NETWORK 1 SECURITY SOLUTIONS INC
Form EFFECT
May 04, 2009

sp;

Governance 87

Table of Contents

Directors Remuneration Report continued

Annual Report on Directors Remuneration continued

Notes to Single total figure of remuneration Executive Directors

Salary: salary paid for the year; for Kirk Kinsell this shows actual salary paid converted into sterling.

Benefits: principal taxable benefits arising from the individuals employment in 2013 are set out in the table below:

	Company car	Healthcare	Financial counselling	Life cover	Taxable expenses[4]	Expatriate-related benefits
Director	**£**	**£**	**£**	**£**	**£**	**£**
Richard Solomons	20,220[1]	2,139	nil	nil[3]	11,661	nil
Kirk Kinsell	nil	5,247	3,195	2,747	13,395	60,554[5]
Tracy Robbins	15,468[2]	1,328	nil	nil[3]	4,504	nil
Tom Singer	19,290[2]	nil	nil	nil[3]	9,537	nil

1 P11D value of the company car.
2 Car allowance.
3 Life cover is provided through the IC Plan and, therefore, is not an individual taxable benefit.
4 Includes expenses that are taxable, such as travel and accommodation to attend Board meetings away from home locations.
5 Kirk Kinsell received expatriate benefits relating to his international assignment prior to taking up his Board appointment as President, The Americas, on 13 June 2011. This included tax equalisation on the vesting of LTIP awards granted whilst on assignment.

2013 APP

The weighting, measures and targets relating to the APP are determined by the Committee, on an annual basis, in line with our strategic objectives. The measures for 2013 were:

Guest satisfaction as measured by the Guest HeartBeat score: year-on-year improvement;

Employee Engagement survey score: year-on-year improvement; and

EBIT achievement against target (corporate and regional).

A combination of global and regional targets were used. Executive Directors with only global roles were subject to global measures. Kirk Kinsell was subject to partly regional measures, reflecting his regional role as President, The Americas.

In common with shareholders, Executive Directors were eligible to receive dividends or dividend equivalents on the deferred share awards from the date of grant.

Why do we use these measures?

Guest HeartBeat score	**Employee Engagement survey score**	**EBIT vs target**
Guest HeartBeat is part of the guest satisfaction survey. It is an overall guest satisfaction score relating to hotel visits. It is a robust measure of the strength of our brands. Inclusion in the APP provides executive focus on this key performance metric at global and regional level.	We measure employee engagement because our brands are, effectively, a promise kept by our people, as engaged colleagues, to deliver a great guest experience. Engaged employees are key to our business. Our Employee Engagement survey is a long-established tool in our business.	EBIT is a key measure of business performance for our shareholders. It is a function of other critical measures: net rooms growth, RevPAR, profit margin and fee revenues.

Table of Contents

Award levels relate to achievement against target under each of the measures, as shown below:

	Guest HeartBeat 20% of award	Employee Engagement 10% of award	EBIT 70% of award	Total award % of salary
Threshold				
Achievement vs target	50%	50%	90%	
Award level	50% of target payment	50% of target payment	50% of target payment	
	11.5% of salary	5.75% of salary	40.25% of salary	**57.5%**
Target				
Achievement vs target	100%	100%	100%	
Award level	100% of target payment	100% of target payment	100% of target payment	
	23% of salary	11.5% of salary	80.5% of salary	**115%**
Maximum				
Achievement vs target	200%	200%	110%	
Award level	Maximum payment	Maximum payment	Maximum payment	
	40% of salary	20% of salary	140% of salary	**200%**

The actual award level was determined on a straight-line basis between threshold and target, and target and maximum, and relates to achievement vs target under each measure:

Threshold is the minimum level that must be achieved for there to be an award in relation to that measure; for achievement below this, no award is made.

Target is the target level of achievement and results in a target award for that measure (115% of salary).

Maximum is the level of achievement at which a maximum award for that measure is received (200% of salary).
Threshold award was subject to a global EBIT affordability gate such that:

if global EBIT was below 85% of target, no award would be made; and

if global EBIT was between 85% and 90% of target, half of any award relating to the Guest HeartBeat and/or Employee Engagement survey measures would be made.

The Guest HeartBeat target for 2013 was based on scores compiled directly from guest feedback. Guest HeartBeat measures overall guest satisfaction with a hotel visit, based on a 10-point scale. It takes a common and consistent approach for all brands in all regions. The targets were set taking into account corporate strategic objectives at global and regional levels with a focus on year-on-year improvement in guest service scores and the quality of IHG branded hotels.

Our Employee Engagement survey scores are already high against benchmarks both globally and in our priority markets, such as Greater China; IHG has seen an 18 percentage point increase across the Group in the last five years. According to our third-party survey administrator, TNS, who provides similar services to many other companies, Employee Engagement survey scores for high-performing companies (the top 7% of companies) have remained flat since 2010, and service companies have reduced by an average of 1.5% year-on-year. In this context, the Committee considered setting a target based on further year-on-year improvement to be stretching. The Employee Engagement survey covers all employees and those working in our owned and managed hotels (excluding our joint venture partners).

