measures the return to shareholders by investing in IHG relative to our competitors in the appropriate comparator group of global hotel companies, as per the data sourced from Thomson Reuters Datastream.

The share price of 3,273p used to calculate the 2014/16 LTIP cycle value shown in the single-figure table is the average over the final quarter of 2016. The share price in respect of the 2013/15 LTIP cycle has been restated using the volume weighted average price of 2,511p on the date of actual vesting on 24 February 2016. The corresponding values shown in the 2015 report (prior to the actual vesting) were an estimate calculated using an average share price over the final quarter of 2015 of 2,515p.

Outcome for 2014/16 cycle

The performance measures for the 2014/16 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 achievement, for each performance measure.

LTIP

Performance	Achievement	Weighting	Weighted achievement
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Total Shareholder Return: three-year growth relative to average of competitors

Threshold	20%		
Actual	98.8%	50%	49.4%
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) 49.4%

Net rooms supply and RevPAR growth were measured by reference to the three years ending 30 September 2016; TSR was measured by reference to the three years ending 31 December 2016. This cycle will vest on 22 February 2017 and the individual outcomes for this cycle are shown below:

Executive Director	Maximum opportunity at grant (number of shares)	% of maximum opportunity vested	Outcome (number of shares awarded at vest)	Total value of award £000
Richard Solomons	82,193	49.4	40,603	1,329
Paul Edgecliffe-Johnson	45,125	49.4	22,291	730
Tracy Robbins	46,952	49.4	23,194	759

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Other information relating to Directors remuneration

Non-executive directorships of other companies

As permitted under the DR Policy, Richard Solomons, Chief Executive Officer, serves as a Non-Executive Director of Marks and Spencer PLC and in 2016 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

In accordance with the UK Corporate Governance Code, all Executive Directors have rolling service contracts with a notice period of 12 months and are subject to election and annual re-election by shareholders at the AGM.

Dividends paid to Executive Directors

A final dividend for 2015 of 40.3p per ordinary share (57.5¢ per ADR) was paid on 13 May 2016 to shareholders on the Register of members at the close of business on 1 April 2016.

An interim dividend of 22.6p per ordinary share (30.0¢ per ADR) was paid on 7 October 2016 to shareholders on the Register of members at the close of business on 2 September 2016.

A special interim dividend of 438.2p per ordinary share (632.9¢ per ADR) was paid on 23 May 2016 to shareholders on the Register of members at the close of business on 6 May 2016.

The 2016 special dividend was accompanied by a share consolidation to maintain comparability (as far as possible) of the share price before and after the payment of the special dividend. LTIP award holders were not entitled to receive the special dividend. Executive Directors holding forfeitable shares under annual incentive awards received the special dividend, and their share awards were subject to the share consolidation.

Pension 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. Mr Solomons is no longer entitled to any Defined Benefit pension or related benefit from IHG.

Scheme interests awarded during 2016

During 2016, awards were granted under the 2016/18 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 2,854p at the date of grant on 4 April 2016. These are in the form of conditional awards over Company 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 at grant	Number of shares received if minimum performance achieved
2016/18 cycle					
Richard Solomons	5 April 2016	58,595	28.54	1,672	11,719
Paul Edgecliffe-Johnson	5 April 2016	36,841	28.54	1,051	7,368
Tracy Robbins ^a	5 April 2016	8,480	28.54	242	1,696

^a Pro-rated to 15 months at grant.

The vesting date for these awards is the day after the announcement of our Annual 2018 Preliminary Results in February 2019. These awards will vest and shares will be transferred to the award-holder in February 2019, to the extent performance targets are met. The performance measures are the same as for the 2014/16 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 2018; TSR will be measured by reference to the three years ending 31 December 2018. Minimum performance is equal to 20% of the maximum award.

Other outstanding awards

During 2015, awards were granted under the 2015/17 LTIP cycle (shown below) on the same basis as the 2016/18 LTIP cycle. Share price was the closing mid-market share price of 2,670p at the date of grant on 30 March 2015. These awards will vest in February 2018 to the extent performance targets are met.

Executive Director	Award date	Maximum shares awarded	Market price per share at grant	Face value at grant	Number of shares received if minimum performance

					achieved
2015/17 cycle					
Richard Solomons	31	60,808	26.70	1,624	12,162
	March				
	2015				
Paul Edgecliffe-Johnson	31	35,318	26.70	943	7,064
	March				
	2015				
Tracy Robbins	31	34,397	26.70	918	6,879
	March				
	2015				

The vesting date for these awards is the day after the announcement of our Annual 2017 Preliminary Results in February 2018. The performance measures are the same as for the 2014/16 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.

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DIRECTORS REMUNERATION REPORT CONTINUED

*Annual Report on Directors Remuneration continued***Current position on outstanding awards**

Details of the performance measures and potential vesting outcomes for outstanding awards as at 31 December 2016 are as follows:

Performance measure	Threshold performance	Maximum performance	Threshold/Maximum award			Potential vesting outcome	
			Weighting (%)	(%)	(% of salary)	2015/17 cycle	2016/18 cycle
Relative TSR	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	Between threshold and maximum based on current performance
Net rooms supply growth	Average of the comparator group	First in the comparator group	20/100	25	51.25	Improved performance needed to achieve threshold	Improved performance needed to achieve threshold
RevPAR growth	Average of the comparator group	First in the comparator group	20/100	25	51.25	Improved performance needed to achieve threshold	Improved performance needed to achieve threshold

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 any other Executive Directors within five years of their appointment. 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. Percentages are calculated using the number of shares held outright

and the 30 December 2016 share price of 3,638p.

Shares and awards held by Executive Directors as at

31 December 2016: % of salary

Shares and awards held by Executive Directors as at

31 December 2016^a: number of shares

Executive Director	Number of shares		APP deferred share awards		LTIP share awards (unvested)		Total number of shares and awards held	
	held outright		2016	2015	2016	2015	2016	2015
	2016	2015						
Richard Solomons	211,594	365,625	59,032	71,552	201,596	219,320	472,222	656,497
Paul Edgecliffe-Johnson	26,034	22,014	24,621	19,821	117,284	108,219	167,939	150,054
Tracy Robbins ^a	37,726	37,726	41,808	41,808	125,168	125,168	204,702	204,702

^a Number of shares held by Tracy Robbins is as at 15 January 2016, when she stepped down as an Executive Director.

Table of Contents**Chief Executive Officer's remuneration**

The table below shows the Chief Executive Officer's single figure of total remuneration for the eight years to 31 December 2016. For Richard Solomons, the 2014 figure includes a one-off cash payment in respect of pension entitlements which was fully explained in the 2014 report.

		Single figure £000	Annual incentive received (% of maximum)	Shares received under the LTIP (% of maximum)
2016	Richard Solomons	3,450	63.9	49.4
2015	Richard Solomons	3,197	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 2015 and 2016. 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 2016 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 annual incentive, a group of 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**
(% change) **(% change)**

Salary	+3.0	+3.0
Taxable benefits	+5.6	+2.3
Annual incentive	-12.2	-9.9

Relative importance of spend on pay

The table below sets out the actual expenditure of the Group in 2016 and 2015 on corporate employee remuneration and distributions to shareholders, and shows the difference in spend between those years. For 2016, total distributions included a special and final dividend, and a share consolidation, neither of which were applicable in 2015.

Relative performance graph

For LTIP purposes, a TSR comparator group of a global hotels index was used. InterContinental Hotels Group PLC is 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 2016, 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 Reuters Datastream for IHG.

TSR: the Company vs FTSE 100 and global hotels index

(rebased 2008 = 100)

Implementation of Directors Remuneration Policy in 2017

This section explains how the DR Policy will be applied in 2017, subject to a binding vote by shareholders at the 2017 AGM.

Salary: Executive Directors

Directors' salaries are agreed annually in line with the DR Policy. The following salaries will apply from 1 April 2017:

Executive Director	% increase	2017	2016
Richard Solomons	+2.5	836,150	815,760
Paul Edgecliffe-Johnson	+4.5	536,000	512,900

The 2.5 per cent increase for Richard Solomons is in line with the range of increases applying to the UK and US population.

Paul Edgecliffe-Johnson was promoted internally on 1 January 2014 on a salary significantly below the level of a proven CFO. The DR Policy provides that salary increases for newly appointed or promoted Executive Directors may be higher than that of the corporate UK or US employee population until the appropriate positioning is achieved. Following strong performance again this year, a further increment of 4.5 per cent has been agreed by the

Remuneration Committee for 2017; this increase brings the salary to the appropriate level and it is not expected that further exceptional adjustments will be made in future years.

LTIP and APP performance measures and targets

From 2017, we will be limiting LTIP awards for the top levels of executives, currently 31 employees in total. A proportion of the awards for these 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.

Further details of the measures and targets for the 2017 APP and 2017/19 LTIP cycle are contained in the separate DR Policy section on pages 77 and 78 of this report.

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DIRECTORS REMUNERATION REPORT CONTINUED

Annual Report on Directors Remuneration continued

Payments to past Directors benefits

Sir Ian Prosser

Sir Prosser, who retired as a Director on 31 December 2003, had an ongoing healthcare benefit of £1,879 during the year.

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 continue employment on notice for the 12 months to 31 March 2017, when she will cease employment with the Group. As disclosed at the time of the announcement and in last year's Annual Report, the remuneration arrangements will be as follows:

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.

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.

Remuneration payments made to Ms Robbins in 2016 in respect of the period to 15 January 2016 are shown in the single figure table on page 69. Remuneration paid in respect of the period 16 January 2016 to 31 December 2016 was as follows:

Fixed pay			Variable pay		Total
Salary	Benefits	Pension benefit	APP	LTIP	
£000	£000	£000	£000	£000	£000
265	18	129	332	728	1,472

In line with the discretion exercised by the Committee outlined above, the whole APP award of £345,586 was paid in cash.

Payments for loss of office

No payments were made to any Executive Directors during 2016 for loss of office.

Single total figure of remuneration: Non-Executive Directors

Non-Executive Director	Committee appointments	Date of original appointment	Fees (£000)		Taxable benefits (£000)		Total (£000)	
			2016	2015	2016	2015	2016	2015
Patrick Cescau		1 January 2013	412	412	19	34	431	446
Anne Busquet		1 March 2015	73	61	4	5	77	66
Ian Dyson		1 September 2013	97	97	3	3	100	100
Jo Harlow		1 September 2014	73	73	3	3	76	76
Jennifer Laing		25 August 2005	30	85	1	2	31	87
Luke Mayhew		1 July 2011	97	97	3	1	100	98
Jill		1 June	81	73	3	4	84	77

McDonald	2013						
Dale	1 June	97	97	31	14	128	111
Morrison	2011						
Ying	1 December	26	73	37	83	63	156
Yeh	2007						

See page 49 for Board and Committee

membership key and attendance.

Fees: The fees for Jennifer Laing and Ying Yeh are to the point of their retirement as a Non-Executive Director on 6 May 2016. The fee for Jill McDonald reflects her appointment as Chairman of the Corporate Responsibility Committee from 6 May 2016 and the related increase in responsibility.

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 for 2015 and 2016 for Anne Busquet and for the period up to 31 May 2016 for Dale Morrison.

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 50.

Shares held by Non-Executive Directors as at 31 December 2016a: number of shares

The only Non-Executive Directors who held shares are listed in the table below.

Non-Executive Director	Shares held outright	
	2016	2015
Jennifer Laing ^a	2,905	2,905
Luke Mayhew	1,435	1,722
Dale Morrison ^b	3,255	3,907

^a Number of shares held by Jennifer Laing is as at 6 May 2016, when she retired as a Non-Executive Director.

^b Shares held in the form of American Depository Receipts.

Table of Contents**Fees: Non-Executive Directors**

The fees for Non-Executive Directors are reviewed and agreed annually in line with the DR Policy. The fee levels for 2017 will be as follows:

Non-Executive		2017	2016
Director	Role	£000	£000
Patrick Cescau	Chairman of the Board	422	412
Anne Busquet	Non-Executive Director	74	73
Ian Dyson	Chairman of Audit Committee	99	97
Jo Harlow	Non-Executive Director	74	73
Luke Mayhew	Chairman of Remuneration Committee	99	97
Jill McDonald	Chairman of Corporate Responsibility Committee	87	73 ^a
Dale Morrison	Senior Independent Non-Executive Director	107	97

^a Jill McDonald's 2016 fee relates to Non-Executive Director position prior to new role of Chairman of the Corporate Responsibility Committee.

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.

Remuneration Committee details**Key objectives and summary of 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 Group'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 in the Committees section.

Membership and attendance at meetings

In addition to the Committee members, the CEO and Chairman, the Committee's remuneration advisers and the Group's heads of HR and Reward attended meetings.

Details of Committee attendance

can be found on page 49.

Reporting to the board

The CEO and Chairman attend meetings and the Committee Chairman provides an update to the Board following each meeting on the key issues discussed. Meeting papers and minutes are circulated to all Board members for review and comment.

Effectiveness of the Committee

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. The effectiveness of the Committee is monitored and assessed annually through the Board's evaluation questionnaires and interviews and informally by the Committee's advisers.

Details of the Board's effectiveness

evaluation can be found on pages 55 and 56.

Remuneration advisers

The Committee continued to retain PricewaterhouseCoopers LLP (PwC) throughout 2016 as independent advisers. Fees of £159,830 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 2016. 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.

Focus areas and activities

The Committee's main consideration in 2016 was the review of the Directors' Remuneration Policy. This was reviewed to ensure that IHG continues to remunerate its Executive Directors in a way that is aligned with business needs, is consistent with its reward philosophy, is fair to colleagues yet competitive in the market, and rewards behaviours and

outcomes that deliver shareholder value. The following key matters were also discussed: shareholding requirements and post-cessation holding, IHG's approach to diversity and gender pay-gap reporting.

Voting at the Company's AGMs

There was no binding vote in respect of the DR Policy at the 2016 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 AGMs in 2014, 2015 and 2016, the annual advisory vote in respect of the Directors Remuneration Report was as follows:

AGM	Votes for	Votes against	Abstentions
2016	167,998,487 (98.58%)	2,427,740 (1.42%)	5,056,017
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

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DIRECTORS REMUNERATION REPORT CONTINUED

Directors Remuneration Policy

Subject to the approval by shareholders at the 2017 AGM, the policy for Executive Directors, as set out below, will apply from 2017 and will be available to view at www.ihgplc.com/investors under Corporate governance. The Committee will consider the Remuneration Policy annually to ensure it remains aligned with strategic objectives. However, it is intended that the policy set out below will apply for three years from the 2017 AGM; if any amendments need to be made to the policy within that time frame, it will first be presented to be voted upon by shareholders.

Future policy table

Salary	(100% cash)
Link to strategy	To attract and retain the key talent responsible for delivering our strategic objectives. Recognises the value of the role and the individual's skill, performance and experience.
Operation	Base salary is reviewed annually and fixed for 12 months from 1 April. In reviewing salaries, the Committee may consider: <ul style="list-style-type: none"> business performance; personal performance; the average salary increases for the wider IHG workforce; and current remuneration assessed against comparable opportunities for an individual to ensure competitiveness.
Maximum opportunity	Over the policy period, salaries for current Executive Directors will increase, subject to individual performance, in line with the range of increases applying to the corporate UK and US employee population, except where there is a change in role or responsibility or another need arises to reassess the competitiveness of salary which warrants either a lesser or a more significant increase. Any such change will be fully explained. Newly promoted or recruited Executive Directors may, on occasion, have their salaries set below the conventional remuneration level while they become established in role. In such cases, salary increases may be higher than the corporate UK and US employee population until the target positioning is achieved.

Performance framework The results of an individual's annual performance appraisal give an overall personal performance rating (OPR), which is considered when reviewing salary levels.

Benefits

Link to strategy To attract and retain the key talent responsible for delivering our strategic objectives with competitive benefits which are consistent with an individual's role and location.

Operation IHG pays the cost of providing the benefits on a monthly basis or as required for one-off events.

Maximum opportunity The value of benefits is dependent on location and market factors.

Benefits may include the cost of independent financial advice, car allowance/company car, private healthcare/medical assessments and other benefits provided from time to time. Benefits would be restricted to the typical level for the role and location of an Executive Director.

Benefits may also include relocation and expatriate or international assignment costs where appropriate, including for example:

cost of living allowance;

travel costs;

housing allowance;

professional advice;

education allowances;

tax equalisation;

medical expenses; and

relocation allowance.

Relocation and expatriate or international assignment costs would be restricted to the typical level for the role and location of an Executive Director.

Performance framework None.

Pension

Link to strategy To attract and retain the key talent responsible for delivering our strategic objectives with appropriate contribution rates to provide funding for retirement.

Operation	<p>UK Executive Directors are eligible to join the IHG UK Defined Contribution Pension Plan (IC Plan). A cash allowance in lieu of pension contributions is offered, for example, where pension contributions would be less tax efficient than cash.</p> <p>Non UK Executive Directors may be eligible for an alternative local company retirement plan, for example, a DC 401(k) Plan and a DC Deferred Compensation Plan currently operating in the US.</p>
Maximum opportunity	<p>Salary is the only element of remuneration that is pensionable, and the current maximum employer contribution level for executives in the IC Plan is 30% of salary.</p> <p>Other contribution rates may apply in alternative local retirement plans and the Committee has the discretion to reduce or increase employer contribution rates for Executive Directors in exceptional circumstances where conditions so warrant.</p>
Performance framework	<p>None.</p>

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<p>Annual Performance Plan (APP)</p> <p>Link to strategy</p>	<p>(50% cash and 50% IHG PLC shares deferred for three years)</p> <p>Drives and rewards annual performance against both financial and non-financial metrics.</p> <p>Aligns individuals and teams with key strategic priorities.</p> <p>Aligns short-term annual performance with strategy to generate long-term returns to shareholders.</p>
<p>Operation</p>	<p>Awards are made annually, 50% in cash after the end of the relevant financial year and 50% in the form of share awards which vest after three years subject to leaver provisions.</p> <p>The Committee has discretion to make awards wholly in cash rather than part-cash and part-shares, in exceptional circumstances.</p> <p>The share awards are made in the form of conditional awards or forfeitable shares, the latter having the right to receive dividends and vote at general meetings.</p> <p>Malus and clawback apply to the awards. See page 80 for details.</p> <p>The Committee may exercise reasonable discretion to adjust an award made under the APP upwards or downwards after application of the performance measures to take into account any relevant factors, including but not limited to, performance relative to IHG's competitors and extent of achievement across all measures, provided that in no case will an award exceed the maximum opportunity stated.</p>
<p>Maximum opportunity Performance framework</p>	<p>Maximum annual award is 200% of salary.</p> <p>70% is based on EBIT achievement vs target.</p> <p>30% is based on a mixture of personal and strategic measures which are reviewed annually and the weighting, measures and targets determined by the Committee and set in line with key strategic priorities.</p> <p>Measures for 2017 will be as per 2016 ie EBIT (70%), Guest Love (20%) and OPR (10%) see page 78 for further detail.</p> <p>Target award is 115% of salary; threshold is up to 50% of target award for each measure.</p> <p>Overall performance ratings of less than 3 affect the outcome of the APP award. An OPR of less than 2 results in no award being made; an OPR of 2 (threshold) reduces awards by 50%; and an OPR of 2.5 reduces awards by 25%.</p>
<p>Long Term Incentive Plan (LTIP)</p> <p>Link to strategy</p>	<p>(100% IHG PLC shares)</p>

Operation

Drives and rewards delivery of sustained long-term performance on measures that are aligned with the interests of shareholders.

Annual conditional awards of shares which vest after a period of three years, or such longer period as the Committee determines, subject to the achievement of corporate performance targets.

The Committee may also impose such post-vesting holding periods as it may, at its discretion, determine.

The Committee also has discretion to make awards in cash rather than shares, in exceptional circumstances.

Maximum opportunity

Malus and clawback applies to awards. See page 80 for details.

The maximum annual award is 205% of salary. The Committee has no current intention to award more than the policy maximum, but if exceptional and unforeseen circumstances arise that warrant it, the Committee has discretion to increase this to 300% of salary under the LTIP rules. Any such award will be fully explained.

Performance framework

The measures are reviewed and may be changed by the Committee annually to ensure alignment with strategic objectives.

Minimum performance results in 20% vesting and all targets measured over a performance period of at least three years.

The Committee may make adjustments to targets and/or measures if a significant one-off event occurs that makes one or more of the existing targets and/or measures no longer appropriate. The Committee may also adjust awards if a significant one-off event happens that makes the original performance measures no longer appropriate. Any such adjustments would be disclosed at the first appropriate opportunity.

New for 2017 policy

Measures for the 2017/19 cycle are Total Shareholder Return (TSR), total gross revenue, net System size growth and cash flow see pages 78 and 79 for further detail.

The Committee will review the vesting outcomes under the absolute measures (for the 2017/19 LTIP this will be total gross revenue, net System size growth and cash flow measures) at the end of each three-year cycle against an assessment of Group earnings, the quality of financial performance and growth over the period, including relative growth against the market, and the efficient use of capital. If the Committee determines that the vesting outcomes do not appropriately reflect the performance of the Group, it will consider reducing the number of shares that vest. The performance and vesting outcomes and any use of discretion will be fully disclosed and explained in the relevant Directors Remuneration Report.

Shareholding requirements

The guideline shareholding requirement is 300% of salary for the Chief Executive Officer and 200% for other Executive Directors

Executive Directors are expected to hold all shares earned (net of any shares sales required to meet personal tax liabilities), until the guideline shareholding requirement is achieved. See page 72 for details.

New for 2017 policy

From 2018, the full guideline shareholding requirements will continue for six months, and 50% of the requirements for a further six months, post-cessation of employment.

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DIRECTORS REMUNERATION REPORT CONTINUED

*Directors Remuneration Policy continued***Illustrative scenarios**

Below is an illustration of the value that could be received by each Executive Director under the Directors Remuneration Policy in respect of 2017, showing:

minimum, which includes salary, benefits and employer pension contributions only (total fixed pay);

on-target, which includes total fixed pay and assumes an on-target award for the APP (115% of salary) and 50% of maximum LTIP award vesting; and

maximum, which includes total fixed pay and a maximum award under the APP and LTIP.

The salaries included are those that will apply from 1 April 2017. The benefit values included are estimates. The amounts shown in relation to APP and LTIP do not take account of any potential share price appreciation.

Notes to future policy table**Measures for 2017 APP**

Measure	Definition	Weighting (%)	Performance objective
EBIT	Earnings Before Interest and Tax	70	Achievement against target.
	a measure of IHG's operating profit before exceptional items for the year.		
Guest Love	Guest satisfaction rating.	20	Year-on-year improvement in score.
OPR	Personal performance measure of individual's contribution to the business and the results.	10	Achievement against targets.

Why have we chosen these measures?

EBIT is a key measure of business performance for our shareholders and is a function of other critical measures, such as net rooms growth, RevPAR, profit margin and fee revenues. Guest Love is an important and robust measure of the strength of our brands and our ability to grow lifetime relationships with guests. OPR reflects an individual's contribution towards the achievement of specific and measurable targets based on a range of the most important financial and strategic objectives for the year.

How are performance targets set?

Targets may be set relative to budget and/or by reference to prior results and may contain a performance range to incentivise outperformance and minimum performance levels relative to budget and/or prior experience to ensure that poor performance is not rewarded. The 2017 targets are set by the Committee and senior management, taking into account IHG's growth ambitions, market expectations and the circumstances and relative performance at the time, with the aim of setting stretching achievement targets for senior executives which will reflect successful outcomes for the business based on its strategic objectives for the year.

Measures for 2017/19 LTIP cycle

Measure	Definition	Weighting (%)	Vesting
Total Shareholder Return (TSR)	IHG's performance against a comparator group of global hotel companies. TSR is the aggregate of share price growth and dividends paid, assuming reinvestment of dividends in the Company's shares during the three-year performance period.	40	<p>Threshold median of comparator group (20% of TSR element vests).</p> <p>Maximum upper quartile of comparator group (100% of TSR element vests).</p>
Total gross revenue	Cumulative increase over three-year performance period.	20	<p>Vesting will be on a straight-line basis in between the two points above. The targets for these measures are, in the opinion of the Directors, commercially sensitive, and will therefore be disclosed in full retrospectively at the end of the LTIP cycle. Disclosure in advance would give IHG's major competitors an unfair commercial advantage, providing them with access to key financial and growth targets from IHG's three-year plan. These competitors would not be subject to the same obligation to make such information available, as they are either unlisted or listed on a stock exchange other than the London Stock Exchange. We will provide updates on an annual basis to give an indication of actual performance against targets and full disclosure of targets and performance will be provided retrospectively after the end of the performance period.</p>
Net System size growth	Increase in number of IHG rooms over three-year performance period.	20	
Cash flow		20	

Cumulative annual cash generation over three-year performance period.

Targets for the three years from 2017 are due to be set at the Board's annual strategy meeting in March 2017 and are not, therefore, available at the time of writing this report. The agreed targets, which will apply in respect of the 2017-19 LTIP cycle, will be disclosed in full in the 2017 Directors' Remuneration Report.

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Why have we chosen these measures?

We believe that TSR continues to be a key measure of long-term success and aligns the interests of Executive Directors with those of shareholders. However, there is an increased focus on ongoing operational excellence under our asset light business model and TSR will therefore reduce from a 50% to a 40% weighting in the LTIP. A rooms measure will remain in the form of net System size growth, reflecting the importance of building and leveraging our scale. Two new measures will be introduced: total gross revenue, which includes food and beverage income from owned and managed hotels and reflects our diverse income sources; and cash flow, to support our focus on delivering high-quality organic growth, which means delivering consistent, sustained growth in cash flows and profits over the long term. Together, we believe these measures represent the right balance of focus on growth and quality and position our executive remuneration in line with both our long-term strategic aims and the expectations of our shareholders.

How are performance targets set?

Targets may be set relative to the expected outcomes of IHG's long-range business plan and other long-term strategic objectives and may contain a performance range to incentivise outperformance and minimum performance levels to ensure that poor performance is not rewarded. The targets for the 2017/19 LTIP are set by the Committee, taking into account IHG's long-range business plan, market expectations and the circumstances and relative performance at the time, with the aim of setting stretching achievement targets for senior executives which will reflect successful outcomes for the business based on its long-term strategic objectives. After completing a robust review process, the comparator group of companies against which outcomes are measured for the 2017/19 cycle has been updated and comprises the following: Accor Hotels; Choice Hotels International Inc.; Hilton Worldwide; Hyatt Hotels Corporation; Marriott International Inc.; Melia Hotels International; Millennium & Copthorne Hotels; NH Hotel Group; and Wyndham Worldwide Corp.

Dilution of Company shares

Incentive plan rules provide that issuance of new shares or re-issued treasury shares, when aggregated with all other share schemes, must not exceed 10% of issued share capital in any rolling 10-year period.

Policy on payment for loss of office

As per the DR Policy, Executive Directors have a notice period from the Group of 12 months. However, neither notice nor a payment in lieu of notice will be given in the event of gross misconduct. In the event of an Executive Director terminating employment, any compensation payable will be determined in accordance with the terms of their service contract and the rules of any relevant incentive plan. Where possible, the Group will seek to ensure that, if a leaver mitigates their losses, for example, by finding new employment, there will be a corresponding reduction in compensation payable for loss of office. An Executive Director may have an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or other relevant jurisdiction.

The following table sets out the basis on which payments for loss of office may be made:

Remuneration

component

Salary and contractual benefits, including pension

Circumstances and approach taken (including but not limited to):

Good leaver: Paid up to date of termination or in lieu of notice, if applicable.

Other leaver: Paid up to date of termination or in lieu of notice, if applicable.

APP award for year of termination

Death: Paid up to date of death.

Good leaver: Pro-rated award for year up to date of termination, or later date in exceptional circumstances subject to Committee discretion. No accelerated payment, other than in exceptional circumstances and where permitted under the plan rules subject to Committee discretion. Award made 50% cash and 50% in shares deferred for three years from grant, other than in exceptional circumstances and where permitted under the plan rules subject to Committee discretion.

Other leaver: No award for year of termination, other than in case of termination after end of performance period but before award date (in which case cash portion only of award will be paid); and in exceptional circumstances subject to Committee discretion.

Unvested APP deferred share awards

Death: Pro-rated award for year up to date of death, paid fully in cash and accelerated, other than in exceptional circumstances subject to Committee discretion.

Good leaver: Vest on usual vesting date, other than in exceptional circumstances subject to Committee discretion.

Other leaver: Forfeited, other than in exceptional circumstances subject to Committee discretion; and in the event of a termination in connection with a takeover or reconstitution (in which case unvested APP deferred share awards will have accelerated vesting on the date of termination, unless the Committee determines otherwise).

Unvested LTIP awards

Death: Accelerated vesting unless Committee decides otherwise.

Good leaver: Vest on usual vesting date to extent performance conditions met, other than in exceptional circumstances subject to Committee discretion. Number of shares vesting is pro-rated to date of termination, or other date subject to Committee discretion.

Other leaver: Forfeited, other than in exceptional circumstances subject to Committee discretion. No shares awarded or cash paid under any circumstances in the event of termination due to gross misconduct.

Death: Accelerated vesting: Committee has discretion to determine number of shares vesting, taking into account proportion of performance period elapsed and extent to which performance conditions are satisfied.

Good leaver status will be applied in accordance with the rules of incentive plans, where applicable, and may include retirement, ill-health, transfer of undertaking or redundancy. In the case of the LTIP rules, the Committee has discretion to apply good leaver status and, in doing so, will consider factors such as personal performance and conduct, overall Group performance and the specific circumstances of the Executive Director's departure including, but not restricted to, whether the Executive Director is leaving by mutual agreement. The Committee would only seek to exercise this and its other discretions under the APP and LTIP plan rules in exceptional circumstances and the application of any such discretion would be disclosed in full as required in the relevant announcement and Annual Report on Directors' Remuneration.

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DIRECTORS REMUNERATION REPORT CONTINUED

Directors Remuneration Policy continued

Use of discretion by the Remuneration Committee

1. Malus and clawback in incentive plans

The APP and LTIP rules allow the Committee discretion to reduce the level of unvested share awards if circumstances occur that, in the reasonable opinion of the Committee, justify a reduction in one or more awards granted to any one or more participants. The malus provisions relate to unvested awards only. The circumstances in which the Committee may consider it appropriate to exercise its discretion include the following:

misconduct that causes significant damage or potential damage to IHG's prospects, finances or brand reputation; and/or

actions that lead to material misstatement or restatement of accounts.

This may include, where appropriate, negligence on the part of Executive Directors.

A clawback provision applies to Executive Directors in respect of the APP cash awards and LTIP cycle awards from 2015/17 onwards. The provision applies for three years from the date of payment (for the APP cash award) and the date of vesting (for the LTIP award). Clawback may be operated in the event of gross misconduct on the part of the employee and/or material misstatement in Company or Group financial statements.

These features help ensure alignment between executive reward and shareholder returns.

2. Other uses of discretion

The Committee reserves certain discretions in relation to the outcomes for Executive Directors under the Group's incentive plans. These operate in two main respects:

enabling the Committee to ensure that outcomes under these plans are consistent with the underlying performance of the business and the experience of shareholders, at the same time as providing a high degree of clarity for shareholders as to remuneration structure and potential quantum; and

enabling the Committee to treat leavers in a way that is fair and equitable to individuals and shareholders under the incentive plans.

The discretions that can be applied in the case of leavers under the APP and LTIP are set out in the section Policy on payment for loss of office on page 79.

The discretions that can be applied in respect of the APP and LTIP in the event of a corporate transaction, such as a takeover or merger, include the ability to determine:

the period for which awards may be pro-rated;

whether awards are payable as cash or shares;

the vesting date for awards and whether or not they may be accelerated;

if a transaction occurs prior to the end of a performance period, the extent to which performance conditions have been met;

in the event that a transaction involves the exchange of IHG PLC shares for shares in another company, whether existing share awards may be replaced by an appropriate proportion of shares in a new company; and

any such action as it may think appropriate if other events happen which may have an effect on awards. Any exercises of discretion by the Committee will be fully disclosed and explained in the relevant year's Annual Report on Directors Remuneration.

Approach to recruitment remuneration

The remuneration of any new Executive Director will be determined in accordance with the Directors Remuneration Policy on pages 76 to 77 and the elements that would be considered by the Group for inclusion are:

salary and benefits, including defined contribution pension participation;

participation in the APP with 50% cash and 50% deferred share elements:

- pro-rated for the year of recruitment to reflect the proportion of the year remaining after the date of commencement of employment; and
- if commencement date is after 1 October in the year, no award would normally be made for that year; and

participation in the LTIP:

- pro-rated awards would be made in relation to LTIP cycles outstanding at the time of recruitment; but
- no pro-rated award would be made for an LTIP cycle that has less than nine months to run at the date of commencement of employment.

In addition, the Committee may, in its discretion, compensate a newly recruited Executive Director for incentives foregone from previous employment as a result of their resignation. The Committee would seek validation of the value of any potential incentives foregone. Awards made by way of compensation for incentives foregone would be made on a comparable basis, taking account of performance achieved (or likely to be achieved), the proportion of the performance period remaining and the form of the award. Compensation would, as far as possible, be in the form of LTIP or deferred share awards in order to immediately align a new Executive Director with IHG performance.

The maximum annual level of variable remuneration that may be granted to a newly-recruited Executive Director would be in line with that of the existing Executive Directors:

APP award: 200% of salary, of which 50% of any award will be paid in cash and 50% in the form of shares deferred for three years; and

LTIP award: 205% of salary for a full LTIP cycle commencing after appointment, plus pro-rated awards in relation to LTIP cycles outstanding at the time of recruitment (up to a further 205% of salary).

This excludes any remuneration that constitutes compensation for incentives foregone and any relocation and expatriate or international assignment costs.