Outcome for 2013 (audited information)

Group EBIT achieved for 2013 was 102.5% of target. For The Americas, EBIT achievement was 101.2% of target. The EBIT element of Kirk Kinsell s award was based 50/50 on Group/The Americas results and for the other Executive Directors, it is based wholly on global results. Based on performance, the following table shows the level of 2013 awards. Under the terms of the APP, participants are subject to an automatic adjustment to their award if they do not fully exceed targets on a range of regional and organisational objectives. 50% will be paid in cash and 50% in deferred IHG shares that will vest after three years in February 2017. 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, apart from Kirk Kinsell, whose deferred share award is in the form of a conditional share award with dividend equivalents.

	Guest HeartBeat	Employee Engagement	EBIT		Total
Director		**Award as**		**Award as**	

	Achievement vs target (%)	Award as % of salary	Achievement vs target (%)	% of salary	Achievement vs target (%)	% of salary	Award as % of salary
Richard Solomons	100.1	**25.0**	200.0	**23.0**	102.5	**100.6**	148.6
Kirk Kinsell	100.1	**24.8**	200.0	**23.0**	101.8	**95.4**	107.4
Tracy Robbins	100.1	**25.0**	200.0	**23.0**	102.5	**100.6**	148.6
Tom Singer	100.1	**25.0**	200.0	**23.0**	102.5	**100.6**	74.3[1]

[1] As a result of Tom Singer s resignation from IHG with effect from 1 January 2014, Tom Singer will receive only the 50% cash portion of the 2013 APP award in accordance with the plan rules.

2013 Group EBIT includes certain liquidated damages payments (LDs), and in determining the outcome under the APP, the Committee has applied a discount to these payments to reflect the resulting loss of future income to the Group. In addition, the Committee has exercised discretion to adjust regional EBIT achievement levels. The percentage by which global EBIT is reduced by way of discount to the LDs received, has also been applied to reduce each region s EBIT for the purposes of determining APP awards.

Actual 2013 targets under each measure are not disclosed as they are, in the opinion of the Directors, commercially sensitive. Disclosure would provide IHG s major competitors with an unfair commercial advantage as these companies are either unlisted or listed on a stock exchange other than the London Stock Exchange, and therefore not subject to the same regulations.

Table of Contents

Directors Remuneration Report continued

Annual Report on Directors Remuneration continued

2011/13 LTIP

The performance measures for each three-year LTIP cycle are set by the Committee. Awards are made annually and eligible executives will receive shares at the end of that cycle, subject to achievement of the performance measures. The performance measures for the 2011/13 cycle were:

relative growth in net rooms over three years;

relative like-for-like RevPAR growth over three years; and

IHG s TSR relative to the Dow Jones Global Hotel (DJGH) index.

Growth in net rooms and RevPAR is measured on a relative basis against the comparator group, comprising the following major, globally branded competitors: Accor, Choice, Hilton, Hyatt, Marriott, Starwood and Wyndham.

These performance measures are also used for the 2012/14 and 2013/15 LTIP cycles, granted in 2012 and 2013 respectively.

Why do we use these measures?

Net rooms growth	RevPAR growth	TSR vs DJGH
This measures the net growth in the total number of IHG hotel rooms over the duration of the cycle relative to our major global competitors. Together with the RevPAR measure, it provides focus on ensuring a balance between the quality of IHG hotels and the speed at which IHG grows.	This measures success in growing our rates for the rooms we have open for the duration of the cycle relative to the RevPAR growth of our major global competitors.	This measures the return to shareholders by investing in IHG relative to our competitors in the appropriate comparator group, currently the DJGH index.

In order to generate higher returns for our shareholders, we need to increase revenue share, improve operating efficiency and grow margins through increasing the number of rooms we have available to sell, as well as generating more RevPAR for those rooms. By focusing on both net rooms growth and RevPAR growth, we are rewarding the balanced approach to growth that will support the long-term increase in shareholder value.

Outcome for 2011/13 cycle (audited information)

This cycle vested on 19 February 2014 as follows:

formance sure	Threshold performance	Maximum performance	Threshold/ maximum vesting	Weighting	Maximum award (% of salary at date of award)	Actual performance vs comparator group	Outcome (% of maxi award vesti
ooms th	Average of the comparator group	1st in the comparator group	20% / 100%	25%	51.25%	Below average	0%
AR growth	Average of the comparator group	1st in the comparator group	20% / 100%	25%	51.25%	Slightly above average	9%
	Growth equal to the DJGH index	Growth exceeds the index by 8% per year or more	20% / 100%	50%	102.5%	Growth exceeded index by 10.4%	50%
l vesting ome							**59%**

Net rooms and RevPAR growth were measured by reference to the three years ending 30 September 2013; TSR was measured by reference to the three years ending 31 December 2013.

Pension benefit: the value of Company contributions to pension plans and any cash allowances paid in lieu of pension contributions.

For 2012, the figure for Richard Solomons shows the increase in his pension value as a member of the executive defined benefit section of the IC Plan, which arose principally from his salary review when appointed Chief Executive Officer in July 2011. The defined benefit section of the IC Plan closed to future accruals for existing members on 30 June 2013 and therefore the 2013 pension figure for Richard Solomons also includes a cash allowance in lieu of pensions contributions for the period from 1 July 2013.

Table of Contents

Total pension entitlements (audited information)

From 2014, two changes to pension arrangements are being made in line with the objective of significantly reducing the defined benefit liability and risks in the Company s balance sheet.