Consideration of shareholder views

Shareholder interests are central to decisions on remuneration. Recruiting and retaining quality management is important to the generation of shareholder return. At the same time, IHG does not operate in a vacuum and remuneration decisions need to take account of the practices in the sector, the remuneration of IHG employees overall and of course business performance. We were pleased to see the substantial support for our 2015 Annual Report on Directors Remuneration, approved by a majority of 98.58%. As part of the review of incentive plans undertaken in 2015 and 2016, the Chairman of the Remuneration Committee met with a number of our largest shareholders, proxy voting agencies and industry bodies, such as the Investment Association, to discuss our remuneration policy design and its links to business strategy. The feedback from these meetings, while not always consistent, has helped us to refine the small number of changes proposed to DR Policy from 2017, specifically the new absolute measures in the LTIP and the related sharpening of Committee discretion designed to strengthen the focus on operational excellence.

Table of Contents**Consideration of employment conditions elsewhere in the Group**

The Committee takes into consideration the pay and conditions of employees throughout the Group when determining remuneration for its Executive Directors. In addition to the review of DR Policy during 2015 and 2016, the Committee reviewed the remuneration structure of other senior employees and agreed changes which were designed to ensure a clear and consistent approach to remuneration that is aligned to the business needs; consistent with the Group's reward philosophy, strategy and objectives; fair and attractive to colleagues; and rewards the behaviours and outcomes which will deliver shareholder value.

Employees' pay across the Group is compared to cross-industry standards to ensure fair pay for each job. The Group does not consult with employees as part of the process of determining the DR Policy. However, selected senior employees were consulted as part of the remuneration review referred to above; and questions on the performance of Executive Committee members, including the Executive Directors, are included in annual employee engagement surveys. While formal internal comparison measurements are not used in determining Executive Directors' remuneration, the Committee makes decisions in the knowledge of pay and incentive arrangements of the rest of the Group, upon which the Committee is briefed regularly.

Service contracts and notice periods for Executive Directors

The Committee's policy is for all Executive Directors to 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 notice period reducing to 12 months is used. This is in accordance with the UK Corporate Governance Code.

All Executive Directors' appointments and subsequent re-appointments are subject to election and annual re-election by shareholders at the AGM.

Details of current Executive Directors' contracts

Executive Director	Date of original appointment	Notice period
Richard Solomons	10 February 2003	12 months
Paul Edgecliffe-Johnson	1 January 2014	12 months
Non-executive directorships of other companies		

The Group 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 Group. 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 and 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.

Remuneration Policy for Non-Executive Directors

The policy for Non-Executive Directors, set out below, will apply for three years from the date of the 2017 AGM.

The policy for Non-Executive Directors is available to view at www.ihgplc.com/investors under Corporate governance in the Committees section.

If any changes are made to the Policy within that time frame, it will be presented to be voted upon by shareholders. Non-Executive Directors are not eligible to participate in the APP, LTIP nor any IHG pension plan.

Fees and benefits (cash)

Link to strategy

To attract Non-Executive Directors who have a broad range of skills and experience that add value to our business and help oversee and drive our strategy.

Operation

Recognises the value of the role and the individual's skill, performance and experience. Non-Executive Directors' fees and benefits are set by the Chairman of the Board and Executive Directors; the Chairman's fees are set by the Committee.

Fees are reviewed annually and fixed for 12 months from 1 January.

Consideration is given to business performance, current remuneration competitiveness and average salary increases for the wider IHG employee population.

Benefits include travel and accommodation in connection with attendance at Board and Committee meetings.

Non-Executive Directors are not eligible to participate in IHG incentive or pension plans.

A single fee is determined for each Non-Executive Director role rather than different elements being applied to directorship, Committee and chair roles.

Maximum opportunity

Fee increases will be in line with median FTSE 100 increases, taking into account the circumstances of the business and increases in remuneration across the Group, other than where there is a change in role or responsibility or another need arises to reassess the competitiveness of fee level that warrants either a lesser or a more significant increase. Any such change will be fully explained.

IHG pays the cost of providing benefits as required.

Performance framework

Non-Executive Directors are not eligible to participate in any performance-related incentive plans.

Details of letters of appointment and notice periods

for Non-Executive Directors

Non-Executive Directors have letters of appointment, which are available upon request from the Company Secretary's office.

Patrick Cescau, appointed Non-Executive Chairman on 1 January 2013, is subject to 12 months' notice. Other Non-Executive Directors are not subject to notice periods.

All Non-Executive Directors' appointments and subsequent re-appointments are subject to election and annual re-election by shareholders at the AGM.

Non-Executive	Committee appointments	Date of original appointment	Notice period
Director			
Patrick Cescau		1 January 2013	12 months
Anne Busquet		1 March 2015	n/a
Ian Dyson		1 September 2013	n/a
Jo Harlow		1 September 2014	n/a
Luke Mayhew		1 July 2011	n/a
Jill McDonald		1 June 2013	n/a
Dale Morrison		1 June 2011	n/a
Luke Mayhew			

Chairman of the Remuneration Committee

20 February 2017

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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 2016 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 2016 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 2016, 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 90.

For and on behalf of the Board

Richard Solomons
Chief Executive Officer
20 February 2017

Paul Edgecliffe-Johnson
Chief Financial Officer
20 February 2017

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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 2016, 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 2016, 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 2016 Consolidated Financial Statements of InterContinental Hotels Group PLC, and our report dated 20 February 2017 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

London, England

20 February 2017

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 2016 and 2015, 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 2016. 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 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December 2016, 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 2016, 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 20 February 2017 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

London, England

20 February 2017

Table of Contents**Group Financial Statements***Group income statement*

	Note	2016			2015			2014		
		Exceptional items	Exceptional items	Exceptional items	Exceptional items	Exceptional items	Exceptional items	Exceptional items	Exceptional items	
		Before exceptional items	(note 5)	Total	Before exceptional items	(note 5)	Total	Before exceptional items	(note 5)	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
For the year ended 31 December 2016										
Revenue	2	1,715		1,715	1,803		1,803	1,858		1,858
Cost of sales		(580)		(580)	(640)		(640)	(741)		(741)
Administrative expenses		(339)	(13)	(352)	(395)	(25)	(420)	(382)	(101)	(483)
Share of losses of associates and joint ventures	2	(2)		(2)	(3)		(3)	(4)		(4)
Other operating income and expenses		9		9	11	880	891	16	130	146
		803	(13)	790	776	855	1,631	747	29	776
Depreciation and amortisation	2	(96)		(96)	(96)		(96)	(96)		(96)
Impairment charges	2		(16)	(16)		(36)	(36)			
Operating profit	2	707	(29)	678	680	819	1,499	651	29	680
Financial income	6	6		6	5		5	3		3
Financial expenses	6	(93)		(93)	(92)		(92)	(83)		(83)
Profit before tax		620	(29)	591	593	819	1,412	571	29	600
Tax	7	(186)	12	(174)	(180)	(8)	(188)	(179)	(29)	(208)
Profit for the year from continuing operations		434	(17)	417	413	811	1,224	392		392
Attributable to:										
Equity holders of the parent		431	(17)	414	411	811	1,222	391		391
Non-controlling interest		3		3	2		2	1		1
		434	(17)	417	413	811	1,224	392		392

**Earnings per
ordinary share**

Continuing and total
operations:

Basic	195.3¢	520.0¢	158.3¢
Diluted	193.5¢	513.4¢	156.4¢

Notes on pages 98 to 145 form an integral
part of these Financial Statements.

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GROUP FINANCIAL STATEMENTS CONTINUED

Group statement of comprehensive income

	2016	2015	2014
	\$m	\$m	\$m
For the year ended 31 December 2016			
Profit for the year	417	1,224	392
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 (2015: \$nil, 2014: \$1m)	5	2	11
Exchange gains/(losses) on retranslation of foreign operations, net of related tax charge of \$3m (2015: charge of \$1m, 2014: credit of \$1m)	182	(2)	42
Fair value gain reclassified to profit on disposal of available-for-sale financial asset	(7)		
Exchange losses reclassified to profit on hotel disposal	180	2	53
Items that will not be reclassified to profit or loss:			
Re-measurement (losses)/gains on defined benefit plans, net of related tax credit of \$4m (2015: charge of \$4m, 2014: credit of \$7m)		9	(18)
Tax related to pension contributions		7	2
		16	(16)
Total other comprehensive income for the year	180	18	37
Total comprehensive income for the year	597	1,242	429
Attributable to:			
Equity holders of the parent	594	1,240	428
Non-controlling interest	3	2	1
	597	1,242	429

Notes on pages 98 to 145 form an integral part of these Financial Statements.

Table of Contents*Group statement of changes in equity*

	Capital			Unrealised gains and losses			Retained earnings	IHG share-holders equity	Non-controlling interests	Total equity
	Equity capital	Shares redemption held by employee share trusts	Other reserves	translation reserve	currency reserve					
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 January 2016	169	11	(18)	(2,888)	113	269	2,653	309	10	319
Profit for the year							414	414	3	417
Other comprehensive income										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets					5			5		5
Exchange gains on retranslation of foreign operations						182		182		182
Fair value gain reclassified to profit on disposal of available-for-sale financial asset					(7)			(7)		(7)
Total other comprehensive income for the year					(2)	182		180		180
Total comprehensive income for the year					(2)	182	414	594	3	597
Transfer of treasury shares to employee share trusts			(24)				24			
Purchase of own shares by employee share trusts			(10)					(10)		(10)
Release of own shares by employee share trusts			39				(39)			
Equity-settled share-based cost							23	23		23
Tax related to share schemes							11	11		11
Equity dividends paid							(1,693)	(1,693)	(5)	(1,698)

Transaction costs relating to shareholder returns								(1)	(1)	(1)
Exchange adjustments	(28)	(2)	2	28						
At 31 December 2016	141	9	(11)	(2,860)	111	451	1,392	(767)	8	(759)

All items above are shown net of tax.

Notes on pages 98 to 145 form an integral part of these Financial Statements.

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GROUP FINANCIAL STATEMENTS CONTINUED

Group statement of changes in equity continued

	Capital			Unrealised gains and Other reserves	currency translation reserves	Retained earnings	IHG share- holders' equity	Non- controlling interests	Total equity	
	Equity share capital	Shares held by employee share trusts	reserve							
	\$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 losses on retranslation of foreign operations						(2)		(2)		(2)
Exchange losses reclassified to profit on hotel disposal						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 for the year					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 98 to 145 form an integral part of these Financial Statements.

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	Equity share redemption		Shares held by Capital Employee share trusts	Unrealised gains and losses			Retained earnings	IHG share holders equity	Non-controlling interest	Total equity
	\$m	\$m	\$m	Other reserves	reserve	reserve	\$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 gains on retranslation of foreign operations						42		42		42
					11	42		53		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
							(16)	(16)		(16)
Total other comprehensive income for the year					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)			
Equity-settled share-based cost							28	28		28
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 98 to 145 form an integral part of these Financial Statements.

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GROUP FINANCIAL STATEMENTS CONTINUED

Group statement of financial position

		2016	2015
31 December 2016	Note	\$m	\$m
ASSETS			
Property, plant and equipment	12	419	428
Goodwill and other intangible assets	13	1,292	1,226
Investment in associates and joint ventures	14	111	136
Trade and other receivables	16	8	3
Other financial assets	15	248	284
Non-current tax receivable		23	37
Deferred tax assets	7	48	49
Total non-current assets		2,149	2,163
Inventories		3	3
Trade and other receivables	16	472	462
Current tax receivable		77	4
Other financial assets	15	20	
Cash and cash equivalents	17	206	1,137
Total current assets		778	1,606
Total assets	2	2,927	3,769
LIABILITIES			
Loans and other borrowings	20	(106)	(427)
Derivative financial instruments		(3)	(3)
Loyalty programme liability	32	(291)	(223)
Trade and other payables	18	(681)	(616)
Provisions	19	(3)	(15)
Current tax payable		(50)	(85)
Total current liabilities		(1,134)	(1,369)
Loans and other borrowings	20	(1,606)	(1,239)
Retirement benefit obligations	25	(96)	(129)
Loyalty programme liability	32	(394)	(426)
Trade and other payables	18	(200)	(152)
Provisions	19	(5)	
Deferred tax liabilities	7	(251)	(135)
Total non-current liabilities		(2,552)	(2,081)
Total liabilities	2	(3,686)	(3,450)
Net (liabilities)/assets		(759)	319
EQUITY			
Equity share capital	27	141	169

Capital redemption reserve	27	9	11
Shares held by employee share trusts	27	(11)	(18)
Other reserves	27	(2,860)	(2,888)
Unrealised gains and losses reserve	27	111	113
Currency translation reserve	27	451	269
Retained earnings		1,392	2,653
IHG shareholders equity		(767)	309
Non-controlling interest	27	8	10
Total equity		(759)	319
Signed on behalf of the Board			

Paul Edgecliffe-Johnson

20 February 2017

Notes on pages 98 to 145 form an integral part of these Financial Statements.

Table of Contents*Group statement of cash flows*

		2016	2015	2014
	Note	\$m	\$m	\$m
For the year ended 31 December 2016				
Profit for the year		417	1,224	392
Adjustments reconciling profit for the year to cash flow from operations	24	536	(414)	361
Cash flow from operations	24	953	810	753
Interest paid		(75)	(75)	(76)
Interest received		4	2	2
Tax paid on operating activities	7	(130)	(109)	(136)
Net cash from operating activities		752	628	543
Cash flow from investing activities				
Purchase of property, plant and equipment		(32)	(42)	(84)
Purchase of intangible assets		(175)	(157)	(162)
Investment in associates and joint ventures		(14)	(30)	(15)
Loan advances to associates and joint ventures		(2)	(25)	(3)
Investment in other financial assets		(13)	(28)	(5)
Acquisition of business, net of cash acquired	10		(438)	
Capitalised interest paid		(5)	(4)	(2)
Disposal of hotel assets, net of costs and cash disposed		(5)	1,277	345
Repayments related to intangible assets		3		
Loan repayments by associates and joint ventures			22	
Proceeds from associates and joint ventures		2	9	
Repayments of other financial assets		25	6	49
Tax paid on disposals	7		(1)	
Net cash from investing activities		(216)	589	123
Cash flow from financing activities				
Purchase of own shares				(110)
Purchase of own shares by employee share trusts		(10)	(47)	(68)
Dividends paid to shareholders	8	(1,693)	(188)	(942)
Dividend paid to non-controlling interest		(5)		(1)
Transaction costs relating to shareholder returns		(1)		(1)
Issue of long-term bonds		459	458	
Other new borrowings			400	
Long-term bonds repaid		(315)		
New borrowings repaid			(400)	
Increase/(decrease) in other borrowings		109	(355)	382
Proceeds from foreign exchange swaps			22	
Close-out of currency swaps				4

Net cash from financing activities		(1,456)	(110)	(736)
Net movement in cash and cash equivalents in the year		(920)	1,107	(70)
Cash and cash equivalents at beginning of the year	17	1,098	55	134
Exchange rate effects		(61)	(64)	(9)
Cash and cash equivalents at end of the year	17	117	1,098	55

Notes on pages 98 to 145 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 2016 were authorised for issue in accordance with a resolution of the Directors on 20 February 2017. InterContinental Hotels Group PLC (the Company) is incorporated and domiciled in Great Britain and registered in England and Wales.

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 2016, the Group has adopted amendments to existing standards arising from the Annual Improvements to IFRSs 2012–2014 cycle, Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation and Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations. The adoption of these amendments has had no impact on the Group's financial performance or position.

The Group also adopted Amendments to IAS 1 – Disclosure Initiative during the year, resulting in the presentation of the loyalty programme liability separately on the statement of financial position and the separate presentation of deferred revenue in note 18.

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 2016, the trust had assets with a fair value of \$161m (2015: \$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.

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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.

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 101 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 relating to goodwill 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.

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.

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ACCOUNTING POLICIES CONTINUED

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.

If there is objective evidence that an associate or joint venture is impaired, an impairment charge is recognised if the carrying amount of the investment exceeds its recoverable amount.

Upon loss of significant influence over an associate or joint control of a joint venture, any retained investment is measured at fair value with any difference to carrying value recognised in the income statement.

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.

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.

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.

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 arrangement 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.

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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.

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

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

Where deferred tax assets and liabilities arise in the same entity or group of entities and there would be a legal right to offset the assets and liabilities were they to reverse, the assets and liabilities are also offset on the Group statement of financial position. Similarly, if there is no legal right to offset assets against liabilities, the assets and liabilities are not offset.

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 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.

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.

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ACCOUNTING POLICIES CONTINUED

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.

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.

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 the financial performance of the Group and its regional operating segments. Exceptional items can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals and restructuring costs.

Table of Contents**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 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 in 2015, 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.

At 31 December 2016, the future redemption liability was \$685m (2015: \$649m). 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 \$9m.

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. Associates and joint ventures are tested for impairment when there is objective evidence that they might be impaired.

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 2016, the Group had goodwill of \$232m (2015: \$233m) and brands of \$193m (2015: \$193m), both of which are subject to annual impairment testing. Information on the impairment tests performed is included in note 13.

At 31 December 2016, the Group also had property, plant and equipment, other intangible assets and investments in associates and joint ventures with a net book value of \$419m, \$867m and \$111m (2015: \$428m, \$800m and \$136m) respectively. In 2016, an impairment charge of \$16m was recognised in relation to an associate investment as described in detail in note 14. In respect of those other 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 \$18m.

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 an 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.

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ACCOUNTING POLICIES CONTINUED

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 Financial Statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduces a new five-step approach to measuring and recognising revenue from contracts with customers and will be adopted by the Group with effect from 1 January 2018. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Management are continuing to assess the impact of IFRS 15 and have reached initial conclusions on all key implementation issues, with the exception of accounting for the Group's loyalty programme. Based on the work completed to date and excluding the loyalty programme, the key impacts are expected to be as follows:

1. System Fund reservation and marketing assessments

Under IFRS 15, an entity is a principal if it controls a service prior to transfer to the customer. As reservations and marketing expenses currently recognised in the System Fund primarily comprise payroll and marketing expenses under contracts entered into by the Group, management have determined that the Group controls these services. Assessment fees will therefore be shown as revenue with a corresponding matching expense, representing the obligation to spend funds for the benefit of the System. Whilst this will result in the reporting of significant additional revenue and costs, there will be no profit impact.

2. Employee cost reimbursements

Under IFRS 15, the provision of employees to managed hotels is not considered to be a service that is distinct from the general hotel management service. Reimbursements for the costs of IHG employees working in managed hotels will therefore be shown as revenue with an equal matching cost, with no profit impact.

Under current accounting policies, no revenue is recorded in the Group income statement for either of 1 or 2.

3. Initial franchise and re-licensing fees

Under current accounting, application and re-licensing fees are recognised as revenue when billed as the monies received are not refundable and IHG has no further obligations to satisfy. Under IFRS 15, there is a requirement to consider whether the payment of these fees transfers a distinct good or service to the customer that is separate from the promise to provide franchise services. As this is not the case, IFRS 15 requires initial franchise and re-licensing fees to be recognised over the life of the related contract. The spreading of these fees is expected to result in a reduction to

revenue and operating profit, and the recognition of deferred revenue on the balance sheet, reflecting the profile of increasing amounts received in recent years. In a period when application and re-licensing fees are constant from year to year, this accounting change would not be expected to have a material profit impact.

4. Amounts paid to hotel owners to secure management contracts and franchise agreements

Under current accounting, key money payments are capitalised as intangible assets and amortised over the life of the related contracts. Under IFRS 15, these payments are treated as consideration payable to a customer and therefore recognised as a deduction to revenue over the contract term. This change is not expected to have a material impact on reported results but will result in the reporting of higher operating margins and lower EBITDA.

5. Owned hotel disposals subject to a management contract

Under current accounting, when hotels are sold and the Group retains management of the hotel, the consideration recognised includes both the cash received and the fair value of the management contract which is capitalised as an intangible asset and subsequently amortised to the income statement. This accounting is governed by the exchange of assets criteria included in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. IFRS 15 specifically includes property sales in its scope and results in the sales consideration being recorded at the fair value of the encumbered hotel, which generally will be equivalent to the cash received. This change is expected to result in the de-recognition of historic intangible asset balances and a lower amortisation charge in the income statement.

6. Presentation and disclosure

The presentation and disclosure requirements of IFRS 15 represent a significant change from current practice and will increase the volume of disclosures required in the notes to the financial statements.

The Group plans to apply the full retrospective approach when transitioning to the new standard which will result in restated comparatives for 2017 and 2016 on the basis that IFRS 15 had always applied.

The Group is currently in the process of quantifying the financial impacts of the above adjustments which are expected to result in the reporting of significantly higher revenues (of at least \$1.6bn) and an immaterial reduction in operating profit. Resolution of loyalty programme accounting could result in the reporting of additional revenue but is not expected to have any further impact on operating profit.

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IFRS 9 Financial Instruments

IFRS 9, which will be adopted by the Group with effect from 1 January 2018, introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment and hedge accounting. Management have made good progress with their assessment of the impact of IFRS 9 and currently do not expect there to be a material financial impact on the financial statements.

The new rules for hedge accounting will be applied prospectively in line with the requirements of the standard.

IFRS 16 Leases

The Group plans to adopt IFRS 16 with effect 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. IFRS 16 will require the Group to recognise substantially all of its current operating lease commitments on the balance sheet and the financial impact of this, together with other implications of the standard, are currently being assessed.

Other

From 1 January 2017, the Group will apply Amendments to IAS 7 Disclosure Initiative which requires an entity to provide disclosures around the nature of changes in liabilities arising from financing activities. Application of these amendments is expected to result in additional disclosures in the notes to the Group Financial Statements but will not affect the reported performance or financial position of the Group.

From 1 January 2018, the Group will apply Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions. The amendments address the effects of vesting conditions on the measurement of cash-settled share-based payment transactions; the classification of a share-based payment transaction with net settlement features for withholding tax obligations and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Adoption of this amendment is not expected to have a material impact on the financial statements.

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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=£0.74 (2015: \$1=£0.65, 2014: \$1=£0.61). In the case of the euro, the translation rate is \$1= 0.90 (2015: \$1= 0.90, 2014: \$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=£0.81 (2015: \$1=£0.68, 2014: \$1=£0.64). In the case of the euro, the translation rate is \$1= 0.95 (2015: \$1= 0.92, 2014: \$1= 0.82).

2. Segmental information

The management of the Group's operations, excluding Central functions, is organised within four geographical regions:

The 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 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 2016	\$m	\$m	\$m	\$m	\$m	\$m
Revenue						
Franchised	685	102	16	3		806
Managed	172	125	184	114		595
Owned and leased	136		37			173
Central					141	141
	993	227	237	117	141	1,715
	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Segmental result						
Franchised	600	78	12	3		693
Managed	64	22	89	64		239
Owned and leased	24		2			26
Regional and central	(55)	(25)	(21)	(22)	(128)	(251)
Reportable segments operating profit	633	75	82	45	(128)	707
Exceptional items (note 5)	(29)					(29)
Operating profit	604	75	82	45	(128)	678
						Group
						\$m
Reportable segments operating profit						707
Exceptional items (note 5)						(29)
Operating profit						678
Net finance costs						(87)
Profit before tax						591
Tax						(174)
Profit for the year						417

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 2016						
Assets and liabilities						
Segment assets	1,417	321	249	147	439	2,573
Unallocated assets:						
Non-current tax receivable						23
Deferred tax assets						48
Current tax receivable						77
Cash and cash equivalents						206
Total assets						2,927
Segment liabilities	(438)	(128)	(68)	(39)	(997)	(1,670)
Unallocated liabilities:						
Current tax payable						(50)
Deferred tax liabilities						(251)
Derivative financial instruments						(3)
Loans and other borrowings						(1,712)
Total liabilities						(3,686)

	Americas	Europe	AMEA	Greater China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m
Year ended 31 December 2016						
Other segmental information						
Capital expenditure (see below)	67	15	7	1	148	238
Non-cash items:						
Depreciation and amortisation ^a	25	10	5	3	53	96
Share-based payments cost					17	17
Share of losses/(profits) of associates and joint ventures	7		(5)			2
Impairment charges	16					16

^a Included in the \$96m of depreciation and amortisation is \$54m relating to administrative expenses and \$42m 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	67	15	7	1	148	238

Timing differences and other adjustments	1		(1)	(1)	(7)	(8)
Additions per the Financial Statements	68	15	6		141	230
Comprising additions to:						
Property, plant and equipment	13		2		14	29
Intangible assets	36	15	2		127	180
Investment in associates and joint ventures	14					14
Other financial assets	5		2			7
	68	15	6		141	230

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

2. Segmental information continued

	Greater					
Year ended 31 December 2015	Americas	Europe	AMEA	China	Central	Group
	\$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	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 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 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.

	Greater					
31 December 2015	Americas	Europe	AMEA	China	Central	Group
	\$m	\$m	\$m	\$m	\$m	\$m

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)

Table of Contents**2. Segmental information continued**

	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
Year ended 31 December 2014						
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
				Greater		
	Americas	Europe	AMEA	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 items (note 5)	110	(56)			(25)	29
Operating profit	654	33	84	89	(180)	680
						Group
						\$m
Reportable segments operating profit						651
Exceptional 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.						

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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
Other segmental information						
Capital expenditure	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.

Geographical information	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
	\$m	\$m	\$m
Revenue			
United Kingdom	66	67	75
United States	923	876	786
People's Republic of China (including Hong Kong)	133	223	254
Rest of World	593	637	743
	1,715	1,803	1,858

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 2016	31 December 2015
\$m	\$m

Non-current assets

United Kingdom	105	126
United States	1,343	1,265
Rest of World	382	402
	1,830	1,793

For the purposes of the above table, non-current assets comprise property, plant and equipment, goodwill and other intangible assets, investments in associates and joint ventures and non-current 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**3. Staff costs and Directors' emoluments**

	2016	2015	2014
	\$m	\$m	\$m
Staff			
Costs:			
Wages and salaries	537	562	577
Social security costs	29	33	42
Pension and other post-retirement benefits:			
Defined benefit plans (note 25)	5	5	10
Defined contribution plans	23	28	28
	594	628	657
	2016	2015	2014
Average number of employees, including part-time employees:			
Americas	2,121	2,082	2,191
Europe	782	1,041	1,557
Asia, Middle East and Africa	1,598	1,658	1,451
Greater China	299	865	1,092
Central	1,787	1,665	1,506
	6,587	7,311	7,797

The costs of the above employees are borne by IHG. Of these, 89% were employed on a full-time basis and 11% 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 General Managers and, in the US predominantly, other hotel workers who work in the managed hotels and who have contracts or letters of service with IHG. The total number of these employees is 22,002 (2015: 20,452, 2014: 12,450) and their costs of \$1,002m (2015: \$936m, 2014: \$591m) are borne by those hotels.

	2016	2015	2014
	\$m	\$m	\$m
Directors' emoluments			
Base salaries, fees, performance payments and benefits ^a	6.1	7.9	9.0
Pension benefits under defined contribution plans			0.2

^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 64 to 81.

4. Auditor s remuneration paid to Ernst & Young LLP

	2016	2015	2014
	\$m	\$m	\$m
Audit of the Financial Statements	2.4	2.5	2.4
Audit of subsidiaries	2.2	2.1	2.0
Audit-related assurance services	0.2	0.2	0.2
Other assurance services	1.2	0.9	0.9
Tax compliance	0.4	0.2	0.2
Tax advisory	0.1	0.1	0.3
Other non-audit services not covered by the above	0.1	0.4	0.1
	6.6	6.4	6.1

Audit fees in respect of the pension scheme were not material.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

5. Exceptional items

	Note	2016 \$m	2015 \$m	2014 \$m
Exceptional items before tax				
Administrative expenses:				
Kimpton integration costs	a	(13)	(10)	
Venezuelan currency losses	b		(4)	(14)
Reorganisation costs	c		(6)	(29)
Corporate development costs	d		(5)	
Kimpton acquisition costs	e			(7)
Pension settlement cost	f			(6)
UK portfolio restructuring	g			(45)
		(13)	(25)	(101)
Other operating income and expenses:				
Gain on disposal of hotels (note 11)			871	130
Gain on disposal of investment in associate (note 14)			9	
			880	130
Impairment charges:				
Associates (note 14)		(16)	(9)	
Property, plant and equipment (note 12)			(27)	
		(16)	(36)	
		(29)	819	29
Tax				
Tax on exceptional items	h	12	(8)	(29)
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 102.

^a Relates to the cost of integrating Kimpton into the operations of the Group. The integration programme remains in progress and will be substantially completed in 2017.

^b Arose 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 arose 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. Subsequent changes to the exchange rate mechanism have not resulted in material losses.
- ^c Related 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.
 - ^d Primarily legal costs related to development opportunities.
 - ^e 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).
 - ^f Resulted from a partial cash-out of the UK unfunded pension arrangements. 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 In 2016, comprises a \$6m deferred tax credit in respect of the associate investment impairment, a \$5m deferred tax credit representing future tax relief on Kimpton integration costs and \$1m credit in respect of other items. In 2015, comprised 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.

Table of Contents**6. Finance costs**

	2016	2015	2014
	\$m	\$m	\$m
Financial income			
Interest income on deposits	3	2	2
Interest income on loans and receivables	3	3	1
	6	5	3
Financial expenses			
Interest expense on borrowings	74	74	66
Finance charge payable under finance leases	20	20	19
Capitalised interest	(1)	(2)	(2)
	93	92	83

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 \$3m (2015: \$2m, 2014: \$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 3.8% (2015: 3.4%, 2014: 4.4%).

7. Tax**Tax on profit**

	Note	2016	2015	2014
		\$m	\$m	\$m
Income tax				
UK corporation tax at 20.00% (2015: 20.25%, 2014: 21.50%):				
Current period		10	7	5
Benefit of tax reliefs on which no deferred tax previously recognised		(7)		
Adjustments in respect of prior periods		(1)	(17)	2
		2	(10)	7
Foreign tax:				
Current period		151	196	156
Benefit of tax reliefs on which no deferred tax previously recognised			(1)	(2)
Adjustments in respect of prior periods	a	(97)	(27)	(26)
		54	168	128
Total current tax		56	158	135

Deferred tax:

Origination and reversal of temporary differences		55	60	68
Changes in tax rates and tax laws	b	(2)	(21)	2
Adjustments to estimated recoverable deferred tax assets	c	(25)	(13)	1
Adjustments in respect of prior periods	a	90	4	2
Total deferred tax		118	30	73
Total income tax charge for the year	d	174	188	208
Further analysed as tax relating to:				
Profit before exceptional items		186	180	179
Exceptional items:				
Tax on exceptional items (note 5)		(12)	8	29
		174	188	208

All items above relate to continuing operations.

^a In 2016, includes \$83m in respect of a change in tax treatment being approved by the US tax authority.

^b In 2015, predominantly reflected the judgement that state tax law changes would now apply to the deferred gain from the 2014 disposal of InterContinental New York Barclay.

^c In 2015 and 2016, represents a reassessment of the recovery of recognised and off-balance sheet deferred tax assets in line with the Group's profit forecasts.

^d This includes \$156m (2015: \$116m, 2014: \$144m) in respect of US taxes.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

7. Tax continued

	2016	2015	Total^a	Before exceptional items^b		
	%	%	2014	2016	2015	2014
			%	%	%	%
Reconciliation of tax charge, including gain on disposal of assets						
UK corporation tax at standard rate	20.0	20.3	21.5	20.0	20.3	21.5
Tax credits	(2.4)	(0.2)	(0.3)	(2.2)	(0.4)	(0.3)
Differences in tax gains and accounting gains on asset disposals		(9.8)	3.2			
Other permanent differences	3.8	1.1	2.0	3.6	2.0	1.3
Non-recoverable withholding taxes	0.7	0.1	0.4	0.7	0.3	0.4
Net effect of different rates of tax in overseas businesses ^c	13.7	7.1	11.5	13.9	15.3	12.8
Effect of changes in tax rates and tax laws ^d	0.4	(1.5)	0.3	0.3	0.1	0.1
Benefit of tax reliefs on which no deferred tax previously recognised	(1.2)	(0.1)	(0.4)	(1.1)	(0.1)	(0.3)
Effect of adjustments to estimated recoverable deferred tax assets	(4.3)	(0.9)	0.2	(4.1)	(1.7)	(0.2)
Adjustment to tax charge in respect of prior periods	(1.3)	(2.8)	(3.7)	(1.1)	(5.4)	(3.9)
Other		0.1				
	29.4	13.4	34.7	30.0	30.4	31.4

^a Calculated in relation to total profits including exceptional items.

^b Calculated in relation to profits excluding exceptional items.

^c Before exceptional items includes 12.6%pt (2015: 13.5%pt, 2014: 12.2%pt) in connection with the US.

^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.

Tax paid

Total net tax paid during the year of \$130m (2015: \$110m, 2014: \$136m) comprises \$130m (2015: \$109m, 2014: \$136m) paid in respect of operating activities and \$nil (2015: \$1m, 2014: \$nil) paid in respect of investing activities.

A reconciliation of tax paid to the total tax charge in the income statement follows:

Note

	2016	2015	2014
	\$m	\$m	\$m
Current tax charge in the income statement	56	158	135
Current tax charge in the statement of comprehensive income	(12)	(2)	(3)
Current tax charge taken directly to equity	(8)	(8)	(9)
Total current tax charge	36	148	123
Movements to tax contingencies within the income statement	a 11	(7)	(18)
Timing differences of cash tax paid and foreign exchange differences	b 83	(31)	31
Tax paid per cash flow	130	110	136
Cash tax rate on total profits	c 22%	8%	23%

^a Tax contingency movements are included within the current tax charge but do not impact cash tax paid in the year.