Richard Solomons is eligible for the Enhanced Early Retirement Facility (EERF), which is available to all members of the plan. Richard Solomons facility is being phased out in line with all other plan members meaning that he could retire without reduction to his pension from approximately age 58 and no earlier. This provision only applies on consent of the Company. Prior to the phasing out, Richard Solomons was eligible to retire without reduction from age 55.

Although the EERF is non-contractual, as part of the consultation with employees and the plan trustees with regards to the changes in the defined benefit section of the IC Plan in June 2013, it was agreed at that time that the EERF would be retained. However, the decision has now been made to phase out this facility as part of the process of redrawing the Company s pension arrangements. The EERF terms require an executive to obtain Company consent.

Richard Solomons participated in the executive defined benefit section of the IC Plan and the unfunded InterContinental Executive Top-Up Scheme (ICETUS) until June 2013, when they both closed to future accruals.

As set out in the Remuneration Committee Chairman s statement, in 2014 the Company is looking to reduce the risks and volatility from the remaining unfunded ICETUS pension arrangements by offering members an opportunity to cash out the ICETUS element of their pension on a basis that is fair and reasonable, both to them and to shareholders. Currently, approximately 11 UK employed executives participate in the ICETUS arrangement.

This is part of the process of redrawing IHG s pension arrangements and minimising the future risks to the company. In the event the cash-out offer is accepted by an Executive Director, details will be disclosed in the relevant Annual Report on Directors Remuneration. This is in relation to previously disclosed benefits.

The main features of the executive defined benefit section of the IC Plan, which is a funded, final salary, occupational scheme are:

- normal pension age of 60 (9 October 2021, for Richard Solomons);
- pension accrual of 1/30th of final pensionable salary for each year of pensionable service;
- life assurance cover of four times pensionable salary;
- pensions payable in the event of ill-health; and
- spouse s, partner s and dependents pensions on death.

Following the closure of these arrangements to future accrual from July 2013, Richard Solomons receives a cash sum in lieu of pension contributions.

Richard Solomons 2013 pension benefits are as follows:

	£
Director s contributions for the year	17,760
Deemed capital value of accrued benefits as at 1 January 2013[1]	7,544,000
Deemed capital value of accrued benefits at 31 December 2013[1]	7,886,000
Increase in transfer value over the year	342,000
Absolute increase in accrued pension per annum	17,100
Increase in accrued pension (ie excluding inflation) per annum	5,400

[1] The capital values disclosed above are based on the HM Revenue & Customs methodology of valuing pensions at 20 times their annual amounts, which is in line with the Single Figure value stated elsewhere in these Accounts; the 2012 Accounts included values calculated on an actuarial basis, which was in line with regulations applicable at the time.

	£
Accrued value of annual pension if retired at 31 December 2013	272,050 of which:
	49,640 is funded
	222,410 is unfunded
Accrued value of annual pension at 31 December 2013, assuming retirement at normal age (9 October 2021)	394,300 of which:
	71,950 is funded
	322,350 is unfunded
Additional annual pension benefit on early retirement under EERF at 31 December 2013	78,860 of which:
	14,390 is funded
	64,470 is unfunded

In addition, in 2013 Richard Solomons received a cash

allowance in lieu of pension contributions of £110,850

The breakdown of the pension element of the single figure for 2012 and 2013 for Richard Solomons is as follows:

	2013	2012
	£000	£000
Pension benefit under defined benefit section of IC Plan	135	1,140
Cash allowance in lieu of pension contribution	111	
Total	246	1,140

Governance 91

Table of Contents

Directors   Remuneration Report continued

Annual Report on Directors   Remuneration continued

Tracy Robbins did not participate in any IHG pension plan in 2013. As a result of the reduction in the Lifetime Allowance in 2012, contributions ceased and instead Tracy Robbins receives a cash allowance in lieu of pension contributions. For 2013, the cash allowance received was £126,400.

Tom Singer did not participate in any IHG pension plan and for 2013, received a cash allowance of £164,400.

Life assurance cover of four times pensionable salary was also provided for both Tracy Robbins and Tom Singer.

Kirk Kinsell participates in the US 401(k) Plan and the US Deferred Compensation Plan. The US 401(k) Plan is a tax qualified plan providing benefits on a defined contribution basis, with the member and relevant company both contributing. The US Deferred Compensation Plan is a non-tax qualified plan, providing benefits on a defined contribution basis, with the member and the relevant company both contributing.

Contributions made by, and in respect of, Kirk Kinsell in these plans for the year ended 31 December 2013 were:

Item	**£[1]**
Director s contributions to US Deferred Compensation Plan	164,912
Director s contributions to US 401(k) Plan	14,720
Company contributions to US Deferred Compensation Plan	107,726
Company contributions to US 401(k) Plan	6,528
Age at 31 December 2013	**58**

[1] Sterling values have been calculated using an exchange rate of $1=£0.64.

Scheme interests awarded during 2013 (audited information)

During 2013, awards relating to shares were granted under the 2013/15 LTIP. Awards were made to each Executive Director over shares with a value of 205% of salary using an average share price over the three business days immediately prior to grant. These are in the form of conditional awards over IHG shares and do not carry the right to dividends or dividend equivalents during the vesting period. These awards will vest, and the shares will be transferred to the award holder in February 2016 to the extent performance targets are met (see page 90 for an explanation of the

performance measures).