^b The timing difference in 2016 is predominantly in respect of the US where the payment regulations have resulted in a large overpayment in the year.

^c Calculated as total cash paid divided by total accounting profit.

The cash tax rate of 8% for 2015 is low owing to the impact of exceptional accounting gains taxable on a deferred basis, without which the rate would have been 20% and thus broadly consistent with the cash tax rates for 2014 and 2016.

Material corporation tax liabilities did not arise in 2016 in the UK due to availability of brought forward tax losses. These losses arose principally due to employment matters, in particular additional shortfall contributions made to the UK pension plan in the years 2007 to 2013. Rules restricting UK loss usage have been announced, but are not yet enacted. These rules will likely increase the amount of UK cash tax paid in the near future, although this is not expected to be significant in the context of the Group's cash tax payable.

Current Tax

Within current tax payable is \$39m (2015: \$63m) in respect of uncertain tax positions and offset against current tax receivable there is \$5m (2015: \$nil) in respect of uncertain tax positions.

The calculation of the Group's total tax charge involves consideration of applicable tax laws and regulations in many jurisdictions throughout the world. From time to time, the Group is subject to tax audits and uncertainties in these jurisdictions. The issues involved can be complex and disputes may take a number of years to resolve.

Where the interpretation of local tax law is not clear, management relies on judgement and accounting estimates to ensure all uncertain tax positions are adequately provided for in the Group Financial Statements. This may involve consideration of some or all of the following factors:

strength of technical argument, impact of case law and clarity of legislation;

professional advice;

experience of interactions, and precedents set, with the particular taxing authority; and

agreements previously reached in other jurisdictions on comparable issues.

The largest single item within the balance does not exceed \$8m (2015: \$20m).

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Table of Contents**7. Tax continued****Deferred tax**

	Property, plant and equipment	Deferred gains on loan notes	Deferred gains on investments	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 2015	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
Income statement	22	(3)	(9)	19	(3)	(7)		99	118
Statement of comprehensive income					12			(1)	11
Statement of changes in equity								(3)	(3)
Exchange and other adjustments	(1)			4	(4)	(3)	(11)	6	(9)
At 31 December 2016	120	52	78	(44)	(27)	60	59	(95)	203

^a Primarily relates to provisions, accruals, amortisation and share-based payments.

Deferred gains on investments represent taxable gains which would crystallise upon a sale of a related joint venture, associate or other equity investment. Deferred gains on loan notes includes \$52m (2015: \$55m) which is expected to fall due for payment in 2025 (2015: 2025). The deferred tax asset recognised in respect of losses of \$44m (2015: \$67m) is wholly in respect of revenue losses. Deferred tax assets of \$nil (2015: \$nil) are recognised in relation to legal entities which suffered a tax loss in the current or preceding period. Within deferred tax liabilities is \$10m (2015: \$10m) in respect of uncertain tax positions and offset against deferred tax assets is \$2m (2015: \$nil) in respect of uncertain tax positions.

The closing balance is further analysed by key territory as follows:

Property, plant and equipment	Deferred gains on loan notes	Deferred gains on investments	Losses	Employee benefits	Intangible assets	Undistributed earnings of subsidiaries	Other short-term temporary differences	Total
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m

	\$m	\$m	\$m				\$m	\$m	
UK	(4)			(19)	(5)			(2)	(30)
US	125	52	78	(10)	(21)	44	59	(109)	218
Other	(1)			(15)	(1)	16		16	15
	120	52	78	(44)	(27)	60	59	(95)	203

The analysis of the deferred tax balance after considering the offset of assets and liabilities within entities where there is a legal right to do so is as follows:

		2016	2015
		\$m	\$m
Analysed as:			
Deferred tax assets		(48)	(49)
Deferred tax liabilities		251	135
		203	86

The Group does not recognise deferred tax assets if it cannot anticipate being able to offset them against future profits or gains. The total unrecognised deferred tax position is as follows:

			Unrecognised	
		Gross	deferred tax	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Revenue losses	518	257	94	47
Capital losses	475	561	83	114
Total losses	993	818	177	161
Employee benefits		23		5
Other ^a	27	153	5	28
Total	1,020	994	182	194

^aPrimarily relates to provisions, accruals, amortisation and share-based payments.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

7. Tax continued

There is no expiry date to any of the above unrecognised assets other than for the losses as shown in the table below:

	2016	Gross 2015	Unrecognised deferred tax	
			2016	2015
	\$m	\$m	\$m	\$m
Expiry date:				
2016		38		9
2020	3	4	1	1
2021	27	28	7	7
2022	11	12	3	3
2023	3	2	1	1
After 2023	125		25	

The Group has provided deferred tax of \$59m (2015: \$70m) in relation to temporary differences associated with post-acquisition undistributed earnings of subsidiaries 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. No deferred tax liability has been recognised in respect of a further \$90m (2015: \$70m) of undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future. The remaining unprovided liability that would arise on the reversal of these temporary differences is not expected to exceed \$15m (2015: \$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 page 44.

Factors that may affect the future tax charge

Many factors will affect the Group's future tax rate, the key ones being future legislative developments, future profitability of underlying subsidiaries and tax uncertainties.

There are many potential future changes to worldwide taxation systems as a result of the potential adoption by individual territories of recommendations of the OECD's Base Erosion and Profit Shifting project, and other similar initiatives being driven by governments and tax authorities. The Group continues to monitor activity in this area.

The new US administration has indicated wide-ranging reform of the taxation system including significant cuts in the US headline rate; the Group will assess the impact of this when solid proposals are announced by the relevant US authorities.

Rules restricting UK loss usage and interest deductibility have been announced, but are not yet enacted. These rules will likely increase the amount of UK cash tax paid in the near future, although this is not expected to be significant in the context of the Group's cash tax payable. The forthcoming reductions to the UK corporation tax rate (to 19%, effective 1 April 2017 and to 17%, effective 1 April 2020) are not expected to have a material effect on the Group.

8. Dividends

	2016	2015	2014	2016	2015	2014
	cents per	cents per	cents per	\$m	\$m	\$m
	share	share	share			
Paid during the year:						
Final (declared for previous year)	57.5	52.0	47.0	137	125	122
Interim	30.0	27.5	25.0	56	63	57
Special (note 27)	632.9		293.0	1,500		763
	720.4	79.5	365.0	1,693	188	942
Proposed (not recognised as a liability at 31 December):						
Final	64.0	57.5	52.0	126	135	122

The final dividend of 64.0¢ per ordinary share is proposed for approval at the Annual General Meeting (AGM) on 5 May 2017 and is payable on the shares in issue at 5 May 2017.

In February 2017, the Board proposed a \$400m return of funds to shareholders by way of a special dividend of 202.5¢ 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.

Information concerning non-GAAP measures can

be found in the Strategic Report on page 26.

Continuing and total operations	2016	2015	2014
Basic earnings per ordinary share			
Profit available for equity holders (\$m)	414	1,222	391
Basic weighted average number of ordinary shares (millions)	212	235	247
Basic earnings per ordinary share (cents)	195.3	520.0	158.3
Diluted earnings per ordinary share			
Profit available for equity holders (\$m)	414	1,222	391
Diluted weighted average number of ordinary shares (millions)	214	238	250
Diluted earnings per ordinary share (cents)	193.5	513.4	156.4
Adjusted earnings per ordinary share			
Profit available for equity holders (\$m)	414	1,222	391
Adjusting items (note 5):			
Exceptional items before tax (\$m)	29	(819)	(29)
Tax on exceptional items (\$m)	(12)	8	29
Adjusted earnings (\$m)	431	411	391
Basic weighted average number of ordinary shares (millions)	212	235	247
Adjusted earnings per ordinary share (cents)	203.3	174.9	158.3
Adjusted diluted earnings per ordinary share			
Adjusted earnings (\$m)	431	411	391
Diluted weighted average number of ordinary shares (millions)	214	238	250
Adjusted diluted earnings per ordinary share (cents)	201.4	172.7	156.4
	2016	2015	2014
	millions	millions	millions
Diluted weighted average number of ordinary shares is calculated as:			
Basic weighted average number of ordinary shares	212	235	247

Dilutive potential ordinary shares	2	3	3
	214	238	250

10. Acquisition of business

On 16 January 2015, the Group acquired a 100% interest in Kimpton Hotel & Restaurant Group, LLC (Kimpton), an unlisted company based in the US, for cash consideration of \$438m, net of \$3m cash acquired. The fair value of the net assets acquired was \$441m, including goodwill of \$167m, brands of \$193m and management contracts of \$71m. No subsequent adjustments were made to the initial acquisition date fair values of the net assets acquired.

11. Assets sold and held for sale

Assets sold

The Group did not dispose of any hotels during 2016 but incurred \$5m of costs relating to prior year disposals.

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. Total consideration received in respect of these disposals amounted to \$1,276m, net of costs paid and cash and cash equivalents disposed, and total gains of \$871m were recognised during the year ended 31 December 2015.

During the year ended 31 December 2014, the Group sold InterContinental Mark Hopkins on 27 March 2014 and disposed of 80.1% of its interest in InterContinental New York Barclay on 31 March 2014. Both transactions took place in The Americas region. Total consideration received amounted to \$345m, net of costs paid. Total gains on disposal of \$130m were recognised during the year ended 31 December 2014. The Group's 19.9% retained interest in InterContinental New York Barclay is accounted for as an associate as described in note 14.

Assets held for sale

There were no assets held for sale at either 31 December 2016 or 31 December 2015.

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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 2015	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
Additions	2	27	29
Capitalised interest	1		1
Fully depreciated assets written off		(162)	(162)
Disposals		(3)	(3)
Exchange and other adjustments	(2)	(9)	(11)
At 31 December 2016	378	429	807
Depreciation and impairment			
At 1 January 2015	(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)
Provided	(5)	(25)	(30)
System Fund expense		(5)	(5)
Fully depreciated assets written off		162	162
Disposals		2	2
Exchange and other adjustments	1	7	8
At 31 December 2016	(78)	(310)	(388)
Net book value			
At 31 December 2016	300	119	419
At 31 December 2015	303	125	428

At 1 January 2015 578 163 741

The Group's property, plant and equipment mainly comprises hotels, but also offices and computer hardware, throughout the world. 44% (2015: 43%) of the net book value relates to the largest owned and leased hotel, of a total of eight open hotels (2015: eight hotels, seven of which were open). At 31 December 2016, there were no hotels under construction (2015: one hotel with a net book value of \$53m).

The carrying value of property, plant and equipment held under finance leases at 31 December 2016 was \$182m (2015: \$184m).

25% (2015: 22%) of hotel properties by net book value were directly owned, with 58% (2015: 59%) held under leases having a term of 50 years or longer. Due to localised adverse market conditions, an impairment charge of \$27m was recognised during 2015 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.

The table below analyses the net book value of the Group's property, plant and equipment by operating segment at 31 December 2016:

	Americas	Europe	AMEA	Greater China	Central	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Land and buildings	287				13	300
Fixtures, fittings and equipment	45		11		63	119
	332		11		76	419

Table of Contents**13. Goodwill and other intangible assets**

	Goodwill	Brands	Software	Management contracts	Other intangibles	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Cost						
At 1 January 2015	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 of 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
Additions			127		53	180
Capitalised interest			4			4
Disposals			(45)		(7)	(52)
Exchange and other adjustments	(1)		(1)	(21)	(13)	(36)
At 31 December 2016	370	193	583	444	296	1,886
Amortisation and impairment						
At 1 January 2015	(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)
Provided			(41)	(11)	(14)	(66)
System Fund expense			(26)			(26)
Disposals			45		3	48
Exchange and other adjustments			1	9	4	14
At 31 December 2016	(138)		(223)	(141)	(92)	(594)
Net book value						
At 31 December 2016	232	193	360	303	204	1,292
At 31 December 2015	233	193	296	326	178	1,226
At 1 January 2015	74		264	176	129	643
Goodwill and brands						

During 2015, 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	2016 Brands	Goodwill	2015 Brands
	\$m	\$m	\$m	\$m
CGU				
Americas Managed	63	193	63	193
Americas Franchised	37		37	
Europe Managed	21		21	
Europe Franchised	10		10	
AMEA Managed and Franchised	101		102	
	232	193	233	193

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

13. Goodwill and other intangible assets continued

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	
	2016	2015	2016	2015
	%	%	%	%
Americas Managed	2.0	2.5	9.8	10.2
Americas Franchised	2.0	2.5	8.8	9.2
Europe Managed	2.0	2.5	9.3	9.9
Europe Franchised	2.0	2.5	8.4	8.9
AMEA Managed and Franchised	3.5	3.5	13.0	12.5

Impairment was not required at either 31 December 2016 or 31 December 2015.

At 31 December 2016, the Americas Managed and Europe Managed CGUs had recoverable amounts that exceeded their carrying amounts by \$81m and \$48m respectively; this headroom would be eroded if the discount rate assumptions were increased to 10.8% and 11.7% respectively. In respect of the other CGUs, the headroom is of a magnitude that reasonably possible changes to key assumptions would not result in the recoverable amounts falling below their carrying amounts.

Software

Software includes \$151m 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 in 2015, additions to management contracts relate to contract values recognised as part of the proceeds for hotels sold.

At 31 December 2016, the net book value and remaining amortisation period of the principal management contracts were as follows:

Hotel	2016		2015	
	Net book value	Remaining amortisation period	Net book value	Remaining amortisation period
	\$m	Years	\$m	Years
InterContinental Hong Kong	62	36	64	37
InterContinental New York Barclay	38	47	39	48
InterContinental London Park Lane	29	46	36	47
InterContinental Paris Le Grand	31	48	32	49

The weighted average remaining amortisation period for all management contracts is 31 years (2015: 32 years).

Table of Contents**14. Investment in associates and joint ventures**

	Associates	Joint ventures	Total
	\$m	\$m	\$m
Cost			
At 1 January 2015	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
Additions	14		14
Share of (losses)/profits	(3)	1	(2)
Capital return		(2)	(2)
Transfer to financial assets	(14)		(14)
Dividends	(5)		(5)
At 31 December 2016	113	26	139
Impairment			
At 1 January 2015	(3)		(3)
Charge for the year	(9)		(9)
At 31 December 2015	(12)		(12)
Charge for the year	(16)		(16)
At 31 December 2016	(28)		(28)
Net book value			
At 31 December 2016	85	26	111
At 31 December 2015	109	27	136
At 1 January 2015	89	27	116

All associates and joint ventures are accounted for using the equity method.

During the year, an investment for which the Group has a 30% interest was transferred to other financial assets following loss of significant influence over the operating and financial policy decisions of the entity.

The impairment charge of \$16m in 2016 relates to the Barclay associate (see following page) and results from the currently depressed trading outlook for the New York hotel market and the high costs of renovating the hotel. The recoverable amount of the investment has been measured at its fair value less costs of disposal, based on the Group's share of the market value of the hotel less debt in the associate. The hotel was appraised by a professional external valuer using an income capitalisation approach which is a discounted cash flow technique that measures the present value of projected income flows (over a 10-year period) and the reversion of the property sale. Within the fair value

hierarchy, this is categorised as a Level 3 fair value measurement. In addition to the projected income flows, the key assumptions used were a discount rate of 7.3% and a terminal capitalisation rate of 6.0%.

Due to localised adverse market conditions, an impairment charge of \$9m was recognised during 2015 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%.

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.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

14. Investment in associates and joint ventures continued**Barclay associate**

The Group held one material associate investment at 31 December 2016, 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 hotel reopened for trading in April 2016 following a major renovation. The investment is classified as an associate and equity accounted as the Group has the ability to exercise significant influence through certain decision rights and its involvement in the hotel renovation and financing of the entity.

Summarised financial information in respect of the Barclay associate is set out below:

	31 December 2016	31 December 2015
	\$m	\$m
Non-current assets	552	480
Net current liabilities	(264)	(7)
Non-current liabilities	(39)	(226)
Net assets	249	247
Group share of reported net assets at 19.9%	50	49
Adjustments to reflect capitalised costs, and additional rights and obligations under the shareholder agreement	(7)	10
Carrying amount	43	59
	12 months to 31 December 2016	12 months to 31 December 2015
	\$m	\$m
Revenue	45	
Loss for the period	(34)	(21)
Group's share of loss for the period	(8)	(4)
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		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Share of profits/(losses)									
Operating profits/(losses) before exceptional items	5	3	1	1	(1)		6	2	1

Table of Contents**15. Other financial assets**

	2016	2015
	\$m	\$m
Equity securities available-for-sale		
Quoted equity shares	14	14
Unquoted equity shares	142	136
	156	150
Loans and receivables		
Trade deposits and loans	43	54
Restricted funds	31	34
Bank accounts pledged as security	38	46
	112	134
Total other financial assets	268	284
Analysed as:		
Current	20	
Non-current	248	284
	268	284

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 \$121m (2015: \$102m), Hong Kong dollars \$24m (2015: \$28m) and other currencies \$11m (2015: \$20m). Unlisted equity shares are mainly investments in entities that own hotels which the Group manages. Dividend income from available-for-sale equity securities of \$7m (2015: \$9m) is reported as other operating income and expenses in the Group income statement.

Trade deposits and loans include deposits of \$46m made to a hotel owner in connection with a portfolio of management contracts. The deposits are non-interest-bearing and repayable at the end of the management contract terms, and are therefore held at a discounted value of \$19m (2015: \$14m); the discount unwinds to the income statement within financial income over the period to repayment.

Restricted funds comprise cash ring-fenced to satisfy insurance claims.

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:

2016	2015
\$m	\$m

At 1 January	(28)	(28)
Disposals	6	
At 31 December	(22)	(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.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

16. Trade and other receivables

	2016	2015
	\$m	\$m
Current		
Trade receivables	368	354
Other receivables	25	28
Prepayments	77	74
Loans to and receivables from associates	2	6
	472	462
Non-current		
Loans to associates	8	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:

	2016	2015
	\$m	\$m
Americas	256	233
Europe	43	54
Asia, Middle East and Africa	61	66
Greater China	43	38
	403	391

The ageing of trade and other receivables, excluding prepayments, at the end of the reporting period is:

	2016			2015		
	Gross Provision		Net	Gross Provision		Net
	\$m	\$m	\$m	\$m	\$m	\$m
Not past due	289	(1)	288	280	(1)	279
Past due 1 to 30 days	58	(3)	55	64	(3)	61
Past due 31 to 180 days	64	(7)	57	52	(5)	47

Past due more than 180 days	61	(58)	3	51	(47)	4
	472	(69)	403	447	(56)	391

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:

	2016	2015	2014
	\$m	\$m	\$m
At 1 January	(56)	(47)	(43)
Provided	(25)	(28)	(22)
Amounts written back	5	12	9
Amounts written off	5	7	9
Exchange adjustments	2		
At 31 December	(69)	(56)	(47)

Table of Contents**17. Cash and cash equivalents**

	2016	2015
	\$m	\$m
Cash at bank and in hand	131	145
Short-term deposits	75	703
Repurchase agreements		289
	206	1,137

Cash at bank and in hand includes bank balances of \$91m (2015: \$41m) which are matched by bank overdrafts of \$89m (2015: \$39m) 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:

	2016	2015
	\$m	\$m
Cash at bank and in hand	131	145
Short-term deposits	75	703
Repurchase agreements		289
	206	1,137
Bank overdrafts (note 20)	(89)	(39)
	117	1,098

Short-term deposits and repurchase agreements are highly liquid investments with an original maturity of three months or less.

18. Trade and other payables

	2016	2015
	\$m	\$m
Current		
Trade payables	94	87
Other tax and social security payable	38	45
Deferred revenue	37	39
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Other payables	206	138
Accruals	306	307
	681	616
Non-current		
Deferred revenue	78	7
Other payables	122	145
	200	152

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19. Provisions

	Kimpton Security Incident	Litigation	Total
	\$m	\$m	\$m
At 1 January 2015		10	10
Provided		5	5
At 31 December 2015		15	15
Provided	5		5
Utilised		(12)	(12)
At 31 December 2016	5	3	8
		2016	2015
		\$m	\$m
Analysed as:			
Current		3	15
Non-current		5	
		8	15

See note 30 for a description of and further information

on the Kimpton Security Incident provision.

The amount provided in the year in respect of the Kimpton Security Incident has been recognised within Central costs in the Group income statement.

Litigation largely relates to actions brought against the Group in The Americas region. In relation to the \$12m settled during the year, an insurance recovery of \$8m was also recorded by the System Fund.

20. Loans and other borrowings

	Current	Non-current	2016 Total	Current	Non-current	2015 Total
	\$m	\$m	\$m	\$m	\$m	\$m
Bank overdrafts	89		89	39		39
Unsecured bank loans		107	107			

Finance lease obligations	17	210	227	17	207	224
£250m 6% bonds 2016				371		371
£400m 3.875% bonds 2022		489	489		588	588
£300m 3.75% bonds 2025		370	370		444	444
£350m 2.125% bonds 2026		430	430			
Total borrowings	106	1,606	1,712	427	1,239	1,666
Denominated in the following currencies:						
Sterling		1,289	1,289	373	1,032	1,405
US dollars	101	317	418	46	207	253
Euros	2		2	4		4
Other	3		3	4		4
	106	1,606	1,712	427	1,239	1,666

Bank overdrafts

Bank overdrafts are matched by equivalent amounts of cash and cash equivalents under the Group's cash pooling arrangements (see note 17 for further details).

Unsecured bank loans

Unsecured bank loans are borrowings under the Group's Syndicated and Bilateral facilities. Amounts are classified as non-current when the facilities have more than 12 months to expiry.

The Syndicated Facility comprises a \$1,275m five-year revolving credit facility maturing in March 2021, with a one-year extension option exercisable in 2017.

The Bilateral Facility comprises a \$75m revolving credit facility maturing in March 2021, with a one-year extension option exercisable in 2017. The Bilateral Facility contains the same terms and covenants as the Syndicated Facility.

A variable rate of interest is payable on amounts drawn under both facilities, which was 1.37% at 31 December 2016.

Table of Contents**20. Loans and other borrowings continued****Finance lease obligations**

Finance lease obligations, which relate primarily to the 99-year lease (of which 89 years remain) on the InterContinental Boston hotel, are payable as follows:

	2016		2015
	Minimum	Present	Minimum
	lease	value of	lease
	payments	payments	payments
	\$m	\$m	\$m
Less than one year	17	17	17
Between one and five years	64	48	65
More than five years	3,252	162	3,268
	3,333	227	3,350
Less: amount representing finance charges	(3,106)		(3,126)
	227	227	224

The Group has the option to extend the term of the InterContinental Boston lease for two additional 20-year terms. Payments under the lease step up at regular intervals over the lease term. Interest is payable on the obligation at a fixed rate of 9.7%.

£250m 6% bonds 2016

The 6% fixed interest sterling bonds were issued on 9 December 2009 and were repaid in full on 9 December 2016.

£400m 3.875% bonds 2022

The 3.875% fixed interest sterling bonds were issued on 28 November 2012 and are repayable in full on 28 November 2022. Interest is payable annually on 28 November. The bonds were initially priced at 98.787% of face value and are unsecured.

£300m 3.75% bonds 2025

The 3.75% fixed interest sterling bonds were issued on 14 August 2015 and are repayable in full on 14 August 2025. Interest is payable annually on 14 August. The bonds were initially priced at 99.014% of face value and are unsecured.

£350m 2.125% bonds 2026

The 2.125% fixed interest sterling bonds were issued on 24 August 2016 and are repayable in full on 24 August 2026. Interest is payable annually on 24 August. The bonds were initially priced at 99.45% of face value and are unsecured.

Facilities provided by banks

	Utilised		Unutilised	2016		2015	
	\$m	\$m	\$m	Total	Utilised	Unutilised	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Committed	110	1,240	1,350			1,350	1,350
Uncommitted		70	70			64	64
	110	1,310	1,420			1,414	1,414
						2016	2015
						\$m	\$m
Unutilised facilities expire:							
Within one year						70	64
After two but before five years						1,240	1,350
						1,310	1,414

Utilised facilities are calculated based on actual drawings and may not agree to the carrying value of loans held at amortised cost.

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21. Net debt

	2016	2015
	\$m	\$m
Cash and cash equivalents	206	1,137
Loans and other borrowings	(106)	(427)
current		
non-current	(1,606)	(1,239)
Net debt	(1,506)	(529)
Movement in net debt		
Net (decrease)/increase in cash and cash equivalents, net of overdrafts	(920)	1,107
Add back cash flows in respect of other components of net debt:		
Issue of long-term bonds	(459)	(458)
Other new borrowings		(400)
Long-term bonds repaid	315	
New borrowings repaid		400
(Increase)/decrease in other borrowings	(109)	355
(Increase)/decrease in net debt arising from cash flows	(1,173)	1,004
Non-cash movements:		
Finance lease obligations	(4)	(6)
Increase in accrued interest	(6)	(7)
Exchange and other adjustments	206	13
(Increase)/decrease in net debt	(977)	1,004
Net debt at beginning of the year	(529)	(1,533)
Net debt at end of the year	(1,506)	(529)

Information concerning non-GAAP measures can

be found in the Strategic Report on page 26.

22. Financial risk management**Overview**

The Group is exposed to financial risks that arise in relation to underlying business activities. These risks include: foreign exchange risk, liquidity risk, interest rate risk, credit risk and capital risk. There are Board approved policies in place to manage these risks. Treasury activities to manage these risks may include money market investments, repurchase agreements, spot and forward foreign exchange instruments, currency swaps, interest rate swaps and forward rate agreements.

Foreign exchange risk

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. The most significant exposures of the Group are in currencies that are freely convertible. The Group's reported debt has an exposure to borrowings held in pounds sterling.

Foreign exchange hedging

From time to time, the Group hedges a portion of forecast foreign currency income by taking out forward exchange contracts. The designated risk is the spot foreign exchange risk. There were no such contracts in place at either 31 December 2016 or 31 December 2015.

The Group also uses short-dated foreign exchange swaps to manage sterling surplus cash and reduce US dollar borrowings whilst maintaining operational flexibility. At 31 December 2016, the Group held short-dated foreign exchange swaps with principals of \$120m (2015: \$481m).

The fair value of these derivative financial instruments at 31 December 2016 was a \$3m liability (2015: \$3m liability).

Hedge of net investment in foreign operations

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. However US dollars are only borrowed to the extent that hedge accounting can be achieved.

The Group designates certain foreign currency bank borrowings and currency derivatives as net investment hedges of foreign operations. The designated risk is the spot foreign exchange risk for loans and short-dated derivatives. The interest on these financial instruments is taken through financial income or expense.

The maximum amount of foreign exchange derivatives held during the year as net investment hedges and measured at calendar quarter ends were short-dated foreign exchange swaps with principals of nil (2015: 285m) and \$325m (2015: \$315m).

Hedge effectiveness is measured at calendar quarter ends. No ineffectiveness arose in respect of the Group's net investment hedges during the current or prior year.

Table of Contents**22. Financial risk management continued****Interest rate risk**

The Group is exposed to interest rate risk in relation to its fixed and floating rate borrowings. The Group's policy requires a minimum of 50% fixed rate debt over the next 12 months. With the exception of overdrafts, 93% of borrowings were fixed rate debt at 31 December 2016 (2015: 100%).

Interest rate hedging

If required, the Group uses interest rate swaps to manage the exposure. The Group designates interest rate swaps as cash flow hedges. No interest rate swaps were used during 2016, 2015 or 2014.

Interest and foreign exchange 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.

		2016	2015	2014
		\$m	\$m	\$m
Increase/(decrease) in profit before tax				
Sterling: US dollar exchange rate	5¢ fall	5.2	4.8	4.5
Euro: US dollar exchange rate	5¢ fall	(2.2)	(1.9)	(2.2)
US dollar interest rates	1% increase	(1.8)	(0.9)	(6.7)
Euro interest rates	1% increase			(0.9)
Sterling interest rates	1% increase	1.3	7.9	0.7
Increase/(decrease) in net assets				
Sterling: US dollar exchange rate	5¢ fall	47.2	23.7	29.1
Euro: US dollar exchange rate	5¢ fall	(5.5)	(7.6)	(10.9)

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.

Liquidity risk

The Group policy ensures sufficient liquidity is maintained to meet all foreseeable medium-term cash requirements and provide headroom against unforeseen obligations.

Cash and cash equivalents is held in short-term deposits and cash funds which allow daily withdrawals of cash. Most of the Group's funds are held in the UK or US, although \$3m (2015: \$1m) is held in countries where repatriation is

restricted as a result of foreign exchange regulations.

Medium and long-term borrowing requirements are met through committed bank facilities and bonds as detailed in note 20. Short-term borrowing requirements may be met from drawings under uncommitted overdrafts and facilities.

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 and expects to continue to have significant headroom for the foreseeable future.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

22. Financial risk management continued

The following are the undiscounted contractual cash flows of financial liabilities, including interest payments:

	Less than 1 year \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	More than 5 years \$m	Total \$m
31 December 2016					
Non-derivative financial liabilities:					
Bank overdrafts	89				89
Unsecured bank loans	110				110
£400m 3.875% bonds 2022	19	19	57	510	605
£300m 3.75% bonds 2025	14	14	42	419	489
£350m 2.125% bonds 2026	9	9	28	473	519
Finance lease obligations	17	16	48	3,252	3,333
Trade and other payables, excluding deferred revenue	644	173	210	192	1,219
Provisions	3	5			8
Derivative financial liabilities:					
Forward foreign exchange contracts	3				3
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
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

Trade and other payables above 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.

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.

In order to manage the Group's credit risk exposure, the treasury function sets counterparty exposure limits using metrics including credit ratings, the relative pricing of credit default swap pricings, Tier 1 capital and share price volatility of the relevant counterparty.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In respect of credit risk arising from financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The carrying amount of financial assets represents the maximum exposure to credit risk.

		2016	2015
	Note	\$m	\$m
Cash and cash equivalents	17	206	1,137
Equity securities available-for-sale	15	156	150
Loans and receivables:			
Other financial assets	15	112	134
Trade and other receivables, excluding prepayments	16	403	391
		877	1,812

Table of Contents**22. Financial risk management continued****Capital risk management**

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure consists of net debt, issued share capital and reserves totalling \$739m at 31 December 2016 (2015: \$838m). The structure is managed to maintain an investment grade credit rating, to provide ongoing returns to shareholders and to service debt obligations, whilst maintaining maximum operational flexibility. A key characteristic of IHG's managed and franchised business model is that it is highly cash generative, with a high return on capital employed. Surplus cash is either reinvested in the business, used to repay debt or returned to shareholders. The Group's debt is monitored on the basis of a cash flow leverage ratio, being net debt divided by EBITDA, with the objective of maintaining an investment grade credit rating.

23. Fair value measurement**Fair values**

The following table compares carrying amounts and fair values of the Group's financial assets and liabilities:

		2016		2015
		Carrying	Fair	Carrying
		value	value	value
	Note	\$m	\$m	\$m
Financial assets				
Cash and cash equivalents	17	206	206	1,137
Equity securities available-for-sale ^a	15	156	156	150
Loans and receivables:				
Other financial assets	15	112	112	134
Trade and other financial receivables, excluding prepayments	16	403	403	391
		877	877	1,812
Financial liabilities				
£250m 6% bonds 2016	20			(371)
£400m 3.875% bonds 2022	20	(489)	(541)	(588)
£300m 3.75% bonds 2025	20	(370)	(408)	(444)
£350m 2.125% bonds 2026	20	(430)	(411)	
Finance lease obligations	20	(227)	(297)	(224)
Unsecured bank loans	20	(107)	(107)	
Bank overdrafts	20	(89)	(89)	(39)
Loyalty programme liability	32	(685)	(685)	(649)

Trade and other payables	18	(881)	(881)	(768)	(768)
Derivatives ^a		(3)	(3)	(3)	(3)
Provisions	19	(8)	(8)	(15)	(15)
		(3,289)	(3,430)	(3,101)	(3,216)

^a Financial assets and liabilities which are measured at fair value.

There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis, or for which fair value is disclosed, other than as described in note 14.

The fair value of cash and cash equivalents and bank overdrafts approximates book value due to the short maturity of the investments and deposits, and the fair value of other financial assets approximates book value based on prevailing market rates. The fair value of the unsecured bank loans approximates book value as interest rates reset to market rates on a frequent basis. The fair value of trade and other receivables, trade and other payables, the future redemption liability of the Group's loyalty programme and current provisions approximates to their carrying value.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

23. Fair value measurement continued**Fair value hierarchy**

The following table provides the fair value measurement hierarchy of the above assets and liabilities, other than those with carrying amounts which are reasonable approximations of their fair values:

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 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.

	Level 1	Level 2	Level 3	2016 Total	Level 1	Level 2	Level 3	2015 Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets								
Equity securities available-for-sale:								
Quoted equity shares	14			14	14			14
Unquoted equity shares			142	142			136	136
Liabilities								
£250m 6% bonds 2016					(386)			(386)
£400m 3.875% bonds 2022	(541)			(541)	(608)			(608)
£300m 3.75% bonds 2025	(408)			(408)	(443)			(443)
£350m 2.125% bonds 2026	(411)			(411)				
Finance lease obligations		(297)		(297)		(305)		(305)
Derivatives		(3)		(3)		(3)		(3)

There were no transfers between Level 1 and Level 2 fair value measurements during the year and no transfers into and out of Level 3.

The fair value of quoted equity shares and the bonds is based on their quoted market price.

Derivatives are fair valued using discounted future cash flows, taking into consideration exchange rates prevailing on the last day of the reporting period and interest rates from observable swap curves.

Finance lease obligations relate primarily to the lease of InterContinental Boston, which is fair valued by discounting the future cash flows payable under the loan, which are fixed, at a risk adjusted long-term interest rate. The interest rate used to discount the cash flows at 31 December 2016 was 7.2% (2015: 7.0%).

Unquoted equity shares are fair valued using the International Private Equity and Venture Capital Valuation Guidelines either by applying an average price-earnings (P/E) ratio for a competitor group to the earnings generated by the investment or by reference to share of net assets if the investment is currently loss-making or a recent property valuation is available. The average P/E ratio for the year was 24.5 (2015: 21.9) and a non-marketability factor of 30% (2015: 30%) is applied. A 10% increase in the average P/E ratio would result in a \$2m increase (2015: \$3m) in the fair value of the investments and a 10% decrease in the average P/E ratio would result in a \$2m decrease (2015: \$3m) in the fair value of the investments. A 10% increase in net assets would result in a \$7m increase (2015: \$8m) in the fair value of the investments and a 10% decrease in net assets would result in a \$7m decrease (2015: \$8m) in the fair value of the investments.

The following table reconciles the movements in the fair values of investments classified as Level 3 during the year:

	2016	2015
	\$m	\$m
At 1 January	136	128
Additions	2	5
Disposals	(15)	
Reclassification of associate (note 14)	14	
Valuation gains recognised in other comprehensive income	5	4
Exchange and other adjustments		(1)
At 31 December	142	136

Table of Contents**24. Reconciliation of profit for the year to cash flow from operations**

		2016	2015	2014
For the year ended 31 December 2016	Note	\$m	\$m	\$m
Profit for the year		417	1,224	392
Adjustments for:				
Net financial expenses		87	87	80
Income tax charge	7	174	188	208
Depreciation and amortisation		96	96	96
Impairment	5	16	36	
Other exceptional items	5	13	(855)	(29)
Equity-settled share-based cost	26	17	19	21
Dividends from associates and joint ventures	14	5	5	2
(Increase)/decrease in trade and other receivables		(24)	3	(18)
Net change in loyalty programme liability and System Fund surplus	32	65	42	58
System Fund depreciation and amortisation		31	21	20
Increase/(decrease) in other trade and other payables		102	(13)	41
Utilisation of provisions, net of insurance recovery	19	(4)		(2)
Retirement benefit contributions, net of costs		(32)	(4)	(6)
Cash flows relating to exceptional items		(19)	(45)	(114)
Other items		9	6	4
Total adjustments		536	(414)	361
Cash flow from operations		953	810	753

25. Retirement benefits**UK**

Since 6 August 2014, UK retirement and death in service benefits are provided for eligible employees by the IHG UK Defined Contribution Pension Plan. Members, including those who have been auto-enrolled since 1 September 2013, are provided with defined contribution arrangements under this plan; benefits are based on each individual member's personal account. The plan is HM Revenue & Customs registered and governed by an independent trustee, assisted by professional advisers as and when required. The overall operation of the plan is subject to the oversight of The Pensions Regulator.

The former defined benefit plan, the InterContinental Hotels UK Pension Plan, was wound up on 21 July 2015 following the completion of the buy-out and transfer of the defined benefit obligations to Rothesay Life on 31 October 2014.

Residual defined benefit obligations remain in respect of additional benefits provided to members of an unfunded pension arrangement who were affected by lifetime or annual allowances under the former defined benefit arrangements. Accrual under this arrangement ceased with effect from 1 July 2013 and a cash-out offer in 2014

resulted in the extinguishment of approximately 70% of the unfunded pension obligations. The Company meets the benefit payment obligations of the remaining members as they fall due. A charge over certain ring-fenced bank accounts totalling £31m at 31 December 2016 (see note 15) is currently held as security on behalf of the remaining members.

US

The Group also maintains the following US-based defined benefit plans: the funded Inter-Continental Hotels Pension Plan (the Plan), unfunded Inter-Continental Hotels Non-qualified Pension Plans and unfunded Inter-Continental Hotels Corporation Postretirement Medical, Dental, Vision and Death Benefit Plan. All plans are closed to new members. In respect of the Plan, an Investment Committee has responsibility for the oversight and management of the plan's assets, which are held in a separate trust. The Committee comprises senior company employees and is assisted by professional advisers as and when required.

During 2016, the Group made a funding contribution of \$32m to the Plan which has enabled it to achieve full funding. The assets of the Plan have subsequently been invested 100% in liability-matching assets.

During 2015, the Group made a lump sum cash-out offer to the terminated vested members of the Inter-Continental Hotels Pension Plan. Members accepting the offer received lump sum cash payments totalling \$11m on 1 November 2015.

Other

The Group also operates a number of smaller pension schemes outside the UK, the most significant of which is a defined contribution scheme in the US; there is no material difference between the pension costs of, and contributions to, these schemes.

The Group previously maintained defined benefit pension plans in Hong Kong and the Netherlands. During 2015, the Hong Kong plan was transferred to the new owner of InterContinental Hong Kong (see note 11) and the Dutch pension obligations became fully insured resulting in the cessation of defined benefit accounting.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

25. Retirement benefits continued

In respect of the defined benefit plans, the amounts recognised in the Group income statement, in administrative expenses, are:

	Pension plans						US Post-employment benefits			Total		
	2016	2015	UK 2014	2016	2015	US and other 2014	2016	2015	2014	2016	2015	2014
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Current service cost						1						1
Net interest expense	1	1	2	2	3	3	1	1	1	4	5	6
Administration costs		1	3	1	1					1	2	3
Settlement gain					(2)						(2)	
Operating profit before exceptional items	1	2	5	3	2	4	1	1	1	5	5	10
Exceptional items:												
Settlement cost			6									6
	1	2	11	3	2	4	1	1	1	5	5	16

The settlement gain in 2015 resulted from the partial cash-out of the US Inter-Continental Hotels Pension Plan and comprised the difference between the accounting value of the liabilities extinguished and the amount of the lump sum payments.

The settlement cost in 2014 resulted from the partial cash-out of the UK unfunded pension arrangements and comprised transaction and related social security costs of \$9m, offset by the \$3m difference between the accounting value of the liabilities extinguished and the amount of the committed cash-out payments. In 2014, related cash payments of \$53m are included in cash flows relating to exceptional items in the Group statement of cash flows.

Re-measurement gains and losses recognised in the Group statement of comprehensive income are:

	2016			2015			2014		
	Plan assets	Plan obligations	Total	Plan assets	Plan obligations	Total	Plan assets	Plan obligations	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Return on plan assets (excluding amounts included in interest)				(7)		(7)	88		88

Actuarial gains and losses arising from changes in:

Demographic assumptions	6	6		5	5		(3)	(3)
Financial assumptions	(11)	(11)		10	10		(113)	(113)
Experience adjustments	1	1		2	2		4	4
Change in asset restriction (excluding amounts included in interest)				3	3		(1)	(1)
Other comprehensive income	(4)	(4)	(4)	17	13	87	(112)	(25)

The assets and liabilities of the schemes and the amounts recognised in the Group statement of financial position are:

	UK		Pension plans US and other		US Post-employment benefits		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Retirement benefit obligations								
Fair value of plan assets			148	121			148	121
Present value of benefit obligations	(27)	(27)	(195)	(202)	(22)	(21)	(244)	(250)
Total retirement benefit obligations	(27)	(27)	(47)	(81)	(22)	(21)	(96)	(129)

Table of Contents**25. Retirement benefits continued****Assumptions**

The principal financial assumptions used by the actuaries to determine the benefit obligations are:

	Pension plans						US Post-employment		
	UK			US			benefits		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
	%	%	%	%	%	%	%	%	%
Pensions increases	3.3	3.2	3.3						
Discount rate	2.7	4.0	3.7	3.7	3.9	3.6	3.8	3.9	3.7
Inflation rate	3.3	3.2	3.3						
Healthcare cost trend rate assumed for next year:									
Pre 65 (ultimate rate reached in 2023)							7.0	7.5	8.0
Post 65 (ultimate rate reached in 2025)							8.3	9.0	12.5
Ultimate rate that the cost trend rate trends to							4.5	4.5	5.0

Mortality is the most significant demographic assumption. The current assumptions for the UK are based on the S2PA light year of birth tables with projected mortality improvements using the CMI_2015 model and a 1.25% per annum long-term trend with age rated down by 0.7 and 2.3 years for pensioners and 0.5 and 2.6 years for non-pensioners, male and female respectively. In the US, the current assumptions are based on the RP-2014 Employee/Healthy Annuitant Generationally Projected with Scale MP-2016 mortality tables.

In both the UK and US, the assumptions have been revised during the year to reflect reduced life expectancy at retirement age as follows:

		Pension plans					
		UK			US		
		2016	2015	2014	2016	2015	2014
		Years	Years	Years	Years	Years	Years
Current pensioners at 65 ^a	male	24	26	26	21	21	22
	female	26	29	29	23	23	24
Future pensioners at 65 ^b	male	25	28	28	22	23	23

female **28** 31 31 **24** 25 25

^a Relates to assumptions based on longevity (in years) following retirement at the end of the reporting period.

^b Relates to assumptions based on longevity (in years) relating to an employee retiring in 2036.

The assumptions allow for expected increases in longevity.

Sensitivities

Changes in assumptions used for determining retirement benefit costs and obligations may have a material impact on the income statement and the statement of financial position. The key assumptions are the pension increases, discount rate, the rate of inflation and the assumed mortality rate. The sensitivity analysis below is based on extrapolating reasonable changes in these assumptions, using year-end conditions and assuming no interdependency between the assumptions.

		UK		US	
		Higher/ (lower)	Increase/ (decrease)	Higher/ (lower)	Increase/ (decrease)
		pension cost in liabilities		pension cost in liabilities	
		\$m	\$m	\$m	\$m
Pensions increases	0.25% decrease	(0.1)	(1.0)		
	0.25% increase		1.2		
Discount rate	0.25% decrease	0.1	1.4		5.6
	0.25% increase		(1.2)		(5.3)
Inflation rate	0.25% increase		1.2		
	0.25% decrease	(0.1)	(1.0)		
Mortality rate	one year increase		0.7	0.3	8.7

A one percentage point increase in assumed healthcare costs trend rate would increase the accumulated post-employment benefit obligations as at 31 December 2016 by \$1.9m (2015: \$2.0m, 2014: \$2.4m) and a one percentage point decrease would decrease the obligations by \$1.7m (2015: \$1.8m, 2014: \$2.2m).

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

25. Retirement benefits continued**Movement in benefit obligation**

	Pension plans						Total	
	UK		US and other		US Post-employment benefits			
	2016	2015	2016	2015	2016	2015		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Benefit obligation at 1 January	27	31	202	255	21	24	250	310
Interest expense	1	1	7	8	1	1	9	10
Settlement gain before costs				(2)				(2)
Benefits paid			(13)	(14)	(1)	(1)	(14)	(15)
Committed cash-out payments				(11)				(11)
Re-measurement losses/(gains)	4	(4)	(1)	(10)	1	(3)	4	(17)
Derecognised on buy-out				(11)				(11)
Transfers to non-current assets classified as held for sale				(12)				(12)
Exchange adjustments	(5)	(1)		(1)			(5)	(2)
Benefit obligation at 31 December	27	27	195	202	22	21	244	250
Comprising:								
Funded plans			145	150			145	150
Unfunded plans	27	27	50	52	22	21	99	100
	27	27	195	202	22	21	244	250

Movement in plan assets

	Pension plans						Total	
	UK		US and other		US Post-employment benefits			
	2016	2015	2016	2015	2016	2015		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Fair value of plan assets at 1 January		8	121	167			121	175
Company contributions			36	8	1	1	37	9
Benefits paid			(13)	(14)	(1)	(1)	(14)	(15)

Interest income		5	5	5	5
Re-measurement losses			(7)		(7)
Administration costs	(1)	(1)	(1)	(1)	(2)
Derecognised on buy-out			(22)		(22)
Transfer to defined contribution plan	(7)				(7)
Transfers to non-current assets classified as held for sale			(15)		(15)
Fair value of plan assets at 31 December		148	121	148	121

Company payments are expected to be \$5m in 2017.

The plan assets are measured at fair value and comprise the following:

	2016	US
	\$m	2015
		\$m
Investments quoted in active markets		
Investment funds:		
Global equities		17
Bonds	146	101
Property		2
Unquoted investments		
Cash	2	1
	148	121

Table of Contents**25. Retirement benefits continued****Estimated future benefit payments**

	Pension plans						Total	
	UK		US		US Post-employment benefits			
	2016	2015	2016	2015	2016	2015		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Within one year			14	14	1	1	15	15
Between one and five years	2	2	54	54	5	5	61	61
After five years	13	16	63	65	7	7	83	88
	15	18	131	133	13	13	159	164
Average duration of obligation (years)	21.0	22.0	10.3	10.1	10.2	10.5		

26. Share-based payments**Annual Performance Plan**

Under the IHG Annual Performance Plan (APP), eligible employees (including Executive Directors) can receive all or part of their bonus in the form of deferred shares. Deferred shares are released on the third anniversary of the award date. Under the terms of awards that are referred to in this note, a fixed percentage of the award is made in the form of shares. Awards under the APP are conditional on the participants remaining in the employment of a participating company or leaving for a qualifying reason as per the plan rules. The award of deferred shares under the APP is at the discretion of the Remuneration Committee.

The number of shares is calculated by dividing a specific percentage of the participant's annual performance-related award by the middle market quoted prices on the three consecutive dealing days immediately preceding the date of grant. A number of executives participated in the APP during the year and conditional rights over 335,775 (2015: 265,285, 2014: 305,345) shares were awarded to participants. In 2016 this number included 103,071 (2015: 58,338, 2014: 58,455) shares awarded as part of recruitment terms or for one-off individual performance-related awards.

New plan rules for the APP were approved by shareholders at the AGM on 2 May 2014, and apply to awards made in respect of the 2015 and subsequent financial years. The new plan rules contain substantially the same terms as the superseded plan rules.

Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) allows Executive Directors and eligible employees to receive conditional share awards, which normally have a vesting period of three years.

Performance-related awards: Awards to the Executive Directors, and some awards to other eligible employees, are granted subject to the achievement of performance conditions set by the Remuneration Committee, which are normally measured over the vesting period.

Restricted stock units: Awards to eligible employees are granted subject to continued employment. Awards are normally made annually and, except in exceptional circumstances, will not exceed three times salary for eligible employees. The plan provides for the grant of nil cost options to participants as an alternative to conditional share awards. During the year, conditional rights over 1,355,721 (2015: 1,803,308, 2014: 2,171,390) shares were awarded to employees under the plan, comprising 888,518 (2015: 1,803,308, 2014: 2,171,390) performance-related awards and 467,203 (2015: nil, 2014: nil) restricted stock units.

New plan rules for the LTIP were approved by shareholders at the AGM on 2 May 2014, and apply to awards made in respect of the 2015-17 and subsequent LTIP cycles. The new plan rules contain substantially the same terms as the superseded plan rules.

More detailed information on the performance measures for awards to Executive

Directors is shown in the Directors' Remuneration Report on pages 64 to 81.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

26. Share-based payments continued

The Group recognised a cost of \$17m (2015: \$19m, 2014: \$21m) in operating profit related to equity-settled share-based payment transactions during the year, net of amounts borne by the System Fund.

The aggregate consideration in respect of ordinary shares issued under option schemes during the year was \$nil (2015: \$nil, 2014: \$nil).

The Group uses separate option pricing models and assumptions depending on the plan. The following table sets out information about awards granted in 2016, 2015 and 2014:

	APP			LTIP Monte Carlo Simulation and		
	Binomial valuation model			Binomial valuation model		
	2016	2015	2014	2016	2015	2014
Weighted average share price	2,725.0p	2,565.0p	1,925.0p	2,846.0p	2,634.0p	1,916.0p
Expected dividend yield	n/a	n/a	n/a	2.55%	2.34%	2.55%
Risk-free interest rate				0.36%	0.59%	1.29%
Volatility ^a				24%	22%	28%
Term (years)	3.0	3.0	3.0	3.0	3.0	3.0

^aThe expected volatility was determined by calculating the historical volatility of the Company's share price corresponding to the expected life of the share award.

Movements in the awards outstanding under the schemes are as follows:

	APP	LTIP
	Performance-related awards Number	Restricted stock units Number
	Number of shares thousands	of shares thousands
Outstanding at 1 January 2014	840	6,775
Granted	305	2,171
Vested	(310)	(1,447)

Share capital consolidation	(38)		
Lapsed or cancelled	(29)	(1,379)	
Outstanding at 31 December 2014	768	6,120	
Granted	265	1,803	
Vested	(307)	(1,278)	
Lapsed or cancelled	(37)	(1,370)	
Outstanding at 31 December 2015	689	5,275	
Granted	336	889	467
Vested	(229)	(915)	
Share capital consolidation	(104)		
Lapsed or cancelled	(7)	(1,048)	(18)
Outstanding at 31 December 2016	685	4,201	449

Fair value of awards granted during the year (cents)

2016	3,671.9	1,768.0	3,624.5
2015	3,874.5	1,734.5	
2014	3,134.6	1,202.1	

Weighted average remaining contract life (years)

At 31 December 2016	1.2	0.9	2.2
At 31 December 2015	1.2	1.1	
At 31 December 2014	1.1	1.1	

The above awards do not vest until the performance and service conditions have been met.

The weighted average share price at the date of exercise for share awards vested during the year was 2,511.1p (2015: 2,592.1p). The closing share price on 31 December 2016 was 3,638.0p and the range during the year was 2,193.0p to 3,638.0p per share.

Table of Contents**27. Equity****Equity share capital**

	Number of shares millions	Nominal value \$m	Share premium \$m	Equity share capital \$m
Allotted, called up and fully paid				
At 1 January 2014 (ordinary shares of 14 ¹⁹⁴ / ₃₂₉ p each)	269	65	124	189
Share capital consolidation	(20)			
Repurchased and cancelled under repurchase programme	(1)			
Exchange adjustments		(4)	(7)	(11)
At 31 December 2014 (ordinary shares of 15 ²⁶⁵ / ₃₂₉ p each)	248	61	117	178
Exchange adjustments		(3)	(6)	(9)
At 31 December 2015 (ordinary shares of 15 ²⁶⁵ / ₃₂₉ p each)	248	58	111	169
Share capital consolidation	(42)			
Exchange adjustments		(10)	(18)	(28)
At 31 December 2016 (ordinary shares of 18³¹⁸/₃₂₉p each)	206	48	93	141

On 7 August 2012, the Company announced a \$1bn return of funds to shareholders comprising a \$500m special dividend with share consolidation and a \$500m share repurchase programme. The share consolidation was approved on 8 October 2012 at a General Meeting (GM) of the Company and became effective on 9 October 2012 on the basis of 14 new ordinary shares of 14¹⁹⁴/₃₂₉p each for every 15 existing ordinary shares of 13²⁹/₄₇p each. The special dividend of 172.0¢ per share was paid to shareholders on 22 October 2012 at a total cost of \$505m. Under the authority granted by shareholders at the GM on 8 October 2012, the share repurchase programme commenced. Between 8 October 2012 and 31 December 2014, 17.3m shares were repurchased for a consideration of \$500m. Of the 17.3m shares repurchased, 12.5m were held as treasury shares and 4.8m were cancelled. The cost of treasury shares was deducted from retained earnings.

The authority given to the Company at the AGM held on 6 May 2016 to purchase its own shares was still valid at 31 December 2016. A resolution to renew the authority will be put to shareholders at the AGM on 5 May 2017.

On 6 August 2013, the Company announced a special dividend of 133.0¢ per share amounting to \$355m which was paid to shareholders on 4 October 2013.

On 2 May 2014, the Company announced a \$750m return to shareholders by way of a special dividend and share consolidation. On 30 June 2014, shareholders approved the share consolidation at a GM of the Company on the basis of 12 new ordinary shares of 15²⁶⁵/₃₂₉p per share for every 13 existing ordinary shares of 14¹⁹⁴/₃₂₉p each, which became effective on 1 July 2014. The special dividend of 293.0¢ per share was paid to shareholders on 14 July 2014, at a total cost of \$763m.

As a result of the 2014 share consolidation, the number of shares held in treasury reduced from 12.5m to 11.5m.

On 23 February 2016, the Group announced a \$1.5bn return of funds to shareholders by way of a special dividend and share consolidation. On 6 May 2016, shareholders approved the share consolidation on the basis of 5 new ordinary shares of 18³¹⁹/₃₂₉p per share for every 6 existing ordinary shares of 15²⁶⁵/₃₂₉p, which became effective on 9 May 2016. The special dividend was paid to shareholders on 23 May 2016, at a total cost of \$1.5bn. The dividend and share consolidation had the same economic effect as a share repurchase at fair value, therefore previously reported earnings per share has not been restated.

During 2016, 0.9m treasury shares were transferred to the employee share trusts. As a result of the 2016 share consolidation, the number of shares held in treasury reduced from 10.6m to 8.9m.

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising 18⁸/₃₂₉p shares. The share premium reserve represents the amount of proceeds received for shares in excess of their nominal value.

In February 2017, the Board proposed a \$400m return of funds to shareholders by way of a special dividend of 202.5¢ per ordinary share, together with a share consolidation.

The Company no longer has an authorised share capital.

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NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

27. Equity continued

The nature and purpose of the other reserves shown in the Group statement of changes in equity on pages 93 to 95 of the Financial Statements is as follows:

Capital redemption reserve

This reserve maintains the nominal value of the equity share capital of the Company when shares are repurchased or cancelled.

Shares held by employee share trusts

Comprises \$10.5m (2015: \$18.3m, 2014: \$34.5m) in respect of 0.3m (2015: 0.5m, 2014: 0.9m) InterContinental Hotels Group PLC ordinary shares held by employee share trusts, with a market value at 31 December 2016 of \$15.0m (2015: \$19.8m, 2014: \$38.2m).

Other reserves

Comprises the merger and revaluation reserves previously recognised under UK GAAP, together with the reserve arising as a consequence of the Group's capital reorganisation in June 2005. Following the change in presentational currency to the US dollar in 2008, this reserve also includes exchange differences arising on retranslation to period-end exchange rates of equity share capital, the capital redemption reserve and shares held by employee share trusts.

Unrealised gains and losses reserve

This reserve records movements in the fair value of available-for-sale financial assets and the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred.

Currency translation reserve

This reserve records the movement in exchange differences arising from the translation of foreign operations and exchange differences on foreign currency borrowings and derivative instruments that provide a hedge against net investments in foreign operations. On adoption of IFRS, cumulative exchange differences were deemed to be \$nil as permitted by IFRS 1.

The fair value of derivative instruments designated as hedges of net investments in foreign operations outstanding at 31 December 2016 was a \$3m net liability (2015: \$3m net liability, 2014: \$2m net asset).

Treasury shares

At 31 December 2016, 8.9m shares (2015: 11.5m, 2014: 11.5m) with a nominal value of \$2.1m (2015: \$2.7m, 2014: \$2.8m) were held as treasury shares at cost and deducted from retained earnings.

Non-controlling interest

A non-controlling interest is equity in a subsidiary of the Group not attributable, directly or indirectly, to the Group. Non-controlling interests are not material to the Group.

28. Operating leases

During the year ended 31 December 2016, \$84m (2015: \$77m, 2014: \$72m) was recognised as an expense in the Group income statement in respect of operating leases, net of amounts borne directly by the System Fund. The expense includes contingent rents of \$32m (2015: \$29m, 2014: \$27m). \$2m (2015: \$3m, 2014: \$4m) was recognised as income from sub-leases.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	\$m	\$m
Due within one year	53	47
One to two years	49	42
Two to three years	43	42
Three to four years	41	38
Four to five years	58	37
More than five years	346	402
	590	608

In addition, in certain circumstances the Group is committed to making additional lease payments that are contingent on the performance of the hotels that are being leased.

The average remaining term of these leases, which generally contain renewal options, is approximately 17 years (2015: 17 years). No material restrictions or guarantees exist in the Group's lease obligations.

Total future minimum rentals expected to be received under non-cancellable sub-leases are \$4m (2015: \$5m).

Table of Contents**29. Capital and other commitments**

	2016	2015
	\$m	\$m
Contracts placed for expenditure not provided for in the Financial Statements:		
Property, plant and equipment	11	29
Intangible assets	86	47
	97	76

The Group has also committed to invest in a number of its associates, with an estimated outstanding commitment of \$36m at 31 December 2016 (2015: \$45m) based on current forecasts.

30. Contingencies and guarantees**Security incidents**

During the first half of 2016, the Group was notified of a security incident at a number of Kimpton hotels that resulted in unauthorised access to guest payment card data (the Kimpton Security Incident). Based on the estimated number of cards affected and opinion of external advisers, an amount of \$5m has been provided in the Financial Statements (see note 19) to cover the estimated cost of reimbursing the impacted payment card networks for counterfeit fraud losses and related expenses. This estimate involves significant judgement based on currently available information and is subject to change as actual claims are made and new information becomes available.

In December 2016, the Group was notified of a security incident at a number of hotels in The Americas region (the Americas Security Incident). The Group issued a Substitute Notice on 3 February 2017 notifying guests that malware was installed on servers that processed payment cards used at restaurants and bars of 12 IHG managed properties. An investigation of other properties in The Americas region is ongoing. It is not practicable to make a reliable estimate of the possible financial effect of any claims concerning the Americas Security Incident at this time.

The Group may be exposed to investigations regarding compliance with applicable State and Federal data security standards, although no claims have been received to date. In addition, the Group is exposed to legal action from individuals and organisations impacted by the security incidents. A class action has been filed in the courts in relation to the Kimpton Security Incident, although alleged damages have not been specified. It is not practicable to make a reliable estimate of the possible financial effect of any claims on the Group at this time.

In respect of the \$5m provided in the Financial Statements, it is expected that a proportion will be recoverable under the Group's insurance programmes although this, together with any potential recoveries in respect of the contingent liabilities detailed above, will be subject to specific agreement with the relevant insurance providers.

Other

In limited cases, the Group may provide performance guarantees to third-party hotel owners to secure management contracts. At 31 December 2016, the amount provided in the Financial Statements was \$5m (2015: \$1m) and the maximum unprovided exposure under such guarantees was \$14m (2015: \$13m).

At 31 December 2016, the Group had outstanding letters of credit of \$37m (2015: \$37m) mainly relating to self insurance programmes.

The Group may guarantee loans made to facilitate third-party ownership of hotels in which the Group has an equity interest. At 31 December 2016, there were guarantees of \$33m in place (2015: \$30m).

In connection with the Barclay associate (see note 14), the Group has provided an indemnity to its joint venture partner for 100% of the obligations related to a \$43m supplemental bank loan made to the Barclay associate on 31 December 2015.

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. In particular, the Group is currently subject to the claims listed under 'Legal proceedings' on page 172. The Group has also given warranties in respect of the disposal of certain of its former subsidiaries. It is the view of the Directors that, other than to the extent that liabilities have been provided for in these Financial Statements, it is not possible to quantify any loss to which these proceedings or claims under these warranties may give rise, however, as at the date of reporting, the Group does not believe that the outcome of these matters will have a material effect on the Group's financial position.

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31. Related party disclosures

	2016	2015	2014
	\$m	\$m	\$m
Total compensation of key management personnel^a			
Short-term employment benefits	19.2	19.5	21.5
Contributions to defined contribution pension plans	0.8	0.7	0.7
Equity compensation benefits	7.4	6.2	7.9
	27.4	26.4	30.1

^a In 2014, excludes ICETUS cash-out payment of £9.4m.

There were no other transactions with key management personnel during the years ended 31 December 2016, 2015 or 2014.

Key management personnel comprises the Board and Executive Committee.

Related party disclosures for associates and joint ventures are as follows:

	Associates			Joint ventures			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue from associates and joint ventures	5	3	4	1			6	3	4
Loans to associates	9	7	3				9	7	3
Other amounts owed by associates and joint ventures	1	2	11				1	2	11

In addition, loans both to and from the Barclay associate of \$237m (2015: \$237m) are offset in accordance with the provisions of IAS 32 and presented net in the Group statement of financial position. Interest payable and receivable under the loans is equivalent (average interest rate of 1.4% in 2016 (2015: 1.7%)) and presented net in the Group income statement.

During 2015, short-term advances of \$22m were made to the Barclay associate which were repaid on 31 December 2015.

32. System Fund

The Group operates a System Fund (the Fund) to collect and administer assessments and contributions from hotel owners (other than for Kimpton and InterContinental hotels) for specific use in marketing, the IHG Rewards Club

loyalty programme and the Guest Reservation System. The Fund and loyalty programme are accounted for in accordance with the accounting policies set out on page 103 of the Financial Statements.

Following the announcement on 14 April 2015 of the introduction of an expiration policy for points earned under the loyalty programme, the Group released \$156m from the programme's future redemption liability in 2015. The amount released was based on the advice of an external actuary using statistical models to estimate the impact of the programme change on members' behaviour. The liability release resulted in a corresponding increase in the System Fund surplus which was also recorded in the Group statement of financial position.

The following information is relevant to the operation of the Fund:

	2016	2015	2014
	\$m	\$m	\$m
Income ^a :			
Assessment fees and contributions received from hotels	1,439	1,351	1,271
Proceeds from sale of IHG Rewards Club points	283	222	196
Key elements of expenditure ^a :			
Marketing	335	308	267
IHG Rewards Club	360	345	296
Payroll costs	311	295	267
Net surplus/(deficit) for the year ^a	41	118	(18)
Interest payable to the Fund	3	2	2

^a Not included in the Group income statement in accordance with the Group's accounting policies.

The payroll costs above relate to 5,434 (2015: 5,416, 2014: 4,975) employees whose costs are borne by the Fund.

The following liabilities relating to the Fund are included in the Group statement of financial position:

	2016	2015	2014
	\$m	\$m	\$m
System Fund surplus ^a	227	186	68
Loyalty programme liability ^b	685	649	725
	912	835	793

^a The System Fund surplus is included in Trade and other payables.

^b Comprising current liabilities of \$291m and non-current liabilities of \$394m.

The net change in the loyalty programme liability and Fund surplus contributed an inflow of \$65m (2015: \$42m, 2014: \$58m) to the Group's cash flow from operations.

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33. Group companies

In accordance with Section 409 of the Companies Act 2006 a full list of entities in which the Group has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2016 are disclosed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by InterContinental Hotels Group PLC.