Executive Director	Award date	Maximum shares awarded	Market price per share at grant[1] £	Face value of award at grant £000	Number of shares received if minimum performance achieved[2]
2013/15 cycle					
Richard Solomons	5 April 2013	76,319	19.85	1,515	15,263
Kirk Kinsell	5 April 2013	53,049	19.85	1,053	10,609
Tracy Robbins	5 April 2013	43,819	19.85	870	8,763
Tom Singer[3]	5 April 2013	56,883	19.85	1,129	11,376

[1] Share price was the closing mid-market share price on 4 April 2013.
[2] Minimum performance is equal to 20% of maximum award.
[3] Tom Singer s award lapsed as a result of his resignation with effect from 1 January 2014.
The vesting date for these awards is the day after the announcement of our annual results in 2016. Net rooms growth and RevPAR growth will be measured by reference to the three years ending 30 September 2015; TSR will be measured by reference to the three years ending 31 December 2015.

Other outstanding awards

During 2012, awards relating to shares were granted under the 2012/14 LTIP, as shown below on the same basis as the 2013/15 LTIP cycle (shown above). These awards will vest in February 2015 to the extent performance targets are met (see page 90 for an explanation of the performance measures).

Executive Director	Award date	Maximum shares awarded	Market price per share at grant[1] £	Face value of award at grant £000	Number of shares received if minimum performance achieved[2]
2012/14 cycle					
Richard Solomons	5 April 2012	103,722	14.25	1,478	20,744
Kirk Kinsell	5 April 2012	68,463	14.25	976	13,692
Tracy Robbins	5 April 2012	59,270	14.25	845	11,854
Tom Singer[3]	5 April 2012	51,789	14.25	738	10,358

[1] Share price was the closing mid-market share price on 4 April 2012.
[2] Minimum performance is equal to 20% of maximum award.
[3] Following Tom Singer s resignation with effect from 1 January 2014, Tom Singer s award will vest in line with the LTIP plan rules on a pro-rated basis for the proportion of the performance period in which Tom Singer remained in employment, as determined by the Committee. The pro-rated award is shown in the table above. Vesting will not be accelerated.
The vesting date for these awards is the day after the announcement of our annual results in 2015. Net rooms growth and RevPAR growth will be measured by reference to the three years ending 30 September 2014; TSR will be

measured by reference to the three years ending 31 December 2014.

Table of Contents

Current position on outstanding awards

Details of the performance measures and potential vesting outcomes for outstanding awards as at 31 December 2013 are as follows:

Performance measure	Threshold performance	Maximum performance	Threshold/ maximum vesting	Weighting	Maximum award (% of salary)	Potential vesting outcome
2013/15 cycle						
Net rooms growth	Average of the comparator group	1st in the comparator group	20% / 100%	25%	51.25%	Improved performance needed to achieve threshold vesting
RevPAR growth	Average of the comparator group	1st in the comparator group	20%/100%	25%	51.25%	Improved performance needed to achieve threshold vesting
TSR	Growth equal to the DJGH index	Growth exceeds the index by 8% per year or more	20%/100%	50%	102.5%	Improved performance needed to achieve threshold vesting
2012/14 cycle						
Net rooms growth	Average of the comparator group	1st in the comparator group	20%/100%	25%	51.25%	Improved performance needed to achieve threshold vesting
RevPAR growth	Average of the comparator group	1st in the comparator group	20%/100%	25%	51.25%	Improved performance needed to achieve threshold vesting
TSR	Growth equal to the DJGH index	Growth exceeds the index by 8% per year or more	20%/100%	50%	102.5%	Maximum vesting if current performance maintained

Share options

Between 2003 and 2005, grants of options were made under the IHG Executive Share Option Plan. No price was paid for the grant of these options. The performance conditions that applied to these options were satisfied when they became exercisable. No executive share options have been granted since 2005.

	Options vested but unexercised		Options exercised	
Director	31 December 2013	31 December 2012	31 December 2013	31 December 2012

Richard Solomons	nil	330,870	330,870[1]	nil
Kirk Kinsell	nil	nil	nil	109,150

[1] Share price on date of exercise was 1,942p.
Option prices during the year ranged from 438.00p to 619.83p per IHG share. The closing market value share price on 31 December 2013 was 2,013p and the range during the year was from 1,737p to 2,039p per share. Share price range data was provided by Bank of America Merril Lynch.

The gain, before tax, made by Richard Solomons on the exercise of options during the year 2013 was £4,663,884. London and New York Stock Exchange announcements concerning this option exercise were made on 22 May 2013.

No options were exercised by any other Director during the year.

Table of Contents

Directors Remuneration Report continued

Annual Report on Directors Remuneration continued

Statement of Directors shareholdings and share interests (audited information)

The Committee believes that share ownership by Executive Directors and senior executives strengthens the link between the individuals personal interests and those of shareholders.

Guideline Executive Director shareholding requirement

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

Shares and awards held by Executive Directors as at 31 December 2013: % of salary

Director	Guideline shareholding	Shares held outright	Total shares & awards held
Richard Solomons	300	**1,011**	1,985
Kirk Kinsell	200	**519**	1,580
Tracy Robbins	200	**407**	1,423
Tom Singer	200	**199**	1,044

Percentages are based on shareholding and a share price of 2,013p per share as at 31 December 2013.

Shares held by Executive Directors as at 31 December 2013: number of shares

Director	Number of shares held outright		APP deferred share awards[2]		LTIP share awards (unvested)[3]		Total number of shares & awards held	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Richard Solomons	**371,198**	322,379	**90,068**	64,524	**267,275**	292,774	**728,541**	679,677
Kirk Kinsell	**127,444**[1]	155,628[1]	**66,502**	50,152	**194,384**	216,746	**388,330**	422,526
Tracy Robbins	**85,703**	85,703	**55,905**	40,381	**158,337**	170,391	**299,945**	296,475
Tom Singer	**54,386**	20,846	**17,930**	n/a	**213,263**	226,332	**285,579**	247,178

[1] Comprised 155,034 ordinary shares and 594 American Depositary Receipts.

[2] Awards not subject to performance conditions.

[3] Awards still subject to performance conditions as set out on page 97.

Percentage change in remuneration of Chief Executive Officer

The table below shows the percentage change in the remuneration of the Chief Executive Officer compared to UK employees between 2012 and 2013:

	Chief Executive Officer	UK employees
Salary	+2.7%	+3.5%[1]
Taxable benefits	-29.0%	0.0%[2]
Annual incentive	+11.0%	+16.0%[3]

[1] The percentage change for UK employees shown is the budget for the 2013 annual pay review and promotions/market adjustments during 2013.
[2] Based on taxable benefits for tax year ending 5 April in relevant year.
[3] Change shown assumes very good performance individual performance rating and global responsibilities in role.

We believe that an appropriate comparator group is UK-based employees because:

- the structure and composition of remuneration for that group most closely reflects that of the Chief Executive Officer; and
- the same UK market dynamics will apply to salary movements, providing a better like-for-like comparison than an international comparator group of employees.

For the annual incentive, the comparator group used is the grade of executives below Executive Committee level, who are subject to the same performance measures as the Chief Executive Officer.

Table of Contents

Relative performance graph and table

Throughout 2013, IHG was a member of the FTSE 100 share index and for remuneration purposes used a TSR comparator group of the DJGH index. Accordingly, the Committee has determined that these are the most appropriate market indices against which to test the Group s performance. The graph below shows the TSR performance of IHG from 31 December 2008 to 31 December 2013, assuming dividends are reinvested, compared with the TSR performance achieved by the FTSE 100 index and the DJGH index. All indices are shown in sterling.

TSR: InterContinental Hotels Group PLC vs FTSE 100 and Dow Jones Global Hotels indices

Chief Executive Officer s remuneration

The table below shows the single figure of total remuneration for the incumbent Chief Executive Officer for the five years to 31 December 2013:

Financial year ended 31 December	Chief Executive Officer	2009	2010	2011[1]	2012	2013
Single figure	Richard Solomons	n/a	n/a	4,724	4,881	3,149
£000	Andrew Cosslett	1,953	5,430	3,770	n/a	n/a
Annual incentive received	Richard Solomons	n/a	n/a	83.0	68.0	74.0
(% of maximum)	Andrew Cosslett	nil[2]	100.0	43.0[3]	n/a	n/a
Shares received under the LTIP	Richard Solomons	n/a	n/a	73.9	100.0	59.0
(% of maximum)	Andrew Cosslett	46.0	73.8	61.6	n/a	n/a

1 Andrew Cosslett retired on 30 June 2011 and Richard Solomons was appointed Chief Executive Officer on 1 July 2011, having previously held the position of Chief Financial Officer and Head of Commercial Development; the single figure value is the total remuneration received by each Director for that year.

2 There was no annual incentive award paid in respect of financial year ended 31 December 2009.

3 No deferred shares were awarded in respect of the 2011 ABP. Andrew Cosslett received his award as 100% cash pro-rated to 30 June 2011.

Relative importance of spend on pay

The table below sets out the actual expenditure of the Group in 2011, 2012 and 2013 on employee remuneration and distributions to shareholders and shows the difference in spend between those years:

Item	2013 $m	% change	2012 $m	% change	2011 $m
Remuneration paid to all employees	**656**	5	626[1]	(1)	634[1]
Distributions:					
Final dividend (previous year)	**115**		113		102
Ordinary (interim) dividend	**63**		61		46
Special dividend	**355**[2]		505[3]		0
Repurchase of own shares	**283**[4]		107[5]		0
Total distributions	**816**	3.8	786	431	148

[1] Restated for the adoption of IAS 19R Employee Benefits .
[2] A special dividend of $1.33 per share was paid to shareholders on 4 October 2013.
[3] A special dividend of $1.72 per share was paid to shareholders on 22 October 2012.
[4] Under the authority granted by shareholders at the General Meeting held on 8 October 2012 and the AGM held on 24 May 2013, 9,773,912 shares were purchased in the period from 8 October 2012 to 31 December 2013 for a total consideration of $283m.
[5] Under the authority granted by shareholders at the General Meeting held on 8 October 2012, 4,143,960 shares were purchased in the period to 31 December 2012 for a total consideration of $107m.

Remuneration advisers

The Committee continued to retain PricewaterhouseCoopers LLP (PwC) throughout 2013 as independent advisers. Fees of £132,050 were paid to PwC in respect of advice provided to the Committee on executive remuneration matters in 2013. 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 Company during the year.

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 they have committed to adhere to when advising remuneration committees.

Governance 95

Directors Remuneration Report continued

Annual Report on Directors Remuneration continued

Payments to past Directors (audited information)

In February 2013, Andrew Cosslett received 80,403 shares when the 2010/12 LTIP vested. These relate to awards made while Andrew Cosslett was Chief Executive Officer. The share price at vesting on 20 February 2013 was 1,953p.