Fully owned subsidiaries

IHG Management d.o.o. Beograd (j)
24th Street Operator Sub, LLC (g) (k)
36th Street IHG Sub, LLC (g) (k)
426 Main Ave LLC (g) (k)
46 Nevins Street Associates, LLC (g) (k)
2250 Blake Street Hotel, LLC (g) (k)
Allegro Management LLC (g) (l)
Alpha Kimball Hotel LLC (g) (k)
American Commonwealth Assurance Co.
Ltd. (m)
Asia Pacific Holdings Limited (n)
Barclay Operating Corp. (k)
BHMC Canada Inc. (o)
BHR Holdings B.V. (p)
BHR Luxembourg SARL (q)
BHR Pacific Holdings, Inc. (k)

BHTC Canada Inc. (o)
BOC Barclay Sub LLC (g) (k)
Bristol Oakbrook Tenant Company (k)
Café Biarritz (n)
Cambridge Lodging LLC (g) (l)
Capital Lodging LLC (g) (l)
Compañia Inter-Continental De Hoteles
El Salvador SA (n)
Crowne Plaza Amsterdam (Management)
B.V. (r)
Crowne Plaza LLC (g) (k)
Cumberland Akers Hotel LLC (g) (k)
Dunwoody Operations, Inc. (k)
Edinburgh IC Limited (s)
EVEN Real Estate Holding LLC (g) (k)
General Innkeeping Acceptance
Corporation (b) (k)
Guangzhou SC Hotels Services Ltd. (t)
H.I. (Ireland) Limited (u)
HI Sugarloaf, LLC (g) (k)
Hale International Ltd. (v)
HC International Holdings, Inc. (w)
HH France Holdings SAS (x)
HH Hotels (EMEA) B.V. (p)
HH Hotels (Romania) SRL (y)
HIM (Aruba) NV (z)

Hoft Properties LLC (g) (k)

Holiday Hospitality Franchising, LLC (g) (k)

Holiday Inn Cairns Pty. Ltd (aa)

Holiday Inn Mexicana S.A. de C.V. (ab)

Holiday Inns (China) Ltd (ac)

Holiday Inns (Chongqing), Inc. (k)

Holiday Inns (Courtalin) Holdings SAS (x)

Holiday Inns (Courtalin) SAS (b) (x)

Holiday Inns (England) Ltd. (n)

Holiday Inns (Germany), LLC (g) (k)

Holiday Inns (Guangzhou), Inc. (k)

Holiday Inns (Jamaica) Inc. (k)

Holiday Inns (Malaysia) Ltd. (ac)

Holiday Inns (Middle East) Ltd. (ac)

Holiday Inns (Philippines), Inc. (k)

Holiday Inns (Saudi Arabia), Inc. (k)

Holiday Inns (South East Asia) Inc. (k)

Holiday Inns (Thailand) Ltd. (ac)

Holiday Inns (UK), Inc. (k)

Holiday Inns Crowne Plaza (Hong Kong),
Inc. (k)

Holiday Inns Holdings (Australia) Pty Ltd (aa)

Holiday Inns Inc. (k)

Holiday Inns Investment (Nepal) Ltd. (ac)

Holiday Inns of America (UK) Ltd. (n)

Holiday Inns of Belgium N.V. (ad)

Holiday Pacific Equity Corporation (k)

Holiday Pacific LLC (g) (k)

Holiday Pacific Partners, LP (k)

Hotel InterContinental London (Holdings) Limited (n)

Hotel Inter-Continental London Limited (n)

Hoteles Y Turismo HIH SRL (n)

IC Hotelbetriebsfuhrungs GmbH (ae)

IC Hotels Management (Portugal) Unipessoal,

Lda (af)

IC International Hotels Limited Liability Company (ag)

IHC (Thailand) Limited (ah)

IHC Buckhead, LLC (g) (k)

IHC Edinburgh (Holdings) (n)

IHC Hopkins (Holdings) Corp. (k)

IHC Hotel Limited (n)

IHC Inter-Continental (Holdings) Corp. (k)

IHC London (Holdings) (n)

IHC May Fair (Holdings) Limited (n)

IHC May Fair Hotel Limited (n)

IHC M-H (Holdings) Corp.(k)

IHC Overseas (U.K.) Limited (n)

IHC UK (Holdings) Limited (n)

IHC United States (Holdings) Corp. (b) (k)

IHC Willard (Holdings) Corp. (k)

IHG (Australasia) Limited (d) (ai)

IHG (Marseille) SAS (x)

IHG (Thailand) Limited (aj)

IHG Bangkok Ltd (v)

IHG Brasil Administracao de Hoteis e Servicos

Ltda (ak)

IHG Community Development, LLC (g) (k)

IHG Cyprus Limited (bw)

IHG de Argentina SA (al)

IHG ECS (Barbados) SRL (am)

IHG Franchising Brasil Ltda (bc)

IHG Franchising DR Corporation (k)

IHG Franchising, LLC (g) (k)

IHG Hotels (New Zealand) Limited (an)

IHG Hotels Limited (n)

IHG Hotels Management (Australia) Pty

Limited (d) (aa)

IHG Hotels Nigeria Limited (ao)

IHG Hotels South Africa (Pty) Ltd (ap)

IHG International Partnership (n)

IHG Istanbul Otel Yönetim Limited Sirketi (bx)

IHG IT Services (India) Private Limited (aq)

IHG Japan (Management) LLC (ar)

IHG Japan (Osaka) LLC (ar)

IHG Management (Maryland) LLC (g) (as)

IHG Management (Netherlands) B.V. (p)

IHG Management MD Barclay Sub LLC (g) (k)

IHG Orchard Street Member, LLC (g) (k)

IHG PS Nominees Limited (n)

IHG Systems Pty Ltd (d) (aa)

IHG Szalloda Budapest Szolgaltato Kft. (at)

IND East Village SD Holdings, LLC (g) (k)

InterContinental (Branston) 1 Limited (c) (n)

InterContinental (PB) 1 (n)

InterContinental (PB) 2 (n)

InterContinental (PB) 3 Limited (n)

InterContinental Brasil Administracao

de Hoteis Ltda (ak)

Inter-Continental D.C. Operating Corp. (k)

Inter-Continental Florida Investment Corp. (k)

Inter-Continental Florida Partner Corp. (k)

InterContinental Gestion Hotelera S.L. (by)

Inter-Continental Hospitality Corporation (k)

InterContinental Hotel Berlin GmbH (au)

InterContinental Hotel Düsseldorf GmbH

(Germany) (av)

Inter-Continental Hoteleira Limitada (aw)

Inter-Continental Hotels (Montreal) Operating

Corp. (ax)

Inter-Continental Hotels (Montreal) Owning

Corp. (ax)

Inter-Continental Hotels (Overseas) Limited (ay)

InterContinental Hotels (Puerto Rico) Inc. (az)

Inter-Continental Hotels (Singapore) Pte. Ltd. (ai)

Inter-Continental Hotels Corporation (k)

Inter-Continental Hotels Corporation de Venezuela

C.A. (ba)

Intercontinental Hotels Corporation

Limited (d) (m)

InterContinental Hotels Group (Asia Pacific)

Pte Ltd (ai)

InterContinental Hotels Group (Australia) Pty

Limited (aa)

InterContinental Hotels Group (Canada) Inc. (o)

InterContinental Hotels Group (España) SA (by)

InterContinental Hotels Group (Greater China)

Limited (ac)

InterContinental Hotels Group (India)

Pvt. Ltd (aq)

InterContinental Hotels Group (Japan) Inc. (k)

InterContinental Hotels Group (New Zealand)

Limited (an)

InterContinental Hotels Group (Shanghai)

Ltd. (bb)

InterContinental Hotels Group Customer

Services Ltd. (n)

InterContinental Hotels Group do Brasil Limitada (bd)

InterContinental Hotels Group Healthcare

Trustee Limited (n)

InterContinental Hotels Group Operating

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Corp. (e) (k)

InterContinental Hotels Group Resources

Inc. (b) (k)

InterContinental Hotels Group Services Company (n)

InterContinental Hotels Italia, S.r.L. (be)

InterContinental Hotels Limited (a) (n)

InterContinental Hotels Management GmbH (bf)

InterContinental Hotels Nevada Corporation (k)

Inter-Continental Hotels of San Francisco

Inc. (k)

Inter-Continental IOHC (Mauritius) Limited (bg)

Inter-Continental Management (Australia) Pty

Limited (aa)

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33. Group companies continued

Fully owned subsidiaries (continued)

InterContinental Management France SAS (x)

InterContinental Overseas Holding Corporation (k)

KG Benefits LLC (g) (l)

KG Gift Card Inc. (l)

KG Liability LLC (g) (l)

KG Technology, LLC (g) (l)

KHP Washington Operator LLC (g) (l)

KHRG 11th Avenue Hotel LLC (g) (l)

KHRG 851 LLC (g) (l)

KHRG Aertson LLC (g) (l)

KHRG Alexandria LLC (g) (l)

KHRG Alexis, LLC (g) (l)

KHRG Allegro, LLC (g) (l)

KHRG Argyle, LLC (g) (l)

KHRG Austin Beverage Company, LLC (g) (l)

KHRG Baltimore, LLC (g) (l)

KHRG Born LLC (g) (l)

KHRG Boston Hotel, LLC (g) (l)

KHRG Canary LLC (g) (l)
KHRG Cayman LLC (g) (l)
KHRG Cayman Employer Ltd. (l)
KHRG DC 1731 LLC (g) (l)
KHRG DC 2505 LLC (g) (l)
KHRG Donovan LLC (g) (l)
KHRG Employer, LLC (g) (l)
KHRG Goleta LLC (g) (l)
KHRG Gray LLC (g) (l)
KHRG Gray U2 LLC (g) (l)
KHRG Hillcrest, LLC (g) (l)
KHRG Huntington Beach LLC (g) (l)
KHRG King Street, LLC (g) (l)
KHRG La Peer LLC (g) (l)
KHRG Miami Beach LLC (g) (l)
KHRG Muse LLC (g) (l)
KHRG NPC LLC (g) (l)
KHRG Onyx LLC (g) (l)
KHRG Palladian LLC (g) (l)
KHRG Palomar Phoenix LLC (g) (l)
KHRG Philly Monaco LLC (g) (l)
KHRG Pittsburgh LLC (g) (l)
KHRG Reynolds LLC (g) (l)
KHRG Riverplace LLC (g) (l)
KHRG Sacramento LLC (g) (l)
KHRG Savannah LLC (g) (l)

KHRG Schofield LLC (g) (l)

KHRG Sedona LLC (g) (l)

KHRG SFD LLC (g) (l)

KHRG State Street LLC (g) (l)

KHRG Sutter LLC (g) (l)

KHRG Sutter Union LLC (g) (l)

KHRG Taconic LLC (g) (l)

KHRG Texas Hospitality, LLC (g) (l)

KHRG Texas Operations, LLC (g) (l)

KHRG Tryon LLC (g) (l)

KHRG Vero Beach, LLC (g) (l)

KHRG Vintage Park LLC (g) (l)

KHRG VZ Austin LLC (g) (l)

KHRG Westwood, LLC (g) (l)

KHRG Wilshire LLC (g) (l)

KHRG WPB LLC (g) (l)

KHRG Zamora LLC (g) (l)

Kimpton Hollywood Licenses LLC (g) (l)

Kimpton Hotel & Restaurant Group, LLC (g) (l)

Kimpton Phoenix Licenses Holdings LLC (g) (l)

Kimpton Sedona Licenses LLC (g) (l)

Louisiana Acquisitions Corp. (k)

Mercer Fairview Holdings LLC (g) (k)

MH Lodging LLC (g) (l)

PML Services LLC (g) (as)

Pollstrong Limited (n)

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Powell Pine, Inc. (k)

Priscilla Holiday of Texas, Inc. (k)

PT SC Hotels & Resorts Indonesia (bh)

Resort Services International (Cayo Largo) L.P. (k)

RM Lodging LLC (g) (l)

SBS Maryland Beverage Company LLC (g) (as)

SC Cellars Limited (n)

SC Hotels International Services, Inc. (k)

SC Leisure Group Limited (n)

SC Luxembourg Investments SARL (q)

SC NAS 2 Limited (n)

SC NAS 3 (ay)

SC Quest Limited (n)

SC Reservations (Philippines) Inc. (k)

SCH Insurance Company (bi)

SCIH Branston 3 (n)

Semiramis for training of Hotel Personnel and Hotel

Management SAE (ci)

SF MH Acquisition LLC (g) (k)

Six Continents Corporate Services (n)

Six Continents Holdings Limited (n)

Six Continents Hotels de Colombia SA (bj)

Six Continents Hotels International Limited (n)

Six Continents Hotels, Inc. (k)

Six Continents International Holdings B.V. (p)

Six Continents Investments Limited (f) (n)

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Six Continents Limited (n)

Six Continents Overseas Holdings Limited (n)

Six Continents Restaurants Limited (n)

SixCo North America, Inc. (w)

Solamar Lodging LLC (g) (l)

Southern Pacific Hotel Corporation (BVI) Ltd. (v)

Southern Pacific Hotels Properties Limited (v)

SPHC Group Pty Ltd. (aa)

SPHC Management Ltd. (ch)

Universal de Hoteles SA (bj)

White Shield Insurance Company Limited (bk)

Subsidiaries where the effective interest

is less than 100%

H.I. Soaltee Management Company Ltd (76.5%) (ac)

IHG ANA Hotels Group Japan LLC (74.66%) (ar)

IHG ANA Hotels Holdings Co., Ltd. (66%) (ar)

World Trade Centre Montreal Hotel Corporation
(74.11%) (bl)

Associates and joint ventures

111 East 48th Street Holdings LLC (19.9%) (g) (h) (bz)

Alkoer, S. de R.L. de C.V. (50%) (h) (cg)

BCRE IHG 180 Orchard Holdings LLC (49%) (g) (cf)

Beijing Orient Express Hotel Co., Ltd. (16.24%) (bm)

Blue Blood (Tianjin) Equity Investment Management
Co., Limited (30.05%) (bn)

Carr Clark SWW Subventure, LLC (26.67%) (g) (ca)

Carr Waterfront Hotel, LLC (11.46%) (g) (h) (ca)

China Hotel Investment Limited (30.05%) (i) (am)

Desarrollo Alkoer Irapuato S. de R.L. de C.V.
(50%) (cg)

Desarrollo Alkoer Silao S. de R.L. de C.V. (50%) (cg)

D.I.H. (Cyprus) SPV (No.2) Limited (24%) (bo)

D.I.H. (Cyprus) SPV (No.4) Limited (24%) (bo)

D.I.H. (Cyprus) SPV (No.6) Limited (24%) (bo)

D.I.H. (Cyprus) SPV (No.7) Limited (24%) (bo)

D.I.H. (Cyprus) SPV (No.12) Limited (24%) (bo)

Duet India Hotels (Ahmedabad) Private Ltd (24%) (bp)

Duet India Hotels (Bangalore) Private Ltd (24%) (bp)

Duet India Hotels (Chennai OMR) Private Ltd
(24%) (bp)

Duet India Hotels (Chennai) Private Ltd (24%) (bp)

Duet India Hotels (Hyderabad) Private Ltd (24%) (bp)

Duet India Hotels (Mumbai) Private Ltd (24%) (bp)

Duet India Hotels (Nagpur) Private Ltd (24%) (bp)

Duet India Hotels (Navi Mumbai) Private Ltd
(24%) (bq)

Duet Smart Hotels (India) Limited (24%) (bo)

Duet Smart Hotels (India) SPV (No. 1) Limited
(24%) (bo)

Duet Smart Hotels (India) SPV (No. 3) Limited
(24%) (bo)

Gestion Hotelera Gestel, C.A. (50%) (c) (h) (ba)

H.I. Soaltee Hotel Company Private Ltd (33.4%) (br)

Hotel JV Services LLC (16.67%) (c) (g) (cb)

Inter-Continental Hotels Saudi Arabia Limited

(40%) (bs)

Maya Baiduri Sdn Bhd (49%) (bt)

NF III Seattle, LLC (25%) (g) (cc)

Nuevas Fronteras S.A. (23.66%) (cd)

Panacon (33.33%) (ce)

President Hotel & Tower Co Ltd. (30%) (bu)

Tianjin ICBCI IHG Equity Investment Fund

Management Co., Limited (21.04%) (bv)

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33. Group companies continued

- (a) Directly owned by InterContinental Hotels Group PLC
- (b) Ordinary shares and preference shares
- (c) Ordinary A and ordinary B shares
- (d) Ordinary shares and redeemable preference shares
- (e) 1/4 vote ordinary shares and ordinary shares
- (f) Ordinary shares, 5% cumulative preference shares and 7% cumulative preference shares
- (g) The entities do not have share capital and are governed by an operating agreement
- (h) Accounted for as associates and joint ventures due to IHG's decision-making rights contained in the partnership agreement
- (i) Accounted for as an other financial asset due to IHG being unable to exercise significant influence over the financial and operating policy decisions of the entity

Registered addresses

- (j) Beograd, Cincar, Jankova 3, Serbia
- (k) Three Ravinia Drive, Suite 100, Atlanta, GA 30346, USA
- (l) 222 Kearny Street Suite 200, San Francisco, CA 94108, USA
- (m) Clarendon House, Church Street West, Bermuda
- (n) Broadwater Park, Denham, Buckinghamshire, UB9 5HR, UK
- (o) 199 Bay Street, Suite 2800, Commerce Court West, Toronto, ON M5L 1A9, Canada
- (p) Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands
- (q) 26 Blvd. Royal, L-2449, Luxembourg
- (r) Nieuwezijds Voorburgwal 5, 1012 RC Amsterdam, The Netherlands
- (s) Caledonian Exchange, 19a Canning Street, Edinburgh, EH3 8HE, UK
- (t) Building 4, No. 13 Xiao Gang Zhong Ma Road, Zhuhai District, Guangzhou, Guangdong, P.R.China
- (u) 29 Earlsfort Terrace, Dublin 2, D02 AY28, Ireland
- (v) Craigmuir Chambers, Road Town, Tortola VG1110, British Virgin Islands
- (w) Wilmington Trust SP Services, Inc. 1105 North Market Street, Suite 1300, Wilmington, DE 19801, USA
- (x) 31-33 rue Mogador 75009 Paris, France
- (y) Bucharest, 1st District, 50-52 Buzesti St, 83 module, 11 floor, Romania
- (z) 230 J E Irausquin Boulevard, Palm Beach, Aruba
- (aa) Level 11, 20 Bond Street, Sydney NSW 2000, Australia
- (ab) Ontario # 1050, Col. Providencia. Guadalajara, Jalisco CP 44630, Mexico
- (ac) Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong
- (ad) Rond Punt Schumanplein 11, 1040 Brussels, Belgium
- (ae) Johannesgasse 28, 1030 Wien, Am Heumarkt 4, 1030 Wien, Austria
- (af) Avenida da Republica, no 52-9, 1069-211, Lisbon, Portugal
- (ag) 24, Rusakovskaya Str., Moscow 107014, Russian Federation
- (ah) 967 Rama I Road, Patumwan, Bangkok, Thailand

- (ai) 230 Victoria Street, #13-00 Bugis Junction Towers, 188024, Singapore
- (aj) 973 President Tower, 7th Floor, Units 7A, 7B, 7C, 7D, 7I, 7F, 7G and 7H, Ploenchit Road, Khwaeng Lumpini, Khet Pathumwan, Bangkok Metropolis, 10330, Thailand
- (ak) Alameda Jau 536 #3S-B, Sao Paulo, Brazil
- (al) Avenida Cordoba 1547, piso 8, oficina A, Buenos Aires, Argentina
- (am) The Phoenix Centre, George Street, Belleville St. Michael, Barbados
- (an) Floor 9, 36 Kitchener Street, Auckland Central, Auckland 1010, New Zealand
- (ao) 1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria
- (ap) Central Office Park Unit 4, 257 Jean Avenue, Centurion 0157, South Africa
- (aq) 11th Floor, Building No. 10, Tower C, DLF Phase-II, DLF Cyber City, Gurgaon, Haryana-122002, India
- (ar) 20th Floor, Toranomom Kotohira Tower, 2 8, Toranomom 1-chome, Minato-ku, Tokyo, Japan
- (as) HIQ Corporate Services Inc., 715 St. Paul Street, Baltimore, MD 21202, USA
- (at) 1052 Budapest, Apáczai Csere János u. 12 14, Hungary
- (au) Budapester Str. 2, D-107887, Berlin, Germany
- (av) Koenigsallee 59, D-40215, Dusseldorf, Germany
- (aw) Av Das Americas 500, Bloco 3, Sala 316, Barra da Tijuca CEP 22640-100, Rio de Janeiro, Brazil
- (ax) InterContinental Montreal, 360 St. Antoine Street West, Montreal, Quebec H2Y 3X4, Canada
- (ay) BDO LLP, Two Snowhill, Birmingham, B4 6GA, UK
- (az) 361 San Francisco Street Penthouse, San Juan, PR 00901, Puerto Rico
- (ba) Hotel Tamanaco Inter-Continental, Final Av. Ppal, Mercedes, Caracas, Venezuela
- (bb) 2nd Floor, Citigroup Tower, No. 33 Huayuanshiqiao Road, Pudong, Shanghai, P.R. China
- (bc) Almeda Santos 1893 3o Andar, Cerqueira Cesar, Sao Paulo, Brazil
- (bd) Alameda Santos, 1893, 3rs Floor, Sao Paulo, Brazil
- (be) Via Settembrini 35, Milano, Italy
- (bf) Am Hauptbahnhof, D-60329, Frankfurt, Germany
- (bg) JurisTax Services Ltd, Level 12, NeXTeracom Tower II, Ebene, Mauritius
- (bh) Menara Impreium 22nd Floor, Suite D, Jl. HR. Rasuna Said Kav.1, Guntur Sub-district, Setiabudi District, South Jakarta 12980, Indonesia
- (bi) 150 South Champlain Street, Burlington, VT 05401, USA
- (bj) Calle 16, No28 51, Variante las Palmas, Colombia
- (bk) Suite B, Ground Floor, Regal House, Queensway, Gibraltar
- (bl) Suite 2500, 1000 De La Gauchetiere St. West, Montreal QC H3B 0A2, Canada
- (bm) Room 311, Building 1, No 16 East Wen Hua Yuan Road, Beijing Economy and Technology Development Zone, Beijing, P.R.China
- (bn) Room N306, 3rd Floor, Building 6, Binhai Financial Street, No. 52 West Xincheng Road, Tianjin Economy and Technology Development Zone, Tianjin, P.R.China
- (bo) 36, Byron Avenue, Nicosia Tower Center, 8th floor, 1096 Nicosia, Cyprus
- (bp) No 1, Unitech Trade Centre, Sector-43, Gurgaon HR 122002, India
- (bq) 146, 14th Floor, Makers Chambers 6, Nariman Point, Mumbai MH 400021, India
- (br) Tahachal, Kathmandu, Nepal
- (bs) Madinah Road, Jeddah, P.O Box 9456, Post Code 21413, Jeddah, Saudi Arabia
- (bt) 20th Floor Menara Haw Par, Jalan Sultan Ismail, Kuala Lumpur, Wilayah Persekutuan, 50250, Malaysia
- (bu) 971, 973 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
- (bv) Room R316, 3rd Floor, Building 6, Binhai Financial Street, No. 52 West Xincheng Road, Tianjin Economy and Technology Development Zone, Tianjin, P.R.China
- (bw) 195 Arch. Markarios III Ave., Neocleous House, 3030 Limassol, Cyprus
- (bx) Eski Büyükdere Cd. Park Plaza No:14 K:4 Maslak Sarıyer, Istanbul, Turkey
- (by) Paseo de la Castellana 49, 28046 Madrid, Spain
- (bz) 111 East 48th Street, New York NY 10017, USA
- (ca) Carr Hospitality, LLC, 1455 Pennsylvania Avenue, NW, Suite 100, Washington DC 20004, USA
- (cb) 3811 Turtle Creek Blvd., Suite 1450, Dallas, TX 75219, USA

- (cc) 2000 Monarch Tower, 3424 Peachtree Road, N.E., Atlanta GA 30326, USA
- (cd) Moreno 809 2 Piso, Buenos Aires, Argentina
- (ce) Pan-American Life Insurance Company, 601 Poydras Street, New Orleans LA 70130, USA
- (cf) Brack Capital Real Estate Ltd., 885 Third Avenue, 24th Floor, New York NY 10022, USA
- (cg) Campos Elíseos 223, piso 7, Colonia Polanco, 11560, Mexico City, Mexico
- (ch) Port Moresby Travelodge, Hunter Street, Section 27, Allotments 26 and 27, Granville, Port Moresby, National Capital District, Papua New Guinea
- (ci) Ground Floor, Al Kamel Law Building, Plot 52-b, Banks Area, Six of October City, Egypt

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In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures.

Further explanation in relation to these measures can be found on page 26.

Underlying revenue and underlying operating profit Non-GAAP reconciliations

The following tables:

show underlying revenue and underlying operating profit on both an actual and constant currency basis^a;

reconcile segmental underlying revenue and underlying operating profit to Group underlying revenue and operating profit;

show underlying Group fee revenue and Group fee margin on both an actual and constant currency basis^a; and

reconcile Group underlying revenue and underlying operating profit to the GAAP measures included in the Group Financial Statements.

Highlights for the year ended 31 December 2016

	At actual exchange rates				At constant currency			
	2016 \$m	2015 \$m	Change \$m	Change %	2016 \$m	2015 \$m	Change \$m	Change %
Underlying revenue								
Americas	959	914	45	4.9%	967	914	53	5.8%
Europe	150	160	(10)	(6.3)%	161	160	1	0.6%
AMEA	186	195	(9)	(4.6)%	187	195	(8)	(4.1)%
Greater China	117	109	8	7.3%	123	109	14	12.8%
Central	141	135	6	4.4%	144	135	9	6.7%
Underlying Group revenue	1,553	1,513	40	2.6%	1,582	1,513	69	4.6%
Owned and leased revenue included above	(173)	(164)	(9)	(5.5)%	(173)	(164)	(9)	(5.5)%

Underlying Group fee revenue	1,380	1,349	31	2.3%	1,409	1,349	60	4.4%
Underlying operating profit								
Americas	633	594	39	6.6%	640	594	46	7.7%
Europe	73	76	(3)	(3.9)%	76	76		
AMEA	77	81	(4)	(4.9)%	78	81	(3)	(3.7)%
Greater China	45	41	4	9.8%	47	41	6	14.6%
Central	(128)	(151)	23	15.2%	(139)	(151)	12	7.9%
Underlying Group operating profit	700	641	59	9.2%	702	641	61	9.5%
Owned and leased profit included above	(26)	(27)	1	3.7%	(26)	(27)	1	3.7%
Underlying Group fee profit	674	614	60	9.8%	676	614	62	10.1%
Group fee margin	48.8%	45.5%		3.3ppts	48.0	45.5%		2.5ppts

	Revenue		Operating profit	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Underlying at actual exchange rates	1,553	1,513	700	641
Owned asset disposals		128		30
Managed leases	162	159	7	6
Liquidated damages		3		3
Exceptional items			(29)	819
Per Group income statement	1,715	1,803	678	1,499

^a IHG's method for calculating the constant currency amounts of entities reporting in currencies other than US dollars is to translate the current period results into US dollars using the prior period's exchange rate. For example, if a UK entity generated revenue of £100m in 2016 and 2015, the Group Financial Statements would report revenue of \$135m in 2016 and \$154m in 2015, using the respective average exchange rates for the year of \$1=£0.74 and \$1=£0.65. For constant currency reporting, 2016 revenue would be translated at \$1=£0.65 giving a US dollar value of \$154m, thereby showing that underlying revenue was flat year-on-year.

Table of Contents**Highlights for the year ended 31 December 2015**

	At actual exchange rates				At constant currency			
	2015	2014	Change	Change	2015	2014	Change	Change
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Underlying revenue								
Americas	858	803	55	6.8%	874	803	71	8.8%
Europe	160	173	(13)	(7.5)%	186	173	13	7.5%
AMEA	195	201	(6)	(3.0)%	214	201	13	6.5%
Greater China	109	103	6	5.8%	111	103	8	7.8%
Central	135	129	6	4.7%	137	129	8	6.2%
Underlying Group revenue	1,457	1,409	48	3.4%	1,522	1,409	113	8.0%
Owned and leased revenue included above	(164)	(154)	(10)	(6.5)%	(170)	(154)	(16)	(10.4)%
Underlying Group fee revenue (exc Kimpton)	1,293	1,255	38	3.0%	1,352	1,255	97	7.7%
Kimpton	56		56		56		56	
Underlying Group fee revenue (inc Kimpton)	1,349	1,255	94	7.5%	1,408	1,255	153	12.2%
Underlying operating profit								
Americas	579	538	41	7.6%	591	538	53	9.9%
Europe	76	73	3	4.1%	90	73	17	23.3%
AMEA	81	80	1	1.3%	87	80	7	8.7%
Greater China	41	47	(6)	(12.8)%	42	47	(5)	(10.6)%
Central	(151)	(155)	4	2.6%	(160)	(155)	(5)	(3.2)%
Underlying Group operating profit	626	583	43	7.4%	650	583	67	11.5%
Owned and leased profit included above	(27)	(22)	(5)	(22.7)%	(28)	(22)	(6)	(27.3)%
Underlying Group fee profit (exc Kimpton)	599	561	38	6.8%	622	561	61	10.9%
Kimpton	15		15		15		15	
Underlying Group fee profit (inc Kimpton)	614	561	53	9.4%	637	561	76	13.5%
Group fee margin (exc Kimpton)	46.3%	44.7%		1.6 ppts	46.0%	44.7%		1.3 ppts

Revenue		Operating profit	
2015	2014	2015	2014
\$m	\$m	\$m	\$m

		\$m		
Underlying at actual exchange rates	1,457	1,409	626	583
Owned asset disposals	128	273	30	55
Managed leases	159	169	6	6
Kimpton (excluding liquidated damages)	56		15	
Liquidated damages	3	7	3	7
Exceptional items			819	29
Per Group income statement	1,803	1,858	1,499	680

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OTHER FINANCIAL INFORMATION CONTINUED

RevPAR, average daily rate and occupancy

RevPAR, a key performance measure used by management (see page 26 for further information) comprises IHG System rooms revenue divided by the number of room nights available and can be mathematically derived from occupancy multiplied by average daily rate. Occupancy is rooms occupied by hotel guests expressed as a percentage of rooms that are available. Average daily rate is rooms revenue divided by the number of room nights sold. RevPAR is a key indicator of performance as it measures period-over-period change in rooms revenue for comparable hotels.

The following tables present RevPAR statistics for the year ended December 31, 2016 and a comparison to 2015. Franchised, managed, owned and leased statistics are for comparable hotels, and include only those hotels in the Group's system at December 31, 2016 and franchised, managed, owned or leased by the Group since January 1, 2015.

The comparison with 2015 is at constant US\$ exchange rates.

	Franchised		Managed		Owned and leased	
	2016	Change vs 2015	2016	Change vs 2015	2016	Change vs 2015
Americas						
InterContinental						
Occupancy	68.7%	(0.0)ppt	78.1%	(1.3)ppt	81.5%	1.0ppt
Average daily rate	\$147.42	6.3%	\$232.80	4.4%	\$319.06	2.2%
RevPAR	\$101.32	6.3%	\$181.81	2.7%	\$260.05	3.4%
Kimpton						
Occupancy			82.4%	1.7ppt		
Average daily rate			\$233.90	0.8%		
RevPAR			\$192.85	2.9%		
Crowne Plaza						
Occupancy	68.0%	(0.2)ppt	80.7%	(0.5)ppt		
Average daily rate	\$119.91	1.9%	\$140.52	6.4%		
RevPAR	\$81.56	1.5%	\$113.46	5.7%		
Hotel Indigo						
Occupancy	71.6%	(0.9)ppt	86.0%	(0.3)ppt		
Average daily rate	\$143.44	0.4%	\$192.70	(1.0)%		
RevPAR	\$102.76	(0.8)%	\$165.74	(1.3)%		
EVEN Hotels						
Occupancy					69.5%	9.0ppt
Average daily rate					\$130.02	0.5%
RevPAR					\$90.34	15.5%
Holiday Inn						
Occupancy	66.5%	0.1ppt	72.8%	1.9ppt	73.2%	2.1ppt
Average daily rate	\$111.59	2.5%	\$134.89	2.1%	\$155.99	(1.2)%

RevPAR	\$74.25	2.6%	\$98.25	4.9%	\$114.18	1.7%
Holiday Inn Express						
Occupancy	68.8%	0.2ppt				
Average daily rate	\$111.52	1.4%				
RevPAR	\$76.74	1.7%				
Staybridge Suites						
Occupancy	75.9%	(0.3)ppt	82.3%	0.8ppt		
Average daily rate	\$112.37	1.7%	\$137.74	4.2%		
RevPAR	\$85.26	1.2%	\$113.38	5.3%		
Candlewood Suites						
Occupancy	72.4%	(0.3)ppt	80.4%	(0.6)ppt		
Average daily rate	\$82.25	0.8%	\$81.74	2.0%		
RevPAR	\$59.53	0.3%	\$65.69	1.2%		

	Franchised		Managed		Owned and leased	
	Change vs		Change vs		Change vs	
	2016	2015	2016	2015	2016	2015
Europe						
InterContinental						
Occupancy	66.4%	(4.3)ppt	69.6%	(1.0)ppt		
Average daily rate	\$189.65	(0.5)%	\$217.49	(0.9)%		
RevPAR	\$125.93	(6.6)%	\$151.33	(2.4)%		
Crowne Plaza						
Occupancy	69.9%	(1.7)ppt	78.0%	3.7ppt		
Average daily rate	\$121.67	2.2%	\$142.41	1.0%		
RevPAR	\$85.06	(0.2)%	\$111.09	6.1%		
Hotel Indigo						
Occupancy	78.1%	1.0ppt	75.7%	(2.5)ppt		
Average daily rate	\$148.81	2.9%	\$171.48	(5.5)%		
RevPAR	\$116.21	4.2%	\$129.77	(8.6)%		
Holiday Inn						
Occupancy	71.5%	0.3ppt	70.3%	8.1ppt		
Average daily rate	\$103.16	1.7%	\$69.27	(1.4)%		
RevPAR	\$73.79	2.1%	\$48.71	11.5%		
Holiday Inn Express						
Occupancy	77.3%	1.2ppt	61.9%	1.5ppt		
Average daily rate	\$95.94	2.6%	\$56.22	1.4%		
RevPAR	\$74.14	4.3%	\$34.78	4.0%		
Staybridge Suites						
Occupancy	81.8%	(1.6)ppt				
Average daily rate	\$124.47	7.2%				
RevPAR	\$101.77	5.2%				

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	Franchised		Managed		Owned and leased	
		Change vs		Change vs		Change vs
Asia, Middle East	2016	2015	2016	2015	2016	2015
and Africa (AMEA)						
InterContinental						
Occupancy	76.9%	2.4ppt	70.0%	0.4ppt	53.4%	(1.3)ppt
Average daily rate	\$178.97	0.2%	\$204.64	0.5%	\$118.79	1.8%
RevPAR	\$137.55	3.4%	\$143.20	1.0%	\$63.38	(0.6)%
Crowne Plaza						
Occupancy	73.6%	(2.3)ppt	72.4%	(0.2)ppt		
Average daily rate	\$93.39	4.8%	\$120.03	(1.0)%		
RevPAR	\$68.78	1.5%	\$86.95	(1.3)%		
Holiday Inn						
Occupancy	67.6%	0.6ppt	74.0%	0.7ppt	95.5%	1.5ppt
Average daily rate	\$102.73	(3.2)%	\$98.26	(2.8)%	\$114.04	2.8%
RevPAR	\$69.40	(2.4)%	\$72.68	(1.9)%	\$108.90	4.5%
Holiday Inn Express						
Occupancy	66.8%	(1.0)ppt	70.6%	5.8ppt		
Average daily rate	\$64.37	(6.6)%	\$64.64	(6.1)ppt		
RevPAR	\$42.97	(7.9)%	\$45.63	2.3%		
Staybridge Suites						
Occupancy			71.8%	(4.2)ppt		
Average daily rate			\$162.21	3.3%		
RevPAR			\$116.41	(2.4)%		
Other						
Occupancy	79.5%	(3.3)ppt	88.9%	(1.3)ppt		
Average daily rate	\$68.07	0.6%	\$93.69	12.3%		
RevPAR	\$54.12	(3.4)%	\$83.28	10.7%		
	Franchised	Change vs	Franchised	Managed	Owned and leased	Change vs
	2016	2015	2016	Change vs	2016	2015
Greater China						
InterContinental						
Occupancy	83.6%	(0.6)ppt	60.5%	1.8ppt		
Average daily rate	\$206.81	(4.1)%	\$132.63	(1.3)%		
RevPAR	\$172.80	(4.7)%	\$80.19	1.7%		
Crowne Plaza						
Occupancy			59.9%	3.4ppt		
Average daily rate			\$84.36	(1.5)%		

RevPAR			\$50.53	4.5%
Hotel Indigo				
Occupancy			67.9%	(2.3)ppt
Average daily rate			\$178.21	0.9%
RevPAR			\$120.95	(2.4)%
Holiday Inn				
Occupancy	75.2%	(5.0)ppt	66.4%	3.9ppt
Average daily rate	\$111.48	(8.5)%	\$73.75	(3.2)%
RevPAR	\$83.82	(14.2)%	\$48.93	2.9%
Holiday Inn Express				
Occupancy	72.1%	(10.5)ppt	72.7%	2.1ppt
Average daily rate	\$36.15	13.5%	\$51.24	0.6%
RevPAR	\$26.06	(1.0)%	\$37.26	3.5%

Other financial information

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Directors Report

This Directors Report includes the information required to be given in line with the Companies Act or, where provided elsewhere, an appropriate cross reference is given. The Corporate Governance Statement approved by the Board is provided on pages 48 to 63 and incorporated by reference herein.

Subsidiaries, joint ventures and associated undertakings

The Group has over 300 subsidiaries, joint ventures and associated undertakings. A complete list of these entities is provided at note 33 of the Group Financial Statements on pages 143 and 145.

Directors

For biographies of the current Directors see pages 50 and 51.

Directors and officers (D&O) liability insurance and existence of qualifying indemnity provisions

The Company maintains the Group's D&O liability insurance policy, which covers Directors and officers of the Company defending civil proceedings brought against them in their capacity as Directors or officers of the Company (including those who served as Directors or officers during the year). There were no indemnity provisions relating to the UK pension plan for the benefit of the Directors during 2016.

Articles of Association

The Company's Articles of Association may only be amended by special resolution and are available on the Company's website at www.ihgplc.com/investors under Corporate governance. A summary is provided on pages 169 and 170.

Shares

Share capital

The Company's issued share capital at 31 December 2016 consisted of 206,379,760 ordinary shares of 1⁸/₃₂₉ pence each, including 8,862,380 shares held in treasury, which constitute 4.3 per cent of the total issued share capital (including treasury shares). There are no special control rights or restrictions on share transfers or limitations on the holding of any class of shares.

During 2016:

903,600 shares were transferred from treasury to the employee share ownership trust; and

the Company's issued share capital was subject to a five for six share consolidation effective as of 9 May 2016 (see page 153).

As far as is known to management, IHG is not directly or indirectly owned or controlled by another company or by any government. The Board focuses on shareholder value-creation. When it decides to return capital to shareholders, it considers all of its options, including share buybacks and special dividends.

Share issues and buybacks

In 2016, the Company did not issue any new shares, nor did it buy back any existing shares.

Dividends

In 2016, the Company announced a \$1,500m return of funds to shareholders via special dividend and share consolidation on the basis of five ordinary shares of 18³¹⁸/₃₂₉ pence per share for every six existing ordinary shares of 15²⁶⁵/₃₂₉ pence each (effective as of 9 May 2016).

Dividend	Ordinary shares	ADRs
Special dividend	438.2p	632.9¢
A special dividend was paid to shareholders on the register on 6 May 2016		
Interim dividend	22.6p	30.0¢
An interim dividend was paid on 7 October 2016 to shareholders on the register at the close of business on 2 September 2016		
Final dividend	64.0¢ ^a	64.0¢
Subject to shareholder approval, payable on 22 May to shareholders on the register at the close of business on 5 May		

^a The sterling amount of the final dividend will be announced on 11 May 2017 using the average of the daily exchange rates from 8 May 2017 to 10 May 2017 inclusive.

Major institutional shareholders 31 December 2016

As at 31 December 2016, the Company had been notified of the following significant holdings in its ordinary shares under the UK Disclosure and Transparency Rules (DTRs):

Shareholder	As at		As at		As at	
	31 December		22 February		16 February	
	2016	2016	2016	2015	2015	
	Ordinary shares	% ^a	Ordinary shares	% ^a	Ordinary shares	% ^a
	/ADSs ^a		/ADSs ^a		/ADSs ^a	
BlackRock, Inc.	10,930,440 ^b	5.53	12,916,001 ^b	5.47	n/a	n/a
Boron	11,850,000	5.02	11,850,000	5.02	7,500,000	3.18

Investments BV Cedar Rock Capital Limited	14,923,417	5.07	14,923,417	5.07	14,923,417	5.07
Fundsmith LLP	10,222,246	5.18	n/a	n/a	n/a	n/a
The Capital Group Companies, Inc.	n/a	n/a	n/a	n/a	8,557,888	3.30

^a The number of shares and percentage of voting rights was determined at the time of the relevant disclosures made in accordance with Rule 5 of the DTRs and doesn't reflect the impact of any share consolidation or any changes in shareholding subsequent to the date of notification that are not required to be notified to us under the DTRs.

^b Total shown includes 473,742 contracts for difference and 523,127 qualifying financial instruments to which voting rights are attached.

In the period from 31 December 2016 to 20 February 2017 no further notifications have been received. The Company's major shareholders have the same voting rights as other shareholders. The Company does not know of any arrangements the operation of which may result in a change in its control.

For further details on shareholder profiles, see page 180.

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2016 share awards and grants to employees

Our current policy is to settle the majority of awards or grants under the Company's share plans with shares purchased in the market or from shares held in treasury; however, the Board continues to review this policy. The Company's share plans incorporate the current Investment Associations' guidelines on dilution which provide that commitments to new shares or re-issue treasury shares under executive plans should not exceed 5% of the issued ordinary share capital of the company (adjusted for share issuance and cancellation) in any 10 year period. During the financial year ended 31 December 2016, the Company transferred 903,600 treasury shares (0.4% of issued share capital) to satisfy obligations under its share plans.

The estimated maximum dilution from awards made under the Company's share plans over the last 10 years is 1.9%.

As at 31 December 2016, no options were outstanding. The Company has not utilised the authority given by shareholders at any of its AGMs to allot shares for cash without first offering such shares to existing shareholders.

Employee share ownership trust (ESOT)

IHG operates an ESOT for the benefit of employees and former employees. The ESOT receives treasury shares from the Company and purchases ordinary shares in the market and releases them to current and former employees in satisfaction of share awards. During 2016, the ESOT released 1,290,460 shares and at 31 December 2016 it held 846,236 ordinary shares in the Company. The ESOT adopts a prudent approach to purchasing shares, using funds provided by the Group, based on expectations of future requirements.

Future business developments of the Group

Further details on these are set out in the Strategic Report on pages 2 to 45.

Employees and Code of Conduct

Having a predominantly franchised and managed business model means that not all of those people who work at hotels operated under our brands are our employees. When the Group's entire estate is taken into account (including those working in our franchised and managed hotels), over 350,000 people worked globally across IHG's brands as at 31 December 2016.

IHG employed the following as at 31 December 2016:

6,587 people worldwide (including those in our corporate offices, central reservations offices and owned hotels (excluding those in a category below), whose costs were borne by the Group;

5,434 people who worked directly on behalf of the System Fund and whose costs were borne by the System Fund;
and

22,002 General Managers and (in the US predominantly) other hotel workers, who work in managed hotels, who have contracts or letters of service with IHG and whose costs are borne by those hotels.

See notes 3 and 32 of the Group Financial Statements on pages 111 and 162 for more information.

We continue to focus on providing an inclusive environment, in which employees are valued for who they are and what they bring to the Group, and in which talented individuals are retained through all levels of the organisation see pages 14 and 15.

We also look to appoint the most appropriate person for the job and are committed to providing equality of opportunity to all employees without discrimination. Every effort is made to ensure that applications for employment from disabled employees are fully and fairly considered and that disabled employees have equal opportunities to training, career development and promotion.

The Code of Conduct applies to all Directors, officers and employees and complies with the NYSE rules as set out in Section 406 of the US Sarbanes-Oxley Act 2002. Further details can be found on page 176.

For more information on the Group's employment policies, including equal opportunities, employee communications and development, see pages 18 and 19.

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DIRECTORS REPORT CONTINUED

Greenhouse gas (GHG) emissions

By delivering more environmentally sustainable hotels, we can drive cost efficiencies for owners and meet the expectations of all our stakeholders. We recognise the importance of reducing our global GHG emissions for corporate offices and hotels – our target is to reduce our carbon footprint per occupied room by 12 per cent across our entire estate by 31 December 2017 (against a 2012 baseline). See page 25 for progress.

Reporting

boundary	Measure	2016^a	2015^a
Global corporate offices and franchised, managed, owned and leased hotels ^b (a KPI and part of our five-year targets)	Scope 1 Direct emissions (tCO ₂ e)	1,523,036.72	1,421,059.96
	Scope 2 Indirect emissions (tCO ₂ e)	3,965,854.95	3,802,419.31
	Total GHG emissions (tCO ₂ e)	5,488,891.67	5,223,479.27
	IHG's chosen intensity measurement GHG emissions per occupied room (kgCO ₂ e per occupied room)	31.30	31.39
Global corporate offices and managed, owned and leased hotels ^b (as required under the Companies Act 2006)	Scope 1 Direct emissions (tCO ₂ e)	557,848.94	514,546.74
	Scope 2 Indirect emissions (tCO ₂ e)	1,922,767.88	1,817,196.67
	Total GHG emissions (tCO ₂ e)	2,480,616.83	2,331,743.40
	IHG's chosen intensity measurement GHG emissions per occupied room (kgCO ₂ e per occupied room)	52.19	53.20

^a Reporting period commencing on 1 October and ending on 30 September – due to the delay in hotels receiving their energy bills it is not possible to report accurately GHG emissions from 1 January to 31 December.

^b Includes all of our branded hotels but does not include emissions from 105 hotels. We do not have sufficient data to estimate their emissions and believe them to be immaterial.

Scope

We report Scope 1 and Scope 2 emissions as defined by the GHG protocol as follows:

Scope 1 (Direct emissions): combustion of fuel and operation of facilities; and

Scope 2 (Indirect emissions): electricity, heat, steam and cooling purchased for own use.

Methodology

We have worked with external consultants to give us an up-to-date picture of IHG's carbon footprint and to assess our performance over the past few years. The external consultants use a sampling and extrapolation methodology to estimate our GHG emissions. For 2016, in line with the methodology set out in the GHG Protocol Corporate Standard, the sample covered 4,267 (86%) of our 4,970 hotels. As IHG's System size is continually changing and the number of hotels reporting data to the IHG Green Engage system increases annually, we are restating the impacts for all years from the baseline year (2012) annually to enable comparisons to be made.

Finance

Political donations

The Group made no political donations under the Companies Act during the year and proposes to maintain this policy.

Financial risk management

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in note 20 to the Group Financial Statements on pages 128 to 131.

Significant agreements and change of control provisions

The Group is a party to the following arrangements which could be terminated upon a change of control of the Company and which are considered significant in terms of their potential impact on the business of the Group as a whole:

the 10-year £400m bond issued by the Company on 28 November 2012, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued;

the \$1.275bn syndicated loan facility agreement dated 30 March 2015 and maturing in March 2021, under which a change of control of the Company would entitle each lender to cancel its commitment and declare all amounts due to it payable;

the 10-year £300m bond issued by the Company on 14 August 2015, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued;

and

the 10-year £350 million bond issued by the Company on 24 August 2016, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued. Further details on material contracts are set out on page 171.

Business relationships

During 2012, the Group entered into a five-year technology outsourcing agreement with International Business Machines Corporation (IBM), pursuant to which IBM operates and maintains the infrastructure of the Group's Guest Reservation System. Otherwise, there are no specific individual contracts or arrangements considered to be essential to the business of the Group as a whole.

Disclosure of information to Auditor

For details, see page 85.

Events after the reporting period

In February 2017, we proposed a further \$400 million return of funds to shareholders via a special dividend with share consolidation.

Listing Rules compliance with LR 9.8.4C

Section	Applicable sub-paragraph within LR 9.8.4C	Location
1	Interest capitalised	Group Financial Statements, note 6, page 113
4	Details of long-term incentive schemes	Directors Remuneration Report, pages 66 to 75

The above table sets out only those sections of LR 9.8.4C which are relevant. The remaining sections of LR 9.8.4 are not applicable.

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Going concern

An overview of the business activities of IHG, including a review of the key business risks that the Group faces, is given in the Strategic Report on pages 2 to 47 and in the Group information on pages 128 to 131. Information on the Group's treasury management policies can be found in note 22 to the Group Financial Statements on pages 91 to 97. In February 2016, the Group extended the maturity of its \$1.275bn facility to March 2021 and a further one-year extension is exercisable in 2017. In August 2016, the Group issued a ten-year £350m bond which replaces the £250m bond that matured in December 2016.

At the end of 2016, the Group was trading significantly within its banking covenants and debt facilities.

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

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

Please see page 22 for the Directors' assessment of the viability of the Group.

By order of the Board,

George Turner

Company Secretary

InterContinental Hotels Group PLC

Registered in England and Wales, Company number 5134420

20 February 2017

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Group information

History and developments

The Company was incorporated and registered in England and Wales with registered number 5134420 on 21 May 2004 as a limited company under the Companies Act 1985 with the name Hackremco (No. 2154) Limited. In 2004/05, as part of a scheme of arrangement to facilitate the return of capital to shareholders, the following structural changes were made to the Group: (i) on 24 March 2005, Hackremco (No. 2154) Limited changed its name to New InterContinental Hotels Group Limited; (ii) on 27 April 2005, New InterContinental Hotels Group Limited re-registered as a public limited company and changed its name to New InterContinental Hotels Group PLC; and (iii) on 27 June 2005, New InterContinental Hotels Group PLC changed its name to InterContinental Hotels Group PLC and became the holding company of the Group.

Recent acquisitions and divestitures

The Group agreed to sell InterContinental Paris Le Grand on 7 December 2014 for 330 million, and the transaction was completed on 20 May 2015.

The Group agreed to acquire Kimpton Hotels & Restaurants on 15 December 2014, and the transaction was completed on 16 January 2015 for \$430 million (before working capital adjustments and cash acquired).

The Group agreed to sell InterContinental Hong Kong on 10 July 2015 for \$938 million, and the transaction was completed on 30 September 2015.

The Group also divested a number of investments for total proceeds of \$25 million in 2016.

Capital expenditure

Capital expenditure in 2016 totalled \$241 million compared with \$264 million in 2015 and \$271 million in 2014.

At 31 December 2016, capital committed (being contracts placed for expenditure on property, plant and equipment, and intangible assets not provided for in the Group Financial Statements) totalled \$97 million.

The Group has also committed to invest in a number of its associates, with an estimated outstanding commitment of \$36 million, based on current forecasts.

Risk factors

The Group is subject to a variety of inherent risks that may have an adverse impact on its business operations, financial condition, turnover, profits, brands and reputation. This section describes the main risks that could materially affect the Group's business. The risks below are not the only ones that the Group faces. Some risks are not yet known to the Group and some risks that the Group does not currently believe to be material could later turn out to be material.

The risk factors should also be considered in connection with any financial and forward-looking information in this Annual Report and Form 20-F and the cautionary statements regarding forward-looking statements on page 188.

The Group is exposed to the risks of political and economic developments

The Group is exposed to political, economic and financial market developments such as recession, inflation and availability of credit and currency fluctuations that could lower revenues and reduce income. The outlook for 2017 may worsen due to uncertainty in Greater China and the Eurozone, the impact of declining commodity prices (including oil) on economies dependent on such exports, and continued unrest in parts of the Middle East and Africa. The interconnected nature of economies suggests any of these, or other events, could trigger a recession that reduces leisure and business travel to and from affected countries and adversely affects room rates and/or occupancy levels and other income-generating activities. The owners or potential owners of hotels franchised or managed by the Group face similar risks that could adversely impact their solvency and the Group's ability to secure and retain franchise or management agreements. Specifically, the Group is most exposed to the US market and, increasingly, to Greater China.

Accordingly, the Group is particularly susceptible to adverse changes in these economies as well as changes in their currencies. In addition to trading conditions, the economic outlook also affects the availability of capital to current and potential owners, which could impact existing operations and the health of the pipeline.

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The Group is exposed to the risk of events that adversely impact domestic or international travel

The room rates and occupancy levels of the Group could be adversely impacted by events that reduce domestic or international travel, such as actual or threatened acts of terrorism or war, political or civil unrest, epidemics or threats thereof, travel-related accidents or industrial action, natural disasters, or other local factors impacting specific countries, cities or individual hotels, as well as increased transportation and fuel costs. A decrease in the demand for hotel rooms as a result of such events may have an adverse impact on the Group's operations and financial results. In addition, inadequate planning, preparation, response or recovery in relation to a major incident or crisis may cause loss of life, prevent operational continuity, or result in financial loss, and consequently impact the value of our brands and/or the reputation of the Group.

The Group is exposed to the risks of the hotel industry supply-and-demand cycle

The future operating results of the Group could be adversely affected by industry overcapacity (by number of rooms) and weak demand due, in part, to the cyclical nature of the hotel industry, or other differences between planning assumptions and actual operating conditions. These conditions could result in reductions in room rates and occupancy levels, which would adversely impact the financial performance of the Group.

The Group is subject to a competitive and changing industry

The Group operates in a competitive industry and must compete effectively against traditional competitors such as other global hotel chains, local hotel companies and independent hotels to win the loyalty of guests, employees and owners. The competitive landscape also includes other types of businesses, such as web-based booking channels (which include online travel agents and intermediaries), and alternative sources of accommodation such as short-term lets of private property. Failure to compete effectively in traditional and emerging areas of the business could impact the Group's market share, System size, profitability and relationships with owners and guests.

The Group is exposed to risks related to executing and realising benefits from strategic transactions, including acquisitions

The Group completed the acquisition of Kimpton Hotels & Restaurants in January 2015 and may seek to make other strategic transactions, including acquisitions, in the future. The Group may not be able to identify opportunities or complete transactions on commercially reasonable terms, or at all, and may not realise the anticipated benefits from such transactions. Strategic transactions come with inherent valuation, financial and commercial risks, and regulatory and insider information risks during the execution of the transactions. In addition, the Group may face unforeseen costs and liabilities, diversion of management attention, as well as longer-term integration and operational risks, which could result in a failure to realise benefits, financial losses, lower employee morale and loss of talent.

The Group is dependent upon a wide range of external stakeholders and business partners

The Group relies on the performance, behaviours and reputation of a wide range of business partners and external stakeholders, including, but not limited to, owners, contractors, lenders, suppliers, vendors, joint-venture partners,

online travel agents, third-party intermediaries and other business partners which may have different ethical values, interests and priorities. Further, the number and complexity of interdependencies with stakeholders is evolving. Breakdowns in relationships, contractual disputes, poor vendor performance, insolvency, stakeholder behaviours or adverse reputations, which may be outside of the Group's control, could adversely impact on the Group's performance and competitiveness, delivery of projects, guest experiences or the reputation of the Group or its brands.

The Group is exposed to increasing competition from online travel agents and intermediaries

A proportion of the Group's bookings originate from large multinational, regional and local online travel agents and intermediaries with which the Group has contractual arrangements and to which it pays commissions. These platforms offer a wide breadth of products, often across multiple brands, have growing booking and review capabilities, and may create the perception that they offer the lowest prices. Some of these online travel agents and intermediaries have strong marketing budgets and aim to create brand awareness and brand loyalty among consumers and may seek to commoditise hotel brands through price and attribute comparison. Further, if these companies continue to gain market share, they may impact the Group's profitability, undermine the Group's own booking channels and value to its hotel owners, and may be able to increase commission rates and negotiate other favourable contract terms.

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

The Group's growth strategy depends on its success in identifying, securing and retaining franchise and management agreements. This is an inherent risk for the hotel industry and the franchise business model. Competition with other hotel companies may generally reduce the number of suitable franchise, management and investment opportunities offered to the Group and increase the bargaining position of property owners seeking to become a franchisee or engage a manager. The terms of new franchise or management agreements may not be as favourable as current arrangements; the Group may not be able to renew existing arrangements on similarly favourable terms, or at all.

There can also be no assurance that the Group will be able to identify, retain or add franchisees to the IHG System or to secure management contracts. For example, the availability of suitable sites, market saturation, planning and other local regulations or the availability and affordability of finance may restrict the supply of suitable hotel development opportunities under franchise or management agreements. In connection with entering into franchise or management agreements, the Group may be required to make investments in, or guarantee the obligations of, third parties or guarantee minimum income to third parties. There are also risks that significant franchisees or groups of franchisees may have interests that conflict, or are not aligned, with those of the Group, including, for example, the unwillingness of franchisees to support brand improvement initiatives. This could result in franchisees prematurely terminating contracts which would adversely impact the overall IHG System size and the Group's financial performance.

The Group is exposed to inherent risks in relation to changing technology and systems

As the use of the internet and mobile technology grows and customer needs evolve at pace, the Group may find that its evolving technology capability is not sufficient and may have to make substantial additional investments in new technologies or systems to remain competitive. Failure to keep pace with developments in technologies or systems may put the Group at a competitive disadvantage. In addition, the technologies or systems that the Group chooses to deploy may not be commercially successful or the technology or system strategy may not be sufficiently aligned with the needs of the business. Any such failure could adversely affect guest experiences, and the Group may lose customers, fail to attract new customers, incur substantial costs or face other losses. This could further impact the Group's reputation in regards to innovation.

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GROUP INFORMATION CONTINUED

Risk factors continued

The Group is reliant on the reputation of its brands and is exposed to inherent reputation risks

Any event that materially damages the reputation of one or more of the Group's brands and/or fails to sustain the appeal of the Group's brands to its customers and owners may have an adverse impact on the value of that brand and subsequent revenues from that brand or business. In particular, if the Group is unable to create consistent, valued, and quality products and guest experiences across the owned, managed and franchised estates, or if the Group, its franchisees or business partners fail to act responsibly, this could result in an adverse impact on its brand reputation. In addition, the value of the Group's brands could be influenced by a number of external factors outside the Group's control, such as, but not limited to, changes in sentiments against global brands, changes in applicable regulations related to the hotel industry or to franchising, successful commoditisation of hotel brands by online travel agents and intermediaries, or changes in owners' perceptions of the value of the Group.

The Group is exposed to risks associated with its intellectual property

Given the importance of brand recognition to the Group's business, the protection of its intellectual property poses a risk due to the variability and changes in controls, laws and effectiveness of enforcement globally. Any widespread infringement, misappropriation or weakening of the control environment could materially harm the value of the Group's brands and its ability to develop the business.

The Group is reliant upon the resilience of its reservation system and other key technology platforms and is exposed to risks that could cause the failure of these systems

The value of the Group is partly derived from the ability to drive reservations through its reservation system and technology platforms which are highly integrated with internal processes and linked to multiple sales channels, including the Group's own websites, call centres, hotels, third-party intermediaries and travel agents.

Lack of resilience and operational availability of these systems provided by the Group or third-party technology providers could lead to prolonged service disruption and might result in significant business interruption, impact the guest booking experience and subsequently adversely impact Group revenues, reputation and relationships with hotel owners.

The Group is exposed to a variety of risks associated with safety, security and crisis management

There is a constant need to protect the safety and security of our guests, employees and assets against natural and man-made threats. These include, but are not limited to, exceptional events such as extreme weather, civil or political unrest, violence and terrorism, serious and organised crime, fraud, employee dishonesty, cyber crime, pandemics, fire, and day-to-day accidents, incidents and petty crime which impact the guest or employee experience, could cause loss of life, sickness or injury and result in compensation claims, fines from regulatory bodies, litigation and impact reputation. Serious incidents or a combination of events could escalate into a crisis which, if managed poorly, could further expose the Group and its brands to significant reputational damage.

The Group requires the right people, skills and capability to manage growth and change

In order to remain competitive, the Group must employ the right people. This includes hiring and retaining highly skilled employees with particular expertise or leadership capability. The implementation of the Group's strategic business plans could be undermined by failure to build a resilient corporate culture, failure to recruit or retain key personnel, unexpected loss of key senior employees, failures in the Group's succession planning and incentive plans, or failure to invest in the development of key skills.

Some of the markets in which the Group operates are experiencing economic growth, and the Group must compete against other companies inside and outside the hospitality industry for suitably qualified or experienced employees. Some emerging markets may not have the required local expertise to operate a hotel and may not be able to attract the right talent. Failure to attract and retain employees may threaten the success of the Group's operations in these markets. Additionally, unless skills are supported by a sufficient infrastructure to enable knowledge and skills to be passed on, the Group risks losing accumulated knowledge if key employees leave the Group.

The Group is exposed to a variety of risks associated with its financial stability and ability to borrow and satisfy debt covenants

While the strategy of the Group is to extend the IHG System through activities that do not involve significant amounts of its own capital, the Group does require capital to fund some development opportunities, technological innovations and strategic acquisitions; and to maintain and improve owned hotels. The Group is reliant upon having financial strength and access to borrowing facilities to meet these expected capital requirements. The majority of the Group's borrowing facilities are only available if the financial covenants in the facilities are complied with. Non-compliance with covenants could result in the Group's lenders demanding repayment of the funds advanced. If the Group's financial performance does not meet market expectations, it may not be able to refinance existing facilities on terms considered favourable.

The Group is exposed to the risk of litigation

Certain companies in the Group are the subject of various claims and proceedings. The ultimate outcome of these matters is subject to many uncertainties, including future events and uncertainties inherent in litigation. In addition, the Group could be at risk of litigation claims made by many parties, including but not limited to: guests, customers, joint-venture partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of the hotels it manages. Claims filed in the US may include requests for punitive damages as well as compensatory damages. Unfavourable outcomes of claims or proceedings could have a material adverse impact on the Group's results of operations, cash flow and/or financial position. Exposure to significant litigation or fines may also affect the reputation of the Group and its brands.

The Group is exposed to the risks related to information security and data privacy

The Group is increasingly dependent upon the availability, integrity and confidentiality of information, including, but not limited to: guest and employee credit card, financial and personal data, and business performance, financial reporting and commercial development. The information is sometimes held in different formats such as digital, paper, voice recordings and video and could be stored in many places, including facilities managed by third-party service providers. The threats towards the Group's information are dynamic, and include cyber attacks, fraudulent use, loss or misuse by employees and breaches of our vendors' security arrangements amongst others. The legal and regulatory environment around data privacy and requirements set out by the payment-card industry surrounding information security across the many jurisdictions in which the Group operates are constantly evolving. If the Group fails to appropriately protect information and ensure relevant controls are in place to enable the appropriate use and release of information through the appropriate channels in a timely and accurate manner, IHG System performance, guest experience and the reputation of the Group may be adversely affected. This could lead to revenue losses, fines,

penalties, litigation and other additional costs.

During the first half of 2016, the Group was notified of a security incident at a number of Kimpton hotels that resulted in unauthorised access to guest payment card data (the Kimpton Security Incident) and

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in December 2016 the Group was notified of a security incident at a number of hotels in the Americas region (the Americas Security Incident). In both instances, we launched an investigation and engaged third-party cyber security experts. The investigation concerning the Kimpton Security Incident identified unauthorised access to payment card information and is now closed. A class action has been filed in the courts in relation to the Kimpton Security Incident, although alleged damages have not been specified. The Americas Security Incident investigation is on-going. The Group may be exposed to investigations and fines for non-compliance with applicable data security standards and State and Federal regulatory fines and to legal action from individuals and organisations impacted by the incidents. We may be subject to future cyber threats including attempts to breach our systems and other similar incidents. Because of the dynamic nature of cyber threats, the scope and complexity of our information technology infrastructure and our reliance on third parties to support and protect our infrastructure and our data, we may be vulnerable to cyber threats. In addition, although we carry insurance that is designed to protect us against certain losses related to cyber risks, such insurance coverage may be insufficient to cover the Group in respect of all losses or all types of claims that may arise in connection with cyber attacks, security breaches and other related breaches.

The Group is required to comply with existing and changing regulations and societal expectations across numerous countries, territories and jurisdictions

Government regulations affect countless aspects of the Group's business ranging from corporate governance, health and safety, the environment, bribery and corruption, employment law and diversity,

disability access, data privacy and information protection, financial, accounting and tax. Regulatory changes may require significant changes in the way the business operates and may inhibit the Group's strategy, including the markets the Group operates in, brand protection, and use or transmittal of personal data. If the Group fails to comply with existing or changing regulations, the Group may be subject to fines, prosecution, loss of licence to operate or reputational damage.

The reputation of the Group and the value of its brands are influenced by a wide variety of factors, including the perception of stakeholder groups such as guests, owners, suppliers and communities in which the Group operates. The social and environmental impacts of its business are under increasing scrutiny, and the Group is exposed to the risk of damage to its reputation if it fails to (or fails to influence its business partners to) undertake responsible practices and engage in ethical behaviour, or fails to comply with relevant regulatory requirements.

The Group may face difficulties insuring its business

Historically, the Group has maintained insurance at levels determined to be appropriate in light of the cost of cover and the risk profile of the business. However, forces beyond the Group's control, including market forces, may limit the scope of coverage the Group can obtain and the Group's ability to obtain coverage at reasonable rates. Other forces beyond the Group's control, such as terrorist attacks or natural disasters, may be uninsurable or simply too expensive to insure. Inadequate or insufficient insurance could expose the Group to large claims or could result in the loss of capital invested in properties, as well as the anticipated future revenue from properties.

Directors and Executive Committee members shareholdings

As at 20 February 2017: (i) Executive Directors had the number of beneficial interests in shares (including Directors share awards under IHG's share plans) set out in the table on page 72; (ii) Non-Executive Directors had the number of beneficial interests in shares set out in the table on page 74; and (iii) Executive Committee members had the number of beneficial interests in shares (including members' share awards under IHG's share plans) set out in the table below. These shareholdings indicate all Directors' or Executive Committee members' beneficial interests and those held by their spouses and other connected persons. As at 20 February 2017, no Director or Executive Committee member held more than 0.3 per cent of the total issued share capital. None of the Directors have a beneficial interest in the shares of any subsidiary.

	Number of shares			APP			LTIP			Total		
	held outright		31 Dec 2015	deferred share awards		31 Dec 2015	share awards (unvested)		31 Dec 2015	number of shares held		Total
	20 Feb 2017	31 Dec 2016		20 Feb 2017	31 Dec 2016		20 Feb 2017	31 Dec 2016		20 Feb 2017	31 Dec 2016	
Executive Committee member												
John Barr	18,767	18,767	22,522	26,876	26,876	29,557	92,902	92,902	96,044	138,545	138,545	148,000
Debra Braverman	27,270	27,270	32,724	23,996	23,996	25,569	80,709	80,709	86,969	131,975	131,975	145,000
Antonio Di Pietro												
Antonio Di Pietro			n/a	18,401	18,401	n/a	59,202	59,202	n/a	77,603	77,603	
Antonio Di Pietro			n/a	6,351	6,351	n/a	38,363	38,363	n/a	44,714	44,714	
Antonio Di Pietro	2,481	2,481		10,810	10,810		96,052	96,052	73,662	109,343	109,343	73,000
Antonio Di Pietro	7,600	7,600	7,472	24,569	24,569	31,279	74,344	74,344	73,861	106,513	106,513	112,000
Antonio Di Pietro				24,636	24,636	28,748	86,264	86,264	90,087	110,900	110,900	118,000
Antonio Di Pietro			n/a	25,061	25,061	n/a	31,836	31,836	n/a	56,897	56,897	
Antonio Di Pietro			30,476	23,724	23,724	28,742	71,755	71,755	86,177	95,479	95,479	145,000
Antonio Di Pietro		18,000	17,975	21,815	21,815	26,047	76,744	76,744	80,914	98,559	116,559	124,000

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GROUP INFORMATION CONTINUED

Executive Directors benefits upon termination of office

All current Executive Directors have a rolling service contract with a notice period from the Group of 12 months. As an alternative, the Group may, at its discretion, pay in lieu of that notice. Neither notice nor a payment in lieu of notice will be given in the event of gross misconduct.

Payment in lieu of notice could potentially include up to 12 months salary and the cash equivalent of 12 months pension contributions, and other contractual benefits. Where possible, the Group will seek to ensure that, where a leaver mitigates their losses by, for example, finding new employment, there will accordingly be a corresponding reduction in compensation payable for loss of office.

Further details on the policy for determination of termination payments are included in the Directors Remuneration Policy, which is available on IHG's website at www.ihgplc.com/investors under Corporate governance in the Directors Remuneration Policy section.

*Description of securities other than equity securities***Fees and charges payable to a depositary**

Category (as defined by SEC)	Depositary actions	Associated fee
Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of shares, including deposits and issuances in respect of: share distributions, stock splits, rights, mergers; and exchange of securities or any other transactions or event or other distribution affecting the ADSs or the deposited securities	\$5 for each 100 ADSs (or portion thereof)
Receiving or distributing dividends	Distribution of stock dividends	\$5 for each 100 ADSs (or portion thereof)
	Distribution of cash	\$0.02 or less per ADS (or portion thereof)
Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the	\$5 for each 100 ADSs (or portion thereof)

Withdrawing an underlying security	deposit of such securities Acceptance of ADRs surrendered for withdrawal of deposited securities	\$5 for each 100 ADSs (or portion thereof)
Transferring, splitting or grouping receipts	Transfers, combining or grouping of depositary receipts	\$1.50 per ADS
General depositary services, particularly those charged on an annual basis	Other services performed by the depositary in administering the ADRs	\$0.02 per ADS (or portion thereof) ^a not more than once each calendar year and payable at the sole discretion of the ADR Depositary by billing ADR holders or by deducting such charge from one or more cash dividends or other cash distributions
Expenses of the depositary	Expenses incurred on behalf of ADR holders in connection with: compliance with foreign exchange control regulations or any law or regulation relating to foreign investment; the ADR Depositary's or its custodian's compliance with applicable laws, rules or regulations; stock transfer or other taxes and other governmental charges; cable, telex, facsimile transmission/delivery; transfer or registration fees in connection with the deposit and withdrawal of deposited securities; expenses of the ADR Depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency); and any other charge payable by the ADR Depositary or its agents	Expenses payable at the sole discretion of the ADR Depositary by billing ADR holders or by deducting charges from one or more cash dividends or other cash distributions are \$20 per transaction

^a These fees are not currently being charged by the ADR Depositary.