Sir Ian Prosser, who retired as a Director on 31 December 2003, had an ongoing healthcare benefit of £1,379 during the year.

Payments for loss of office (audited information)

There were no payments made for loss of office in 2013.

Voting at IHG Annual General Meetings

At IHG s most recent AGMs, the annual advisory vote in respect of the Directors Remuneration Report was as follows:

AGM	Votes for	Votes against	Abstentions
2013	160,795,577 (85.73%)	26,762,429 (14.27%)	1,226,617
2012	203,110,989 (95.46%)	9,651,718 (4.54%)	1,750,533
2011	180,843,226 (96.24%)	7,062,882 (3.76%)	9,927,433

The vote at the 2011 AGM related to the 2010 Remuneration Report, which contained details of the introduction of new LTIP measures for the 2011/13 cycle (relative net rooms and RevPAR growth).

Special dividends paid to Executive Directors

The Company paid special dividends to its shareholders on 22 October 2012 and 4 October 2013.

The 2012 special dividend was accompanied by a share consolidation in order to maintain comparability (as far as possible) of the share price before and after the payment of the special dividend. Neither LTIP award holders nor IHG Executive Share Option Plan holders were entitled to receive the special dividend. Executive Directors holding forfeitable shares under the ABP (the predecessor plan to the APP) received the special dividend and their share awards were subject to the share consolidation.

The 2013 special dividend was not accompanied by a share consolidation. Neither LTIP award holders nor IHG Executive Share Option Plan holders were entitled to receive the special dividend. Executive Directors holding forfeitable shares under the ABP received the special dividend.

Kirk Kinsell holds some of his ABP deferred shares in the form of conditional awards, which were not eligible to receive the special dividend, rather than forfeitable shares. To ensure equity of treatment with other Executive Committee members, a dividend equivalent was paid in respect of these awards to Kirk Kinsell.

Single total figure of remuneration: Non-Executive Directors (audited information)

	Fees (£000)		**Benefits[6](£000)**		**Total (£000)**	
Non-Executive Director	**2013**	2012	**2013**	2012	**2013**	2012
Patrick Cescau[1]	**400**	nil	**14**	nil	**414**	nil
David Webster[2]	**nil**	406	**nil**	12	**nil**	418
Ian Dyson[3]	**23**	nil	**1**	nil	**24**	nil
David Kappler	**109**	105	**2**	2	**111**	107
Jennifer Laing	**80**	78	**2**	3	**82**	81
Jonathan Linen	**69**	66	**90**	64	**159**	130
Jill McDonald[4]	**40**	nil	**3**	nil	**43**	nil
Luke Mayhew	**91**	88	**2**	2	**93**	90
Dale Morrison	**69**	66	**22**	16	**91**	82
Ying Yeh	**69**	66	**72**	11	**141**	77
Graham Allan[5]	**nil**	31	**nil**	nil	**nil**	31

1 Patrick Cescau was appointed as Chairman of the Board on 1 January 2013.
2 David Webster retired as Chairman of the Board on 31 December 2012.
3 Ian Dyson was appointed as a Non-Executive Director on 1 September 2013.
4 Jill McDonald was appointed as a Non-Executive Director on 1 June 2013.
5 Graham Allan resigned as Non-Executive Director on 15 June 2012.
6 Benefits include taxable travel and accommodation expenses to attend Board meetings away from home location; under concessionary HM Revenue & Customs rules, non-UK based Non-Executive Directors (Jonathan Linen, Dale Morrison and Ying Yeh) are not subject to tax on travel expenses for the first five years.

Non-Executive Directors are paid a fee which is agreed by the Executive Directors and the Chairman of the Board, taking into account fees paid in other companies of similar complexity. These fees also reflect the time commitment and responsibilities of the roles. Accordingly, higher fees are payable to the Senior Independent Non-Executive Director and Chairman of the Audit Committee (David Kappler) and the Chairmen of the Remuneration (Luke Mayhew) and Corporate Responsibility Committees (Jennifer Laing). The Chairman s fees are agreed by the Committee.

Non-Executive Directors fee levels are reviewed annually.

Table of Contents

Implementation of Remuneration Policy in 2014

We set out below a statement of the implementation of the Directors Remuneration Policy in 2014.

Salary: Executive Directors

	2014	2014	2013	2013
Executive Director	**£**	**$**	£	$
Richard Solomons	**765,000**		739,000	
Paul Edgecliffe-Johnson	**420,000**			
Kirk Kinsell[1]		**793,500**		774,000
Tracy Robbins	**437,000**		424,300	

[1] Kirk Kinsell is paid in US dollars and his annual base salary for 2013 and 2014 is shown in US dollars above. The equivalent sterling values calculated using an exchange rate of $1=£0.64 are: 2013 £494,635; and 2014 £507,096.

The overall budget for salary increases for IHG corporate employees in the UK and US, and the overall increase in the Executive Directors salaries for 2014 is as follows:

UK corporate employees	US corporate employees	Executive Directors
3.0%	3.0%	3.0%

Performance measures and targets

The performance measures and targets for the 2014 APP and the 2014/16 LTIP cycle are the same as for the 2013 APP and the 2013/15 LTIP cycle respectively.

2014 APP

For 2014, the Committee has approved a maximum opportunity of 200% of salary (50% cash and 50% IHG shares deferred for three years).

Awards will be based on individual and Group achievement using performance measures relating to:

Guest satisfaction (Guest HeartBeat) 20%;

Employee Engagement 10%; and

EBIT 70%.

For Guest HeartBeat and Employee Engagement, the 2014 targets are set as an improvement over 2013 scores. The 2014 EBIT element relates to the 2014 EBIT target figure.

The actual targets under the performance measures for the APP for 2014 are not and will not be disclosed as they are, in the opinion of the Directors, commercially sensitive. Disclosure would provide IHG s major competitors with an unfair commercial advantage as these companies are either unlisted or listed on a stock exchange other than the London Stock Exchange, and therefore not subject to the same obligation to disclose incentive plan targets.

2014/16 LTIP cycle

For the 2014/16 LTIP, the Committee has approved awards to Executive Directors over shares with a maximum value of 205% of salary. Share awards will vest after three years if the following performance conditions are met:

25% relative net rooms growth;

25% relative RevPAR growth; and

50% relative TSR vs the DJGH index.

For net rooms and RevPAR growth, threshold performance (20% vesting) is equal to the average of the comparator group; and maximum performance (100% vesting) is achieved when IHG is first in the comparator group.

For TSR, threshold performance (20% vesting) is achieved when growth is equal to the DJGH index and maximum performance (100% vesting) is achieved when growth exceeds the index by 8% per year or more.

Fees: Non-Executive Directors

The following fee levels will apply from 1 January 2014:

Non-Executive		**2014**	2013
Director	**Role**	**£**	£
Patrick Cescau	Chairman of the Board	**412,000**	400,000
David Kappler	Senior Independent Director and Chairman of Audit Committee	**111,750**	108,500
Luke Mayhew	Chairman of Remuneration Committee	**93,750**	91,000
Jennifer Laing	Chairman of Corporate Responsibility Committee	**82,500**	80,000
Others	Non-Executive Director	**70,500**	68,500

David Kappler will step down as Chairman of the Audit Committee on 1 April 2014 and retire as a Non-Executive Director on 31 May 2014.

With effect from 1 April 2014, Ian Dyson will become Chairman of the Audit Committee and his annual fee will increase to £93,750.

With effect from 31 May 2014, Dale Morrison will become Senior Independent Non-Executive Director and his annual fee will increase to £93,750.

Luke Mayhew, Chairman of the Remuneration Committee

17 February 2014

Staybridge Suites®

Staybridge Suites hotels, launched in 1997, is IHG s extended-stay brand for business and leisure travellers who spend an extended time away from home and prefer a warm, home-like and community environment.

196 properties; 21,518 rooms open

80 properties in the pipeline

Table of Contents

Group Financial Statements

Candlewood Suites®

Candlewood Suites is IHG s extended-stay brand in North America aimed at providing guests with a relaxed, casual and home-like environment at great value. The two brand hallmarks of the Candlewood Cupboard® and Lending Locker depict the trust system, which has always prevailed for the brand.

312 properties; 29,778 rooms open

80 properties in the pipeline

100	Statement of Directors Responsibilities
103	Independent Auditor s US Report
104	Group income statement
105	Group statement of comprehensive income
106	Group statement of changes in equity
109	Group statement of financial position
110	Group statement of cash flows
111	Accounting policies
117	Notes to the Group Financial Statements

Table of Contents

Statement of Directors Responsibilities

Financial Statements and accounting records

The laws of England and Wales require the Directors to prepare financial statements which give a true and fair view of the assets, liabilities and financial position of the Company and of the Group at the end of the financial year together with 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; 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 together with a description of the principal risks and uncertainties that it faces.

Directors statement under the UK Corporate Governance Code

Having taken advice from the Audit Committee, the Board considers that the 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 the IFRS 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 2013 based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). Based on this assessment, management has concluded that as at 31 December 2013 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 financial control over financial reporting at 31 December 2013, 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 103.

On behalf of the Board

Richard Solomons	**Paul Edgecliffe-Johnson**
Chief Executive Officer	**Chief Financial Officer**
17 February 2014	17 February 2014

Table of Contents

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

Table of Contents

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

Table of Contents

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 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 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 Annual Report and Form 20-F. 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 group 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 group 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 group; (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 group are being made only in accordance with authorisations of management and directors of the group; and (3) 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.

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 2013, 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 Group statement of financial position of InterContinental Hotels Group PLC as of 31 December 2013 and 2012, and the related Group income statement, Group statement of comprehensive income, Group statement of changes in equity and Group statement of cash flows for each of the three years in the period ended 31 December 2013, and our report dated 17 February 2014 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

London, England 17 February 2014

InterContinental Hotels Group PLC 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 2013 and 2012, and the related Group income statement, Group statement of comprehensive income, Group statement of changes in equity and Group statement of cash flows for each of the three years in the period ended 31 December 2013. 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 2013 and 2012, and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended 31 December 2013, in conformity with International Financial Reporting Standards as adopted by the European Union and 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 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated 17 February 2014 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

London, England 17 February 2014

Notes:

1. The maintenance and integrity of the InterContinental Hotels Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Table of Contents