Fees and charges payable by a depositary

JPMorgan Chase Bank N.A. (JPMorgan or the ADR Depositary) is the depositary for IHG's ADR programme. The ADR Depositary's principal executive office is at: J.P. Morgan Depositary Receipts, 4 New York Plaza, 12th Floor, New York, NY 10004, US. The ADR Depositary has agreed to reimburse certain reasonable Company expenses related to the Company's ADR programme and incurred by the Company in

connection with the ADR programme. During the year ended 31 December 2016, the Company received \$300,000 from the ADR Depositary in respect of legal, accounting and other fees incurred in connection with the preparation of the Annual Report and Form 20-F, ongoing SEC compliance and listing requirements, investor relations programmes, and advertising and public relations expenditure.

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Articles of Association

The Company's Articles of Association (the Articles) were adopted at the AGM held on 28 May 2010 and are available on the Company's website at www.ihgplc.com/investors under Corporate governance. The following summarises material rights of holders of the Company's ordinary shares under the material provisions of the Articles and English law. This summary is qualified in its entirety by reference to the Companies Act and the Articles.

The Company's shares may be held in certificated or uncertificated form. No holder of the Company's shares will be required to make additional contributions of capital in respect of the Company's shares in the future.

In the following description, a shareholder is the person registered in the Company's register of members as the holder of the relevant share.

Principal objects

The Company is incorporated under the name InterContinental Hotels Group PLC and is registered in England and Wales with registered number 5134420. The Articles do not restrict its objects or purposes.

Directors

Under the Articles, a Director may have an interest in certain matters (Permitted Interest) without the prior approval of the Board, provided he has declared the nature and extent of such Permitted Interest at a meeting of the Directors or in the manner set out in Section 184 or Section 185 of the Companies Act.

Any matter in which a Director has a material interest, and which does not comprise a Permitted Interest, must be authorised by the Board in accordance with the procedure and requirements contained in the Articles. In particular, this includes the requirement that a Director may not vote on a resolution to authorise a matter in which he is interested, nor may he count in the quorum of the meeting at which such business is transacted.

Further, a Director may not vote in respect of any proposal in which he, or any person connected with him, has any material interest other than by virtue of his interests in securities of, or otherwise in or through, the Company, nor may he count in the quorum of the meeting at which such business is transacted. This is subject to certain exceptions, including in relation to proposals: (a) indemnifying him in respect of obligations incurred on behalf of the Company; (b) indemnifying a third party in respect of obligations of the Company for which the Director has assumed responsibility under an indemnity or guarantee; (c) relating to an offer of securities in which he will be interested as an underwriter; (d) concerning another body corporate in which the Director is beneficially interested in less than one per cent of the issued shares of any class of shares of such a body corporate; (e) relating to an employee benefit in which the Director will share equally with other employees; and (f) relating to liability insurance that the Company is empowered to purchase for the benefit of Directors of the Company in respect of actions undertaken as Directors (or officers) of the Company.

The Directors have authority under the Articles to set their own remuneration (provided certain criteria are met). While an agreement to award remuneration to a Director is an arrangement with the Company that comprises a Permitted Interest (and therefore does not require authorisation by the Board in that respect), it is nevertheless a matter that would be expected to give rise to a conflict of interest between the Director concerned and the Company, and such conflict must be authorised by a resolution of the Board. The Director that is interested in such a matter may neither vote on the resolution to authorise such conflict, nor count in the quorum of the meeting at which it was passed. Furthermore, as noted above, the interested Director is not permitted to vote in respect of any proposal in which he has any material interest (except in respect of the limited

exceptions outlined above) nor may he count in the quorum of the meeting at which such business is transacted.

As such, a Director has no power, in the absence of an independent quorum, to vote on compensation to himself, but may vote on a resolution (and may count in the quorum of the meeting at which it was passed) to award compensation to Directors provided those arrangements do not confer a benefit solely on him.

The Directors are empowered to exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all monies borrowed by the Company and its subsidiaries shall not exceed an amount equal to three times the Company's share capital and consolidated reserves, unless sanctioned by an ordinary resolution of the Company.

Under the Articles, there are no age-limit requirements relating to a person's qualification to hold office as a Director of the Company.

Directors are not required to hold any shares of the Company by way of qualification.

Rights attaching to shares

Dividend rights and rights to share in the Company's profits

Under English law, dividends are payable on the Company's ordinary shares only out of profits available for distribution, as determined in accordance with accounting principles generally accepted in the UK and by the Companies Act. No dividend will bear interest as against the Company.

Holders of the Company's ordinary shares are entitled to receive such dividends as may be declared by the shareholders in general meeting, rateably according to the amounts paid up on such shares, provided that the dividend cannot exceed the amount recommended by the Directors.

The Company's Board of Directors may declare and pay to shareholders such interim dividends as appear to them to be justified by the Company's financial position. If authorised by an ordinary resolution of the shareholders, the Board of Directors may also direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company).

Any dividend unclaimed by a member (or by a person entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law) after six years from the date the dividend was declared, or became due for payment, will be forfeited and will revert to the Company.

Voting rights

The holders of ordinary shares are entitled, in respect of their holdings of such shares, to receive notice of general meetings and to attend, speak and vote at such meetings in accordance with the Articles.

Voting at any general meeting of shareholders is by a show of hands unless a poll, which is a written vote, is duly demanded. On a show of hands, every shareholder who is present in person or by proxy at a general meeting has one vote regardless of the number of shares held. On a poll, every shareholder who is present in person or by proxy has one vote for every share held by that shareholder. A poll may be demanded by any of the following:

the chairman of the meeting;

at least five shareholders present in person or by proxy and entitled to vote at the meeting;

any shareholder or shareholders present in person or by proxy representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to vote at the meeting; or

any shareholder or shareholders present in person or by proxy holding shares conferring a right to vote at the meeting and on which there have been paid up sums in the aggregate at least equal to one-tenth of the total sum paid up on all the shares conferring that right.

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GROUP INFORMATION CONTINUED

Articles of Association continued

A proxy form will be treated as giving the proxy the authority to demand a poll, or to join others in demanding one.

The necessary quorum for a general meeting is three persons carrying a right to vote upon the business to be transacted, whether present in person or by proxy.

Matters are transacted at general meetings of the Company by the proposing and passing of resolutions, of which there are two kinds:

an ordinary resolution, which includes resolutions for the election of Directors, the approval of financial statements, the cumulative annual payment of dividends, the appointment of the Auditor, the increase of share capital or the grant of authority to allot shares; and

a special resolution, which includes resolutions amending the Articles, disapplying statutory pre-emption rights, modifying the rights of any class of the Company's shares at a meeting of the holders of such class or relating to certain matters concerning the Company's winding up or changing the Company's name.

An ordinary resolution requires the affirmative vote of a majority of the votes of those persons present and entitled to vote at a meeting at which there is a quorum.

Special resolutions require the affirmative vote of not less than three quarters of the persons present and entitled to vote at a meeting at which there is a quorum.

AGMs must be convened upon advance written notice of 21 days. Other meetings must be convened upon advance written notice of 14 days. The days of delivery or receipt of the notice are not included. The notice must specify the nature of the business to be transacted. The Board of Directors may, if they choose, make arrangements for shareholders who are unable to attend the place of the meeting to participate at other places.

The Articles specify that each Director shall retire every three years at the AGM and, unless otherwise decided by the Directors, shall be eligible for re-election. However, the Code recommends that all directors of FTSE 350 companies submit themselves for election or

re-election (as appropriate) by shareholders every year. Therefore, all Directors will retire and offer themselves for election or re-election at the 2017 AGM.

Variation of rights

If, at any time, the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act, with the consent in writing of holders of three-quarters in nominal value of the issued shares of that class or upon the adoption of a special resolution passed at a separate meeting of the holders of the shares of that class. At every such separate meeting, all of the provisions of the Articles relating to proceedings at a general meeting apply, except that the quorum is to be the number of persons (which must be two or more) who hold or represent by proxy not less than one-third in nominal value of the issued shares of that class.

Rights in a winding-up

Except as the Company's shareholders have agreed or may otherwise agree, upon the Company's winding up, the balance of assets available for distribution is to be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them:

after the payment of all creditors including certain preferential creditors, whether statutorily preferred creditors or normal creditors; and

subject to any special rights attaching to any class of shares.

This distribution is generally to be made in cash. A liquidator may, however, upon the adoption of a special resolution of the shareholders, divide among the shareholders the whole or any part of the Company's assets in kind.

Limitations on voting and shareholding

There are no limitations imposed by English law or the Articles on the right of non-residents or foreign persons to hold or vote the Company's ordinary shares or ADSs, other than the limitations that would generally apply to all of the Company's shareholders.

Working Time Regulations 1998

Under EU law, many employees of Group companies are now covered by the Working Time Regulations which came into force in the UK on 1 October 1998. These regulations implemented the European Working Time Directive and parts of the Young Workers Directive, and lay down rights and protections for employees in areas such as maximum working hours, minimum rest time, minimum days off and paid leave.

In the UK, there is in place a national minimum wage under the National Minimum Wage Act 1998, as amended. At 31 December 2016, the minimum wage for individuals aged 18 to 20 was £5.55 per hour, aged 21 to 24 was £6.95 per hour and for those aged 25 or over was £7.20 per hour in each case, excluding apprentices aged under 19 years or,

otherwise, in the first year of their apprenticeships. This particularly impacts businesses in the hospitality and retailing sectors. Compliance with the National Minimum Wage Act is being monitored by the Low Pay Commission, an independent statutory body established by the UK government.

None of the Group's UK employees are covered by collective bargaining agreements with trade unions.

Continual attention is paid to the external market in order to ensure that terms of employment are appropriate. The Group believes the Group companies will be able to conduct their relationships with trade unions and employees in a satisfactory manner.

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Material contracts

The following contracts have been entered into otherwise than in the course of ordinary business by members of the Group: (i) in the two years immediately preceding the date of this document in the case of contracts which are or may be material; or (ii) that contain provisions under which any Group member has any obligation or entitlement that is material to the Group as at the date of this document. To the extent that these agreements include representations, warranties and indemnities, such provisions are considered standard in an agreement of that nature, save to the extent identified below.

Syndicated Facility

On 30 March 2015, the Company signed a five-year \$1.275 billion bank facility agreement (Syndicated Facility) with Bank of America Merrill Lynch International Limited, Barclays Bank plc, HSBC Bank PLC, SunTrust Robinson Humphrey, The Bank of Tokyo-Mitsubishi UFJ, Ltd and The Royal Bank of Scotland plc, all acting as joint bookrunners and The Bank of Tokyo-Mitsubishi UFJ, Ltd as facility agent. The Company may request to extend the term of the Syndicated Facility by up to two additional periods of 12 months, and exercised the first extension option in February 2016. The interest margin payable on borrowings under the Syndicated Facility is linked to IHG's consolidated net debt to consolidated EBITDA ratio. The margin can vary between LIBOR + 0.40% and LIBOR + 1.00% depending on the level of the ratio. The Syndicated Facility was drawn as to \$110m as at 31 December 2016.

Disposal of InterContinental Hong Kong

On 10 July 2015, a share sale and purchase agreement was entered into between Hotel InterContinental London (Holdings) Limited (a Group company) and Supreme Key Limited. Under the agreement, Hotel InterContinental London (Holdings) Limited agreed to sell Trifaith Investments Limited, the owner of InterContinental Hong Kong Limited, which in turn is the owner of InterContinental Hong Kong, to Supreme Key Limited. The gross sale proceeds agreed were \$938 million in cash. The disposal completed on 30 September 2015.

In connection with the sale, IHG secured a 37-year management contract on the hotel, with three 10-year extension rights at IHG's discretion, giving an expected contract length of 67 years.

Under the agreement, Hotel InterContinental London (Holdings) Limited gave certain customary warranties and indemnities to Supreme Key Limited.

£2 billion Euro Medium Term Note programme

In 2016, the Group updated its Euro Medium Term Note programme (Programme) and issued a tranche of £350 million 2.125% notes due 24 August 2026 (2016 Issuance).

On 11 August 2016, an amended and restated trust deed (Trust Deed) was executed by InterContinental Hotels Group PLC as issuer (Issuer), Six Continents Limited and InterContinental Hotels Limited as guarantors (Guarantors) and HSBC Corporate Trustee Company (UK) Limited as trustee (Trustee), pursuant to which the trust deed dated

27 November 2009, as supplemented by three supplemental trust deeds dated 7 July 2011, 9 November 2012 and 16 June 2015 between the same parties relating to the Programme, were amended and restated. Under the Trust Deed, the Issuer may issue notes (Notes) unconditionally and irrevocably guaranteed by the Guarantors, up to a maximum nominal amount from time to time outstanding of £2 billion (or its equivalent in other currencies). Notes are to be issued in series (each a Series) in bearer form. Each Series may comprise one or more tranches (each a Tranche) issued on different issue dates. Each Tranche of Notes will be issued on the terms and conditions set out in the updated base prospectus dated 11 August 2016 (Base Prospectus) as amended and/or supplemented by a document setting out the final terms (Final Terms) of such Tranche or in a separate prospectus specific to such Tranche.

Under the Trust Deed, each of the Issuer and the Guarantors has given certain customary covenants in favour of the Trustee.

Final Terms were issued (pursuant to a previous base prospectus dated 9 November) on 26 November 2012, in respect of the issue of a Tranche of £400 million 3.875% Notes due 28 November 2022 (2012 Issuance). Final Terms were issued pursuant to the Base Prospectus on 12 August 2015 in respect of the 2015 Issuance. Final Terms were issued pursuant to the Base Prospectus on 22 August 2016 in respect of the 2016 Issuance.

The Final Terms issued under each of the 2012 Issuance, the 2015 Issuance and 2016 Issuance provide that the holders of the Notes have the right to repayment if the Notes (a) become non-investment grade within the period commencing on the date of announcement of a change of control and ending 90 days after the change of control (Change of Control Period) and are not subsequently, within the Change of Control Period, reinstated to investment grade; (b) are downgraded from a non-investment grade and are not reinstated to its earlier credit rating or better within the Change of Control Period; or (c) are not credit rated and do not become investment-grade credit rated by the end of the Change of Control Period.

Further details of the Programme and the Notes are set out in the Base Prospectus, a copy of which is available (as is a copy of each of the Final Terms dated 26 November 2012 relating to the 2012 Issuance, the Final Terms dated 12 August 2015 relating to the 2015 Issuance and the Final Terms dated 22 August 2016 relating to the 2016 Issuance) on the Company's website at www.ihgplc.com. The Notes issued pursuant to the 2012 Issuance, the Notes issued pursuant to the 2015 Issuance and the Notes issued pursuant to the 2016 Issuance are referred to as £400 million 3.875% bonds, £300 million 3.750% bonds and £350 million 2.125% bonds respectively in the Group Financial Statements.

On 11 August 2016, the Issuer and the Guarantors entered into an amended and restated agency agreement (Agency Agreement) with HSBC Bank plc as principal paying agent and the Trustee, pursuant to which the Issuer and the Guarantors appointed paying agents and calculation agents in connection with the Programme and the Notes.

Under the Agency Agreement, each of the Issuer and the Guarantors has given a customary indemnity in favour of the paying agents and the calculation agents.

On 11 August 2016, the Issuer and the Guarantors entered into a dealer agreement (Dealer Agreement) with HSBC Bank plc as arranger and Barclays Bank PLC, HSBC Bank plc, SunTrust Robinson Humphrey, Inc., Merrill Lynch International, MUFG Securities EMEA plc and The Royal Bank of Scotland plc as dealers (Dealers), pursuant to which the Dealers were appointed in connection with the Programme and the Notes.

Under the Dealer Agreement, each of the Issuer and the Guarantors has given customary warranties and indemnities in favour of the Dealers.

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GROUP INFORMATION CONTINUED

Legal proceedings

Group companies have extensive operations in the UK, as well as internationally, and are involved in a number of legal claims and proceedings incidental to those operations. It is the Company's view that such proceedings, either individually or in the aggregate, have not in the recent past and are not likely to have a significant effect on the Group's financial position or profitability. Notwithstanding the above, the Company notes the matters set out below. Litigation is inherently unpredictable and, as of 20 February 2017, the outcome of these matters cannot be reasonably determined.

A claim was filed on 9 July 2013 by Pan-American Life Insurance Company against Louisiana Acquisitions Corp. and InterContinental Hotels Corporation. The claimant originally identified eight causes of action with the respect to the management and sale of InterContinental New Orleans. The following claims remain pending: claims for breach of fiduciary duty, fraud, civil conspiracy, alter ego, and unfair trade practices. As of 20 February 2017, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is probable or to estimate the amount of any loss.

A claim was filed on 5 July 2016 by CPTS Hotel Lessee, LLC against Holiday Hospitality Franchising, LLC (HHF). The claimant alleges breach of the license agreement and seeks a declaratory judgment from the court that it has the right to terminate its license with HHF. HHF and InterContinental Hotels Group Resources, Inc. filed a claim against CPTS Hotel Lessee, LLC also seeking a declaratory judgment and alleging breach of contract and fraud. As of 20 February 2017, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is probable or to estimate the amount of any loss.

A claim was filed on 20 September 2016 against Kimpton Hotel and Restaurant Group, LLC, seeking class action status and alleging breach of implied contract, negligence, and deceptive business practices related to an alleged data breach. As of 20 February 2017, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to make a reliable estimate of the possible financial effect of any claims.

Exchange controls and restrictions on payment of dividends

There are no restrictions on dividend payments to US citizens.

Although there are currently no UK foreign exchange control restrictions on the export or import of capital or the payment of dividends on the ordinary shares or the ADSs, economic sanctions which may be in force in the UK from time to time impose restrictions on the payment of dividends to persons resident (or treated as so resident) in or governments of (or persons exercising public functions in) certain countries.

Other than economic sanctions which may be in force in the UK from time to time, there are no restrictions under the Articles or under English law that limit the right of non-resident or foreign owners to hold or vote the ordinary shares or the ADSs. In addition, the Articles contain certain limitations on the voting and other rights of any holder of ordinary shares whose holding may, in the opinion of the Directors, result in the loss or failure to secure the reinstatement of any licence or franchise from any US governmental agency held by Six Continents Hotels, Inc. or any subsidiary thereof.

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Shareholder information

Taxation

This section provides a summary of material US federal income tax and UK tax consequences to the US holders, described below, of owning and disposing of ordinary shares or ADSs of the Company. This section addresses only the tax position of a US holder who holds ordinary shares or ADSs as capital assets. This section does not, however, discuss all of the tax considerations that may be relevant to any particular US holder, such as the provisions of the Internal Revenue Code of 1986, as amended (IR Code) known as the Medicare Contribution tax or tax consequences to US holders subject to special rules, such as:

certain financial institutions;

insurance companies;

dealers and traders in securities who use a mark-to-market method of tax accounting;

persons holding ordinary shares or ADSs as part of a straddle, conversion transaction, integrated transaction or wash sale, or persons entering into a constructive sale with respect to the ordinary shares or ADSs;

persons whose functional currency for US federal income tax purposes is not the US dollar;

partnerships or other entities classified as partnerships for US federal income tax purposes;

persons liable for the alternative minimum tax;

tax-exempt organisations;

persons who acquired the Company's ADSs or ordinary shares pursuant to the exercise of any employee stock option or otherwise in connection with employment; or

persons who, directly or indirectly, own 10 per cent or more of the Company's voting stock. This section does not generally deal with the position of a US holder who is resident in the UK for UK tax purposes or who is subject to UK taxation on capital gains or income by virtue of carrying on a trade, profession or vocation in the UK through a branch, agency or permanent establishment to which such ADSs or ordinary shares are attributable (trading in the UK).

As used herein, a US holder is a person who, for US federal income tax purposes, is a beneficial owner of ordinary shares or ADSs and is: (i) a citizen or individual resident of the US; (ii) a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the US, any state therein or the District of Columbia; (iii) an estate whose income is subject to US federal income tax regardless of its source; or (iv) a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust.

This section is based on the IR Code, its legislative history, existing and proposed regulations, published rulings and court decisions, and on UK tax laws and the published practice of HM Revenue and Customs (HMRC), all as of the date hereof. These laws, and that practice, are subject to change, possibly on a retroactive basis.

This section is further based in part upon the representations of the ADR Depository and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. For US federal income tax purposes, an owner of ADRs evidencing ADSs will generally be treated as the owner of the underlying shares represented by those ADSs. For UK tax purposes, in practice, HMRC will also regard holders of ADSs as the beneficial owners of the ordinary shares represented by those ADSs (although case law has cast some doubt on this). The discussion below assumes that HMRC's position is followed.

Generally, exchanges of ordinary shares for ADSs, and ADSs for ordinary shares, will not be subject to US federal income tax or UK taxation on capital gains, although UK stamp duty reserve tax (SDRT) may arise as described below.

The US Treasury has expressed concerns that parties to whom ADSs are pre-released before shares are delivered to the depository, or intermediaries in the chain of ownership between holders and the issuer of the securities underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by US holders of ADSs. Such actions would also be inconsistent with the claiming of the preferential rates of tax, described below, for qualified dividend income. Accordingly, the availability of the preferential rates of tax for qualified dividend income described below could be affected by actions taken by parties to whom the ADSs are pre-released.

Investors should consult their own tax advisors regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of ordinary shares or ADSs in their particular circumstances.

The following disclosures assumes that the Company is not, and will not become, a positive foreign investment company (PFIC), as described below.

Taxation of dividends

UK taxation

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

A US holder who is not resident for UK tax purposes in the UK and who is not trading in the UK will generally not be liable for UK taxation on dividends received in respect of the ADSs or ordinary shares.

US federal income taxation

A US holder is generally subject to US federal income taxation on the gross amount of any dividend paid by the Company out of its current or accumulated earnings and profits (as determined for US federal income tax purposes). Distributions in excess of the Company's current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the US holder's basis in the shares or ADSs and thereafter as capital gain. Because the Company has not historically maintained, and does not currently maintain, books in accordance with US tax principles, the Company does not expect to be in a position to determine whether any distribution will be in excess of the Company's current and accumulated earnings and profits as computed for US federal income tax purposes. As a result, it is expected that amounts distributed will be reported to the Internal Revenue Service (IRS) as dividends.

Subject to applicable limitations and the discussion above regarding concerns expressed by the US Treasury, dividends paid to certain non-corporate US holders will be taxable at the preferential rates applicable to long-term capital gain if the dividends constitute qualified dividend income. The Company expects that dividends paid by the Company with respect to the ADSs will constitute qualified dividend income. US holders should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to be taxed at these preferential rates.

Dividends must be included in income when the US holder, in the case of shares, or the ADR Depositary, in the case of ADSs, actually or constructively receives the dividend, and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. For foreign tax credit limitation purposes, dividends will generally be income from sources outside the US.

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SHAREHOLDER INFORMATION CONTINUED

Taxation continued

The amount of any dividend paid in pounds sterling will be the US dollar value of the sterling payments made, determined at the spot sterling/US dollar rate on the date the dividend distribution is includible in income, regardless of whether the payment is in fact converted into US dollars. If the dividend is converted into US dollars on that date, a US holder should not be required to recognise foreign currency gain or loss in respect of the dividend income. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date the payment is converted into US dollars will be treated as ordinary income or loss from sources within the US.

Taxation of capital gains**UK taxation**

A US holder who is not resident for UK tax purposes in the UK and who is not trading in the UK will not generally be liable for UK taxation on capital gains, or eligible for relief for allowable losses, realised or accrued on the sale or other disposal of ADSs or ordinary shares. A US holder of ADSs or ordinary shares who is an individual and who, broadly, has temporarily ceased to be resident in the UK or has become temporarily treated as non-resident for UK tax purposes for a period of not more than five years (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes treated as non-resident for less than five years of assessment) and who disposes of ordinary shares or ADSs during that period may, for the year of assessment when that individual becomes resident again in the UK, be liable to UK tax on capital gains (subject to any available exemption or relief), notwithstanding the fact that such US holder was not treated as resident in the UK at the time of the sale or other disposal.

US federal income taxation

A US holder who sells or otherwise disposes of ordinary shares or ADSs will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the amount realised and its tax basis in the ordinary shares or ADSs, each determined in US dollars. Such capital gain or loss will be long-term capital gain or loss where the US holder has a holding period greater than one year. Losses may also be treated as long-term capital losses to the extent of certain extraordinary dividends that qualified for the preferential tax rates on qualified dividend income described above. The capital gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

PFIC rules

Based on the manner in which the Group operates its business and estimates of the value of its assets (which estimates are based, in part, on the market value of the Company's ADSs) the Company believes that it was not a PFIC for US federal income tax purposes for its 2016 taxable year. However, this conclusion is an annual factual determination and thus may be subject to change. If the Company were a PFIC for any taxable year during which a US holder owned

ordinary shares or ADSs, gain realised on the sale or other disposition of ordinary shares or ADSs would, in general, not be treated as capital gain. Instead, gain would be treated as if the US holder had realised such gain rateably over the holding period for the ordinary shares or ADSs and, to the extent allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC, would be taxed as ordinary income. The amount allocated to each other taxable year would be taxed at the highest tax rate in effect (for individuals or corporations, as applicable) for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. In addition, similar rules would apply to any excess distribution received on the ordinary shares or ADSs (generally, the excess of any distribution received on the ordinary shares or ADSs during the taxable year over 125 per cent of the average amount of distributions received during a specified prior period), and the preferential rates for qualified dividend income described above would not apply.

Certain elections may be available (including a market-to-market election) to US holders that would result in alternative treatments of the ordinary shares or ADSs. If the Company were a PFIC for any taxable year in which a US holder held ordinary shares or ADSs, a US holder would generally be required to file IRS Form 8621 with their annual US federal income tax returns, subject to certain exceptions.

Additional tax considerations

UK inheritance tax

An individual who is neither domiciled nor deemed domiciled in the UK (under certain existing UK rules relating to previous domicile or long residence, or under proposed expanded UK rules expected to take effect from 6 April 2017) is only chargeable to UK inheritance tax to the extent the individual owns assets situated in the UK. As a matter of UK law, it is not clear whether the situs of an ADS for UK inheritance tax purposes is determined by the place where the depositary is established and records the entitlements of the deposit holders, or by the situs of the underlying share which the ADS represents, but the UK tax authorities may take the view that the ADSs, as well as the ordinary shares, are or represent UK-situs assets.

However, an individual who is domiciled in the US (for the purposes of the Estate and Gift Tax Convention (the Convention), and is not a UK national as defined in the Convention, will not be subject to UK inheritance tax (to the extent UK inheritance tax applies) in respect of the ordinary shares or ADSs on the individual's death or on a transfer of the ordinary shares or ADSs during their lifetime, provided that any applicable US federal gift or estate tax is paid, unless the ordinary shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base of an individual used for the performance of independent personal services. Where the ordinary shares or ADSs have been placed in trust by a settlor, they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the US and was not a UK national. If no relief is given under the Convention, inheritance tax may be charged on death and also on the amount by which the value of an individual's estate is reduced as a result of any transfer made by way of gift or other undervalue transfer, broadly within seven years of death, and in certain other circumstances. Where the ordinary shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the Convention generally provides for either a credit against US federal tax liabilities for UK inheritance tax paid or for a credit against UK inheritance tax liabilities for US federal tax paid, as the case may be.

UK stamp duty and SDRT

Neither stamp duty nor SDRT will generally be payable in the UK on the purchase or transfer of an ADS, provided that the ADS and any separate instrument or written agreement of transfer are executed and remain at all times outside the UK. UK legislation does however provide for stamp duty (in the case of transfers) or SDRT to be payable at the rate of 1.5 per cent on the amount or value of the consideration (or, in some cases, the value of the ordinary shares) where ordinary shares are issued or transferred to a person (or a nominee or agent of a person) whose business is or includes issuing depositary receipts or the provision of clearance services. In accordance with the terms of the deposit agreement, any tax or duty payable on deposits of ordinary shares by the depositary or by the custodian of the

depository will typically be charged to the party to whom ADSs are delivered against such deposits.

Following litigation on the subject, HMRC has accepted that it will no longer seek to apply the 1.5 per cent SDRT charge when new shares are issued to a clearance service or depository receipt system on the basis that the charge is not compatible with EU law. In HMRC's view, the 1.5 per cent SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depository receipt system unless they are an integral part of an issue of share capital.

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This view is currently being challenged in further litigation. Accordingly, specific professional advice should be sought before paying the 1.5 per cent SDRT or stamp duty charge in any circumstances.

A transfer of the underlying ordinary shares will generally be subject to stamp duty or SDRT, normally at the rate of 0.5 per cent of the amount of value of the consideration (rounded up to the next multiple of £5 in the case of stamp duty). A transfer of ordinary shares from a nominee to its beneficial owner, including the transfer of underlying ordinary shares from the depositary to an ADS holder, under which no beneficial interest passes, will not be subject to stamp duty or SDRT.

US backup withholding and information reporting

Payments of dividends and sales proceeds with respect to ADSs and ordinary shares may be reported to the Internal Revenue Service (IRS) and to the US holder. Backup withholding may apply to these reportable payments if the US holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its

US federal income tax returns. Certain US holders (including, among others, corporations) are not subject to information reporting and backup withholding. The amount of any backup withholding from a payment to a US holder will be allowed as a credit against the holder's US federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS. US holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Certain US holders who are individuals, or entities closely held by individuals, may be required to report information relating to their ownership of non-US securities unless the securities are held in accounts at financial institutions (in which case the accounts may be reportable if maintained by non-US financial institutions). US holders should consult their tax advisers regarding any reporting obligations they may have with respect to the Company's ordinary shares or ADSs.

Disclosure controls and procedures

As of the end of the period covered by this report, the Group carried out an evaluation under the supervision and with the participation of the Group's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Group's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act 1934).

These are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act 1934 is recorded, processed, summarised and reported within the specified periods. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Group's disclosure controls and procedures were effective.

Shareholder information

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SHAREHOLDER INFORMATION CONTINUED

Summary of significant corporate governance

differences from NYSE listing standards

The Group's statement of compliance with the principles and provisions specified in the UK Corporate Governance Code issued in September 2014 by the Financial Reporting Council (the Code) is set out on pages 62 and 63.

IHG has also adopted the corporate governance requirements of the US Sarbanes-Oxley Act and related rules and of the NYSE, to the extent that they are applicable to it as a foreign private issuer. As a foreign private issuer, IHG is required to disclose any significant ways in which its corporate governance practices differ from those followed by US companies. These are as follows:

Basis of regulation

The Code contains a series of principles and provisions. It is not, however, mandatory for companies to follow these principles. Instead, companies must disclose how they have applied them and disclose, if applicable, any areas of non-compliance along with an explanation for the non-compliance.

In contrast, US companies listed on the NYSE are required to adopt and disclose corporate governance guidelines adopted by the NYSE.

Independent Directors

The Code's principles recommend that at least half the board, excluding the Chairman, should consist of independent Non-Executive directors. As at 20 February 2017, the Board consisted of the Chairman, independent at the time of his appointment, two Executive Directors and six Independent Non-Executive Directors. NYSE listing rules applicable to US companies state that companies must have a majority of independent directors. The NYSE set out five bright line tests for director independence. The Board's judgement is that all of its Non-Executive Directors are independent. However, it did not explicitly take into consideration the NYSE's tests in reaching this determination.

Chairman and Chief Executive Officer

The Code recommends that the chairman and chief executive officer should not be the same individual to ensure that there is a clear division of responsibility for the running of the Company's business. There is no corresponding requirement for US companies. The roles of Chairman and Chief Executive Officer were, as at 20 February 2017 and throughout 2016, fulfilled by separate individuals.

Committees

The Company has a number of Board Committees which are similar in purpose and constitution to those required for domestic companies under NYSE rules. The NYSE requires US companies to have audit, remuneration and nominating/corporate governance committees composed entirely of independent directors, as defined under the NYSE rules. The Company's Nomination Committee consists only of Non-Executive Directors and the Company's Audit and Remuneration Committees consists entirely of Non-Executive Directors who are independent under the standards of the Code, which may not necessarily be the same as the NYSE independence standards. The nominating/governance committee is responsible for identifying individuals qualified to become Board members and to recommend to the Board a set of corporate governance principles. As the Company is subject to the Code, the Company's Nomination Committee is only responsible for nominating, for approval by the Board, candidates for appointment to the Board, although it also assists in developing the role of the Senior Independent Non-Executive Director. The Company's Nomination Committee consists of the Chairman and all the Independent Non-Executive Directors.

The Chairman of the Company is not a member of either the Remuneration or the Audit Committee. As set out on page 57, the Audit Committee is chaired by an Independent Non-Executive Director who, in the Board's view, has the experience and qualifications to satisfy the criterion under US rules for an audit committee financial expert.

Non-Executive Director meetings

NYSE rules require that non-management directors of US companies must meet on a regular basis without management present, and independent directors must meet separately at least once per year. The Code requires: (i) the Board Chairman to hold meetings with the Non-Executive Directors without the Executive Directors present; and (ii) the Non-Executive Directors to meet at least annually without the Chairman present to appraise the Chairman's performance. The Company's Non-Executive Directors have met frequently without Executive Directors being present, and intend to continue this practice, after every Board meeting if possible.

Shareholder approval of equity compensation plans

The NYSE rules require that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions to those plans. The Company complies with UK requirements which are similar to the NYSE rules. The Board does not, however, explicitly take into consideration the NYSE's detailed definition of material revisions.

Code of Conduct

The NYSE requires companies to adopt a code of business conduct and ethics, applicable to directors, officers and employees. Any waivers granted to directors or officers under such a code must be promptly disclosed. As set out on page 161, IHG's Code of Conduct is applicable to all Directors, officers and employees, and further information on the Code of Conduct is available on the Company's website at www.ihgplc.com/investors under Corporate governance. No waivers have been granted under the Code of Conduct.

Compliance certification

Each chief executive of a US company must certify to the NYSE each year that he or she is not aware of any violation by the Company of any NYSE corporate governance listing standard. As the Company is a foreign private issuer, the Company's Chief Executive Officer is not required to make this certification. However, he is required to notify the NYSE promptly in writing after any of the Company's executive officers become aware of any non-compliance with those NYSE corporate governance rules applicable to the Company.

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The selected consolidated financial data set forth in the table below for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 have been prepared in accordance with IFRS as issued by the IASB and in accordance with IFRS as adopted by the EU, and is derived from the Group Financial Statements, which have been audited by its independent registered public accounting firm, Ernst & Young LLP.

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 Group Financial Statements for the years presented. The selected consolidated financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Group Financial Statements and notes thereto included elsewhere in this Annual Report and Form 20-F.

Group income statement data

	\$m, except earnings per ordinary share				
For the year ended 31 December	2016	2015	2014	2013	2012
Revenue	1,715	1,803	1,858	1,903	1,835
Total operating profit before exceptional items	707	680	651	668	605
Exceptional items	(29)	819	29	5	(4)
Total operating profit	678	1,499	680	673	601
Financial income	6	5	3	5	3
Financial expenses	(93)	(92)	(83)	(78)	(57)
Profit before tax	591	1,412	600	600	547
Tax:					
On profit before exceptional items	(186)	(180)	(179)	(175)	(151)
On exceptional items	12	(8)	(29)	(6)	1
Exceptional tax				(45)	141
	(174)	(188)	(208)	(226)	(9)
Profit for the year from continuing operations:	417	1,224	392	374	538
Attributable to:					
Equity holders of the parent	414	1,222	391	372	537
Non-controlling interest	3	2	1	2	1
Earnings per ordinary share (continuing and total operations):					
Basic	195.3	¢ 520.0¢	158.3¢	140.9¢	187.1¢
Diluted	193.5	¢ 513.4¢	156.4¢	139.3¢	183.9¢

Group statement of financial position data

31 December	2016	\$m, except number of shares			
		2015	2014	2013	2012
Goodwill and other intangible assets	1,292	1,226	643	518	447
Property, plant and equipment	419	428	741	1,169	1,056
Investments and other financial assets	359	420	368	321	239
Non-current trade and other receivables	8	3	3		
Retirement benefit assets			8	7	99
Non-current tax receivable	23	37	34	16	24
Deferred tax assets	48	49	87	108	204
Current assets	778	1,606	624	700	852
Assets classified as held for sale			310	228	534
Total assets	2,927	3,769	2,818	3,067	3,455
Current liabilities	1,134	1,369	943	928	972
Long-term debt	1,606	1,239	1,569	1,269	1,242
Net (liabilities)/assets	(759)	319	(717)	(74)	317
Equity share capital	141	169	178	189	179
IHG shareholders' equity	(767)	309	(725)	(82)	308
Number of shares in issue at end of the year (millions)	206	248	248	269	268

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SHAREHOLDER INFORMATION CONTINUED

Return of funds

Since March 2004, the Group has returned over £5.9bn of funds to shareholders by way of special dividends, capital returns and share repurchase programmes. On 23 February 2016, the Company announced a \$1,500m return of funds to shareholders via special dividend with share consolidation. The special dividend was paid on 23 May 2016.

Return of funds programme	Timing	Total return	Returned to date
£501m special dividend ^a	Paid in December 2004	£501m	£501m
£250m share buyback	Completed in 2004	£250m	£250m
£996m capital return ^a	Paid in July 2005	£996m	£996m
£250m share buyback	Completed in 2006	£250m	£250m
£497m special dividend ^a	Paid in June 2006	£497m	£497m
£250m share buyback	Completed in 2007	£250m	£250m
£709m special dividend ^a	Paid in June 2007	£709m	£709m
£150m share buyback	n/a ^b	£150m	£120m
\$500m special dividend ^{a, c}	Paid in October 2012	£315m ^d (\$500m)	£315m ^e (\$505m)
\$500m share buyback	Completed in 2014	£315m ^d (\$500m)	£315m (\$500m) ^f
\$350m special dividend	Paid in October 2013	£229m ^g (\$350m)	£228m (\$355m) ^h
\$750m special dividend ^a	Paid in July 2014	£447m ⁱ (\$750m)	£446m (\$763m) ^j
\$1,500m special dividend ^a	Paid in May 2016	£1,038m ^k (\$1,500m)	£1,036m (\$1,500m)
Total		£5,947m	£5,913m

^a Accompanied by a share consolidation.

^b This programme was superseded by the share buyback programme announced on 7 August 2012.

^c IHG changed the reporting currency of its Consolidated Financial Statements from sterling to US dollars effective from the Half-Year Results as at 30 June 2008.

^d The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate of \$1=£0.63, as set out in the circular detailing the special dividend and share buyback programme published on 14 September 2012.

^e Sterling dividend translated at \$1=£0.624.

^f Translated into US dollars at the average rates of exchange for the relevant years (2014 \$1=£0.61; 2013 \$1=£0.64; 2012 \$1 = £0.63).

^g The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate of \$1=£0.65, as announced in the Half-Year Results to 30 June 2013.

^h Sterling dividend translated at \$1=£0.644.

ⁱ The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate translated at \$1=£0.597.

^j Sterling dividend translated at \$1=£0.5845.

^k The dividend was first determined in US dollars and converted to sterling at the rate of \$1 =£0.6923, as announced on 12 May 2016.

Purchases of equity securities by the Company and affiliated purchasers

During the financial year ended 31 December 2016, 269,935 ordinary shares were purchased by the Company's employee share ownership trust, at prices ranging from 2,577 pence to 2,593 pence per share, for the purpose of satisfying future share awards to employees.

	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased under the plans or programmes	Maximum number of shares (or units) that may be purchased under the plans or programmes
Month 1	200,000	2,593.0763	nil	23,611,725 ^a
Month 2	69,935	2,576.8975	nil	23,611,725 ^a
Month 3 (no purchases this month)	nil	nil	nil	23,611,725 ^a
Month 4 (no purchases this month)	nil	nil	nil	23,611,725 ^a
Month 5 (no purchases this month)	nil	nil	nil	19,751,738 ^b
Month 6 (no purchases this month)	nil	nil	nil	19,751,738 ^b
Month 7 (no purchases this month)	nil	nil	nil	19,751,738 ^b
Month 8 (no purchases this month)	nil	nil	nil	19,751,738 ^b
Month 9 (no purchases this month)	nil	nil	nil	19,751,738 ^b
Month 10 (no purchases this month)	nil	nil	nil	19,751,738 ^b
Month 11 (no purchases this month)	nil	nil	nil	19,751,738 ^b
Month 12 (no purchases this month)	nil	nil	nil	19,751,738 ^b

^a Reflects the resolution passed at the Company's AGM held on 8 May 2015.

^b Reflects the resolution passed at the Company's AGM held on 6 May 2016.

Table of Contents*Share price information*

The principal trading market for the Company's ordinary shares is the London Stock Exchange (LSE). The ordinary shares are also listed on the NYSE, trading in the form of ADSs evidenced by ADRs. Each ADS represents one ordinary share. The Company has a sponsored ADR facility with JPMorgan as ADR Depository. The following table shows, for the financial periods indicated, the reported high and low middle market quotations (which represent an average of closing bid and ask prices) for the ordinary shares on the LSE, as derived from the Official List of the UK Listing Authority, and the highest and lowest sales prices of the ADSs as reported on the NYSE composite tape.

	£ per ordinary share		\$ per ADS ^a	
	high	low	high	low
Year ended 31 December				
2012	17.25	11.60	27.82	18.25
2013	20.39	17.37	33.54	26.90
2014	27.10	18.66	42.51	30.88
2015	28.80	22.09	43.55	33.52
2016	36.38	21.84	44.67	32.11
Quarters in the year ended 31 December				
2015				
First quarter	27.56	25.33	41.59	38.32
Second quarter	28.80	25.66	43.55	38.90
Third quarter	27.43	22.09	42.68	33.52
Fourth quarter	27.74	22.87	40.41	34.91
2016				
First quarter	28.71	21.84	41.27	32.11
Second quarter	29.28	25.25	41.86	35.14
Third quarter	33.65	27.59	44.67	36.81
Fourth quarter	36.38	30.21	44.33	38.16
2017				
First quarter (to 20 February)	38.89	36.66	48.33	44.96
Month ended				
August 2016	33.65	30.14	44.67	40.31
September 2016	32.85	30.98	43.95	40.66
October 2016	33.22	31.30	42.47	38.81
November 2016	33.31	30.21	41.94	38.16
December 2016	36.38	32.17	44.33	41.14
January 2017	37.85	36.66	47.43	44.96
February 2017 (to 20 February)	38.89	36.81	48.33	46.45

a

Fluctuations in the exchange rates between sterling and the US dollar will affect the dollar equivalent of the sterling price of the ordinary shares on the LSE and, as a result, are likely to affect the market price of ADSs.

Dividend history

The table below sets forth the amounts of ordinary dividends on each ordinary share and special dividends, in respect of each financial year indicated.

	Interim dividend		Final dividend		Total dividend		Special dividend	
	pence	cents	pence	cents	pence	cents	pence	cents
2016	22.6	30.0	N/A^a	64.0	N/A^a	94.0	438.2^b	632.9^b
2015	17.7	27.5	40.3	57.5	58.0	85.0		
2014	14.8	25.0	33.8	52.0	48.6	77.0	174.9 ^b	293.0 ^b
2013	15.1	23.0	28.1	47.0	43.2	70.0	87.1	133.0
2012	13.5	21.0	27.7	43.0	41.2	64.0	108.4 ^b	172.0 ^b
2011	9.8	16.0	24.7	39.0	34.5	55.0		
2010	8.0	12.8	22.0	35.2	30.0	48.0		
2009	7.3	12.2	18.7	29.2	26.0	41.4		
2008 ^b	6.4	12.2	20.2	29.2	26.6	41.4		
2007	5.7	11.5	14.9	29.2	20.6	40.7	200 ^b	
2006	5.1	9.6	13.3	25.9	18.4	35.5	118 ^b	
2005	4.6	8.1	10.7	18.7	15.3	26.8		
2004	4.3	7.7	10.0	19.1	14.3	26.8	72.0 ^b	

^a The sterling amount of the final dividend will be announced on 11 May 2017 using the average of the daily exchange rates from 8 May 2017 to 10 May 2017 inclusive.

^b Accompanied by a share consolidation.

^c IHG changed the reporting currency of its Consolidated Financial Statements from sterling to US dollars effective from the Half-Year Results as at 30 June 2008. Starting with the interim dividend for 2008, all dividends have first been determined in US dollars and converted into sterling prior to payment.

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SHAREHOLDER INFORMATION CONTINUED

*Shareholder profiles***Shareholder profile by type as at 31 December 2016**

Category of shareholder	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
Private individuals	37,186	94.29	10,731,170	5.43
Nominee companies	1,322	3.35	171,537,462	86.85
Limited and public limited companies	771	1.95	12,399,108	6.28
Other corporate bodies	154	0.39	2,787,306	1.41
Pension funds, insurance companies and banks	7	0.02	62,334	0.03
Total	39,440	100	197,517,380	100

Shareholder profile by size as at 31 December 2016

Range of shareholdings	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
1 199	26,328	66.75	1,600,862	0.81
200 499	7,255	18.40	2,263,937	1.15
500 999	3,093	7.84	2,136,043	1.08
1,000 4,999	2,037	5.16	3,903,056	1.98
5,000 9,999	200	0.51	1,401,141	0.71
10,000 49,999	273	0.69	6,049,459	3.06
50,000 99,999	80	0.20	5,868,279	2.97
100,000 499,999	112	0.28	25,611,958	12.97
500,000 999,999	32	0.08	22,940,558	11.61
1,000,000 and above	30	0.08	125,742,087	63.66
Total	39,440	100	197,517,380	100

Shareholder profile by geographical location as at 31 December 2016

Country/Jurisdiction	Percentage of issued share capital^a
UK	53.0
Rest of Europe	15.2

US (including ADRs)	29.4
Rest of world	2.4
Total	100

^a The geographical profile presented is based on an analysis of shareholders (by manager) of 40,000 shares or above where geographical ownership is known. This analysis only captures 90.3% of total issued share capital. Therefore, the known percentage distributions have been multiplied by 100/90.3 (1.107) to achieve the figures shown in the table above.

As of 20 February 2017, 14,821,077 ADSs equivalent to 14,821,077 ordinary shares, or approximately 7.18 per cent of the total issued share capital, were outstanding and were held by 573 holders. Since certain ordinary shares are registered in the names of nominees, the number of shareholders on record may not be representative of the number of beneficial owners.

As of 20 February 2017, there were a total of 39,268 recorded holders of ordinary shares, of whom 261 had registered addresses in the US and held a total of 427,456 ordinary shares (0.21 per cent of the total issued share capital).

Table of Contents**Exhibits**

The following exhibits are filed as part of this Annual Report on Form 20-F with the SEC.

Exhibit 1 ^a	Articles of Association of the Company (incorporated by reference to Exhibit 1 of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 11 April 2011)
Exhibit 4(a)(i)	Amended and restated trust deed dated 11 August 2016 relating to a £2 billion Euro Medium Term Note Programme, among InterContinental Hotels PLC, Six Continents Limited, InterContinental Hotels Limited and HSBC Corporate Trustee Company (UK) Limited.
Exhibit 4(a)(ii) ^a	Share sale and purchase agreement relating to InterContinental Hong Kong, between Hotel InterContinental London (Holdings) Limited and Supreme Key Limited dated 10 July 2015 (incorporated by reference to Exhibit 4a(i) of the InterContinental Hotels Group plc Annual Report on Form 20-F (File No. 1-1040.9) dated 3 March 2016)
Exhibit 4(a)(iii) ^a	Five-year \$1.275 billion bank facility agreement dated 30 March 2015, among InterContinental Hotels Group PLC and certain of its subsidiaries, and Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Citibank, N.A. London Branch, Commerzbank Aktiengesellschaft, London Branch, DBS Bank Ltd., London Branch, HSBC Bank plc, SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Royal Bank Of Scotland plc, U.S. Bank National Association and Wells Fargo Bank N.A., London Branch (incorporated by reference to Exhibit 4a(iii) of the InterContinental Hotels Group plc Annual Report on Form 20-F (File No. 1-1040.9) dated 3 March 2016)
Exhibit 4(a)(iv) ^a	\$400 million bank facility agreement dated 13 January 2015, among InterContinental Hotels Group PLC and certain of its subsidiaries, and Bank of America Merrill Lynch International Limited (incorporated by reference to Exhibit 4(a)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(c)(i) ^a	Paul Edgecliffe-Johnson's service contract dated 6 December 2013, commencing on 1 January 2014 (incorporated by reference to Exhibit 4(c)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2014)
Exhibit 4(c)(ii) ^a	Tracy Robbins' service contract dated 9 August 2011 (incorporated by reference to Exhibit 4(c)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 29 March 2012)
Exhibit 4(c)(iii) ^a	Richard Solomons' service contract dated 16 March 2011, commencing on 1 July 2011 (incorporated by reference to Exhibit 4(c)(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 11 April 2011)
Exhibit 4(c)(iv) ^a	Rules of the InterContinental Hotels Group Long Term Incentive Plan as amended on 2 May 2014 (incorporated by reference to Exhibit 4(c)(ix) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(c)(v) ^a	Rules of the InterContinental Hotels Group Annual Performance Plan as amended on 2 May 2014 (incorporated by reference to Exhibit 4(c)(x) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 8	List of subsidiaries as at 31 December 2016 (can be found on pages 143 to 145)

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Exhibit 12(a)	Certification of Richard Solomons filed pursuant to 17 CFR 240.13a 14(a)
Exhibit 12(b)	Certification of Paul Edgecliffe-Johnson filed pursuant to 17 CFR 240.13a 14(a)
Exhibit 13(a)	Certification of Richard Solomons and Paul Edgecliffe-Johnson furnished pursuant to 17 CFR 240.13a 14(b) and 18 U.S.C.1350
Exhibit 15(a)	Consent of independent registered public accounting firm, Ernst & Young LLP

^aIncorporated by reference.

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Glossary

adjusted

excluding the effect of exceptional items and any relevant tax.

ADR

an American Depositary Receipt, being a receipt evidencing title to an ADS.

ADR Depositary (JPMorgan)

JPMorgan Chase Bank N.A.

ADS

an American Depositary Share as evidenced by an ADR, being a registered negotiable security, listed on the New York Stock Exchange, representing one ordinary share of 18³¹⁸/₃₂₉ pence each of the Company.

AGM

Annual General Meeting of InterContinental Hotels Group PLC.

AMEA

Asia, Middle East and Africa.

Annual Report

The Annual Report and Form 20 F in relation to the years ending 31 December 2015 or 2016 as relevant.

APP

Annual Performance Plan.

Articles

the Articles of Association of the Company for the time being in force.

average daily rate

rooms revenue divided by the number of room nights sold.

basic earnings per ordinary share

profit available for IHG equity holders divided by the weighted average number of ordinary shares in issue during the year.

Board

The Board of Directors of InterContinental Hotels Group plc.

capital expenditure

purchases of property, plant and equipment, intangible assets, associate and joint venture investments, and other financial assets.

cash-generating units (CGUs)

the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Code

UK Corporate Governance Code issued in September 2014 by the Financial Reporting Council in the UK.

Companies Act

the Companies Act 2006, as amended from time to time.

Company or Parent Company

InterContinental Hotels Group PLC.

comparable RevPAR

a comparison for a grouping of hotels that have traded in all months in financial years being compared. Principally excludes new hotels, hotels closed for major refurbishment and hotels sold in either of the two years.

constant currency

a current-year value translated using the previous year's exchange rates.

contingencies

liabilities that are contingent upon the occurrence of one or more uncertain future events.

continuing operations

operations not classified as discontinued.

currency swap

an exchange of a deposit and a borrowing, each denominated in a different currency, for an agreed period of time.

Deferred Compensation Plan

the Defined Contribution Deferred Compensation Plan

derivatives

financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.

direct channels

methods of booking hotel rooms (both digital and voice) not involving third party intermediaries.

Director

a director of InterContinental Hotels Group PLC.

DR Policy

Directors Remuneration Policy. The revised DR Policy is on pages 76 to 81 of this Report.

EBIT

earnings before interest and tax.

EBITDA

earning before interest, tax, depreciation and amortisation.

Employee Engagement survey

we ask our employees and those who work in our managed hotels (excluding our joint venture hotels) to participate in a survey to measure employee engagement.

EU

the European Union.

euro or

the currency of the European Economic and Monetary Union.

exceptional items

items that are disclosed separately because of their size or nature.

extended-stay

hotels designed for guests staying for periods of time longer than a few nights and tending to have a higher proportion of suites than normal hotels (Staybridge Suites and Candlewood Suites).

fee margin or fee-based margin

operating profit as a percentage of revenue, excluding revenue and operating profit from owned and leased hotels, managed leases, Kimpton in 2015 only, and significant liquidated damages.

franchisee

an owner who uses a brand under licence from IHG.

goodwill

the difference between the consideration given for a business and the total of the fair values of the separable assets and liabilities comprising that business.

Group or IHG

the Company and its subsidiaries.

Guest Love

IHG's guest satisfaction measurement tool used to measure brand preference and guest satisfaction.

Guest Reservation System or GRS

our global electronic guest reservation system, currently HOLIDEX, IHG's proprietary system.

hedging

the reduction of risk, normally in relation to foreign currency or interest rate movements, by making offsetting commitments.

hotel revenue

revenue from all revenue-generating activity undertaken by managed and owned and leased hotels, including room nights, food and beverage sales.

IASB

International Accounting Standards Board.

ICETUS

InterContinental Executive Top-Up Scheme.

IC Plan

InterContinental Hotels UK Pension Plan.

IFRS

International Financial Reporting Standards as adopted by the EU and issued by the IASB.

IHG PLC

InterContinental Hotels Group PLC.

indirect channels

online travel intermediaries and business and leisure travel agents.

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interest rate swap

an agreement to exchange fixed for floating interest rate streams (or vice versa) on a notional principal.

liquidated damages

payments received in respect of the early termination of franchise and management contracts.

LTIP

Long Term Incentive Plan.

managed leases

properties structured as operating leases but with the same characteristics as management contracts.

management contract

a contract to operate a hotel on behalf of the hotel owner.

market capitalisation

the value attributed to a listed company by multiplying its share price by the number of shares in issue.

net debt

borrowings less cash and cash equivalents, including the exchange element of the fair value of currency swaps hedging the borrowings.

net rooms supply

net total number of IHG system hotel rooms.

NYSE

New York Stock Exchange.

occupancy rate

rooms occupied by hotel guests, expressed as a percentage of rooms that are available.

ordinary share

from 9 October 2012 until 30 June 2014, the ordinary shares of $14^{194}/_{329}$ pence each in the Company; from 1 July 2014, the ordinary shares of $15^{265}/_{329}$ pence each in the Company; and from 6 May 2016 the ordinary shares of $18^{318}/_{329}$ pence each in the Company.

owner

the ultimate owner of a hotel property.

pipeline

hotels/rooms that will enter the IHG System at a future date. A new hotel only enters the pipeline once a contract has been signed and the appropriate fees paid. In rare circumstances, a hotel will not open for reasons such as the financing being withdrawn.

ppt

a percentage point is the unit for the arithmetic difference of two percentages.

revenue management

the employment of pricing and segment strategies to optimise the revenue generated from the sale of room nights.

revenue per available room or RevPAR

rooms revenue divided by the number of room nights that are available (can be mathematically derived from occupancy rate multiplied by average daily rate).

room count

number of rooms franchised, managed, owned or leased by IHG.

rooms revenue

revenue generated from the sale of room nights.

royalties

fees, based on rooms revenue, that a franchisee pays to the Group.

SEC

US Securities and Exchange Commission.

Six Continents

Six Continents Limited; previously Six Continents PLC and re-registered as a private limited company on 6 June 2005.

sterling or pounds sterling, £, pence or p

the pound sterling, the currency of the United Kingdom.

subsidiary

a company over which the Group exercises control.

System

hotels/rooms operating under franchise and management agreements together with IHG owned and leased hotels/rooms, globally (the IHG System) or on a regional basis, as the context requires.

System contribution to revenue

per cent of rooms revenue delivered through IHG's direct and indirect systems and channels.

System Fund or Fund

assessment fees and contributions collected from hotels within the IHG System which fund specifically marketing, the IHG Rewards Club loyalty programme and the global reservation system.

technology fee income

income received from hotels under franchise and management agreements for the use of IHG's Guest Reservation System.

total gross revenue

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

Total Shareholder Return or TSR

the theoretical growth in value of a shareholding over a period, by reference to the beginning and ending share price, and assuming that dividends, including special dividends, are reinvested to purchase additional units of the equity.

UK

the United Kingdom.

UK GAAP

United Kingdom Generally Accepted Accounting Practice.

underlying fee revenue

Group revenue excluding revenue from owned and leased hotels, managed leases, and significant liquidated damages.

US

the United States of America.

US 401(k) Plan

the Defined Contribution 401(k) plan.

US dollars, US\$, \$ or ¢

the currency of the United States of America.

working capital

the sum of inventories, receivables and payables of a trading nature, excluding financing and taxation items.

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Useful information

Investor information

Website and electronic communication

As part of IHG's commitment to reduce the cost and environmental impact of producing and distributing printed documents in large quantities, this Annual Report and Form 20-F 2016 has been made available to shareholders through our website at www.ihgplc.com/investors under Annual Report.

Shareholders may electronically appoint a proxy to vote on their behalf at the 2017 AGM. Shareholders who hold their shares through CREST may appoint proxies through the CREST electronic proxy appointment service, by using the procedures described in the CREST Manual.

Shareholder hotel discount

IHG offers discounted hotel stays (subject to availability) for registered shareholders only, through a controlled-access website. This is not available to shareholders who hold shares through nominee companies, ISAs or ADRs. For further details please contact the Company Secretary's office (see page 187).

Responsible Business Report

In line with our commitment to responsible business practices, this year we have produced a Responsible Business Report showcasing our approach to responsible business and progress against our corporate responsibility targets. Visit www.ihgplc.com/responsible-business for details.

The IHG® Foundation

Launched in 2016, the IHG Foundation is an independent charitable trust that sets the foundations for stronger, healthier and more prosperous communities around the world. Visit www.ihgfoundation.com to learn more.

Registrar

For information on a range of shareholder services, including enquiries concerning individual shareholdings, notification of a shareholder's change of address and amalgamation of shareholder accounts (in order to avoid duplicate mailing of shareholder communications), shareholders should contact the Company's Registrar, Equiniti, on 0371 384 2132a (calls from within the UK) or +44 (0) 121 415 7034 (calls from outside the UK).

Dividend services

Dividend Reinvestment Plan (DRIP)

The Company offers a DRIP for shareholders to purchase additional IHG shares with their cash dividends. For further information about the DRIP, please contact our Registrar helpline on 0371 384 2268a. See www.shareview.co.uk/info/drip for a DRIP application form and information booklet.

Bank mandate

We encourage shareholders to have their dividends paid directly into their UK bank or building society accounts, to ensure efficient payment and clearance of funds on the payment date. For further information, please contact our Registrar (see page 187).

Overseas payment service

It is also possible for shareholders to have their dividends paid directly to their bank accounts in a local currency. Charges are payable for this service.

Go to www.shareview.co.uk/info/ops for further information.

Out-of-date/unclaimed dividends

If you think that you have out-of-date dividend cheques or unclaimed dividend payments, please contact our Registrar (see page 187).

Individual Savings Account (ISA)

Equiniti offers a Stocks and Shares ISA that can invest in IHG shares. For further information, please contact Equiniti on 0371 384 2244a.

Share dealing services

Equiniti offers the following share-dealing facilities.

Postal dealing

For more information, call 0371 384 2248^a.

Telephone dealing

For more information, call 0345 603 7037^b.

Internet dealing

Visit www.shareview.co.uk for more information.

Changes to the base cost of IHG shares

Details of all the changes to the base cost of IHG shares held from April 2003 to December 2016, for UK Capital Gains Tax purposes, may be found on our website at www.ihgplc.com/investors under Shareholder centre in the Tax information section.

Gone away shareholders

Working with ProSearch (an asset reunification company), we continue to look for shareholders who have not kept their contact details up to date. We have funds waiting to be claimed and are committed to doing what we can to pay these to their rightful owners. Please contact ProSearch on +44 (0) 800 612 3664 or email info@prosearchassets.com for further details.

Shareholder security

Many companies have become aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from brokers who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms. More detailed information on this or similar activity can be found at www.fca.org.uk/consumers/ on the Financial Conduct Authority website.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

American Depositary Receipts (ADRs)

The Company's shares are listed on the NYSE in the form of American Depositary Shares, evidenced by ADRs and traded under the symbol IHG. Each ADR represents one ordinary share. All enquiries regarding ADR holder accounts and payment of dividends should be directed to JPMorgan Chase Bank, N.A., our ADR Depositary bank (contact details shown on page 187).

Documents on display

Documents referred to in this Annual Report and Form 20-F that are filed with the SEC can be found at the SEC's public reference room located at 100 F Street, NE Washington, D.C. 20549. For further information and copy charges please call the SEC at 1-800-SEC-0330. The Company's SEC filings since 22 May 2002 are also publicly available through the SEC's website at www.sec.gov. Copies of the Company's Articles can be obtained via the website at www.ihgplc.com/investors under corporate governance or from the Company's registered office on request.

^a Lines are open from 8.30am to 5.30pm Monday to Friday, excluding UK public holidays.

^b Lines are open from 8.00am to 4.30pm Monday to Friday, excluding UK public holidays.

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	2016
2016 Special dividend of 438.2p per ordinary share (632.9¢ per ADR)	
Record date	6 May
Ex-dividend date	9 May
Payment date	23 May
2016 Interim dividend of 22.6p per share (30.0¢ per ADR)	
Payment date	7 October
	2017
2016 Final dividend of 64.0¢ per ordinary share ^a	
Ex-dividend date	4 May
Record date	5 May
Payment date	22 May

Other dates

	2016
Financial year end	31 December
	2017
Announcement of Preliminary Results for 2016	21 February
Announcement of 2017 First Quarter	5 May
Interim Management Statement	
Annual General Meeting	5 May
Announcement of Half-Year Results for 2017	8 August
Announcement of 2017 Third Quarter	20 October
Interim Management Statement	
Financial year end	31 December
	2018
Announcement of Preliminary Results for 2017	February

^a The sterling amount of the final dividend will be announced on 11 May 2017 using the average of the daily exchange rates from 8 May 2017 to 10 May 2017 inclusive.

Contacts

Registered office

Broadwater Park, Denham, Buckinghamshire, UB9 5HR,

United Kingdom

Telephone:

+44 (0) 1895 512 000

Fax:

+44 (0) 1895 512 101

www.ihgplc.com

For general information about the Group's business, please contact the Corporate Affairs department at the above address. For all other enquiries, please contact the Company Secretary's office at the above address.

Registrar

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom

Telephone:

0371 384 2132 (UK calls)

+44 (0) 121 415 7034 (non-UK calls)

For those with hearing difficulties a text phone is available on 0371 384 2255 for UK callers with compatible equipment.

www.shareview.co.uk

ADR Depository

JPMorgan Chase Bank N.A., PO Box 64504, St. Paul, MN 55120-0854, United States of America

Telephone:

+1 800 990 1135 (US calls) (toll-free)

+1 651 453 2128 (non-US calls)

Email: jpmorgan.adr@wellsfargo.com

www.adr.com

Auditor

Ernst & Young LLP

Investment bankers

Bank of America Merrill Lynch

Goldman Sachs

Solicitors

Freshfields Bruckhaus Deringer LLP

Stockbrokers

Bank of America Merrill Lynch

Goldman Sachs

IHG® Rewards Club

If you wish to enquire about, or join, IHG Rewards Club,

visit www.ihg.com/rewardsclub or telephone:

0871 226 1111^a (UK)

+44 20 3349 9033^b (Europe and Africa)

+1 888 211 9874^c (US and Canada)

+1 800 272 9273^c (Mexico)

+1 801 975 3063^d (English) (Central and South America)

+1 801 975 3013^d (Spanish) (Central and South America)

+971 4 429 0530^d (Middle East)

+02 9935 8362^d (Australia)

+86 21 2033 4848^d (Mandarin and Cantonese) (China and Hong Kong)

+81 3 5767 9325^d (Japan)

+63 2 857 8778^d (Korea)

+63 2 857 8788^d (all other countries in Asia Pacific)

^a Telephone calls to this number are charged at 13p per minute. Standard network rates apply. Calls from mobiles will be higher.

^b International calling rates apply.

^c Toll-free.

^d Toll charges apply.

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Forward-looking statements

The Annual Report and Form 20-F 2016 contains certain forward-looking statements as defined under US legislation (Section 21E of the Securities Exchange Act of 1934) with respect to the financial condition, results of operations and business of InterContinental Hotels Group and certain plans and objectives of the Board of Directors of InterContinental Hotels Group PLC with respect thereto. Such statements include, but are not limited to, statements made in the Chairman's statement and in the Chief Executive Officer's review. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", or other words of similar nature. Forward-looking statements are based on assumptions and assessments made by InterContinental Hotels Group's management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. There are a number of factors that could cause actual results and developments to differ materially from those expressed in, or implied by, such forward-looking statements, including, but not limited to: the risks of political and economic developments; the risk of events that adversely impact domestic or international travel; the risks of the hotel industry supply-and-demand cycle; the Group being subject to a competitive and changing industry;

the Group's exposure to risks related to executing and realising benefits from strategic transactions, including acquisitions; the Group's dependence upon a wide range of external stakeholders and business partners; the Group's exposure to increasing competition from online travel agents and intermediaries; the risks related to identifying, securing and retaining franchise and management agreements; the risks in relation to changing technology and systems; the Group's reliance on the reputation of its brands and is exposed to inherent reputation risks; the Group's exposure to risks associated with its intellectual property; the risks involved in the Group's reliance upon its reservation system and other key technology platforms, and the risks that could cause the failure of these systems; the risks associated with safety, security and crisis management; the ability to acquire and retain the right people, skills and capability to manage growth and change; the risks associated with the Group's financial stability and its ability to borrow and satisfy debt covenants; the risk of litigation; the risks related to information security and data privacy; compliance with existing and changing regulations and societal expectations across numerous countries, territories and jurisdictions; and the risks associated with insuring its business.

The main factors that could affect the business and financial results are described in the Strategic Report of the Annual Report and Form 20-F 2016.

Designed and produced by **Addison Group**

www.addison-group.net

Managed by **RR Donnelley**

InterContinental Hotels Group PLC's commitment to environmental issues is reflected in this Annual Report.

This report has been printed on Symbol Matt Plus. Environmental friendly ECF (Elemental Chlorine Free Guaranteed) paper, certified by the FSC® (Forest Stewardship Council). Containing a High content of selected recycled materials (minimum 25% guaranteed).

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Web www.ihgplc.com

Make a booking at www.ihg.com

InterContinental Lijiang Ancient Town Resort,

People's Republic of China

InterContinental Hotels & Resorts

The world's largest luxury hotel brand,
celebrated its 70th anniversary in 2016.

With more than 185 InterContinental
hotels worldwide, we have the international
know-how and local cultural wisdom to
deliver The InterContinental Life .

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

INTERCONTINENTAL
HOTELS GROUP PLC
(Registrant)

By: /s/ Paul Edgecliffe-Johnson

Name: Paul Edgecliffe-Johnson
Title: Chief Financial Officer

Date: 2 March 2017