Group Financial Statements

Group income statement

		2013			2012 (restated[1])			2011[2] (restated[1])		
For the year ended 31 December 2013	Note	**Before exceptional items $m**	**Exceptional items (note 5) $m**	**Total $m**	Before exceptional items $m	Exceptional items (note 5) $m	Total $m	Before exceptional items $m	Exceptional items (note 5) $m	Total $m
Revenue	2	**1,903**		**1,903**	1,835		1,835	1,768		1,768
Cost of sales		**(784)**		**(784)**	(772)		(772)	(771)		(771)
Administrative expenses		**(374)**	**(167)**	**(541)**	(372)	(16)	(388)	(361)	(9)	(370)
Share of profits of associates and joint ventures		**2**	**6**	**8**	3		3	1		1
Other operating income and expenses		**6**	**166**	**172**	5	(11)	(6)	10	46	56
		753	**5**	**758**	699	(27)	672	647	37	684
Depreciation and amortisation	2	**(85)**		**(85)**	(94)		(94)	(99)		(99)
Impairment	2					23	23		20	20
Operating profit	2	**668**	**5**	**673**	605	(4)	601	548	57	605
Financial income	6	**5**		**5**	3		3	2		2
Financial expenses	6	**(78)**		**(78)**	(57)		(57)	(64)		(64)
Profit before tax		**595**	**5**	**600**	551	(4)	547	486	57	543
Tax	7	**(175)**	**(51)**	**(226)**	(151)	142	(9)	(117)	39	(78)
Profit for the year from continuing operations		**420**	**(46)**	**374**	400	138	538	369	96	465
Attributable to:										
Equity holders of the parent		**418**	**(46)**	**372**	399	138	537	369	96	465
Non-controlling interest		**2**		**2**	1		1			
		420	**(46)**	**374**	400	138	538	369	96	465
Earnings per ordinary share	9									
Continuing and total operations:										

Basic	**140.9¢**	187.1¢	160.9¢
Diluted	**139.3¢**	183.9¢	157.1¢

[1] Restated for the adoption of IAS I9R Employee Benefits (see page 111).
[2] See note on Comparatives for 2011 on page 111.
Notes on pages 111 to 153 form an integral part of these Financial Statements.

Group statement of comprehensive income

	2013	2012 (restated[1])	2011[2] (restated[1])
For the year ended 31 December 2013	**$m**	$m	$m
Profit for the year	**374**	538	465
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Gains on valuation of available-for-sale financial assets	**28**	1	15
Losses reclassified to income on impairment of available-for-sale financial assets			3
Losses relating to cash flow hedges reclassified to financial expenses		1	4
Exchange (losses)/gains on retranslation of foreign operations, net of related tax credit of $2m (2012 credit of $3m, 2011 charge of $3m)	**(35)**	24	(21)
Exchange losses reclassified to profit on hotel disposal	**46**		
	39	26	1
Items that will not be reclassified to profit or loss:			
Re-measurement gains/(losses) on defined benefit plans, net of related tax charge of $20m (2012 credit of $5m, 2011 credit of $19m)	**20**	(10)	(13)
Tax related to pension contributions		18	
	20	8	(13)
Total other comprehensive income/(loss) for the year	**59**	34	(12)
Total comprehensive income for the year	**433**	572	453
Attributable to:			
Equity holders of the parent	**433**	571	452
Non-controlling interest		1	1
	433	572	453

[1] Restated for the adoption of IAS I9R Employee Benefits (see page 111).
[2] See note on Comparatives for 2011 on page 111.
Notes on pages 111 to 153 form an integral part of these Financial Statements.

Table of Contents

Group Financial Statements continued

Group statement of changes in equity

	Equity share capital	Capital redemption reserve	Shares held by employee share trusts	Other reserves	Unrealised gains and losses reserve	Currency translation reserve	Retained earnings	IHG shareholders' equity	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 January 2013	179	11	(48)	(2,901)	72	214	2,781	308	9	317
Profit for the year							372	372	2	374
Other comprehensive income:										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets					28			28		28
Exchange differences on retranslation of foreign operations						(33)		(33)	(2)	(35)
Exchange losses reclassified to profit on hotel disposal						46		46		46
					28	13		41	(2)	39
Items that will not be reclassified to profit or loss:										
Re-measurement gains on defined benefit plans							20	20		20
							20	20		20
Total other comprehensive income					28	13	20	61	(2)	59
Total comprehensive income for the year					28	13	392	433		433
Issue of ordinary shares	5							5		5
Repurchase of shares							(283)	(283)		(283)

Purchase of own shares by employee share trusts			**(53)**					**(53)**		**(53)**
Release of own shares by employee share trusts			**64**				**(61)**	**3**		**3**
Equity-settled share-based cost							**27**	**27**		**27**
Tax related to share schemes							**11**	**11**		**11**
Equity dividends paid							**(533)**	**(533)**	**(1)**	**(534)**
Exchange adjustments	**5**	**1**	**(1)**	**(5)**						
At 31 December 2013	**189**	**12**	**(38)**	**(2,906)**	**100**	**227**	**2,334**	**(82)**	**8**	**(74)**

All items above are shown net of tax.

Notes on pages 111 to 153 form an integral part of these Financial Statements.

Table of Contents

Group statement of changes in equity continued

	Equity share capital	Capital redemption reserve	Shares held by employee share trusts	Other reserves	Unrealised gains and losses reserve	Currency translation reserve	Retained earnings (restated[1])	IHG share-holders equity (restated[1])	Non-controlling interest	Total equity (restated[1])
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 January 2012	162	10	(27)	(2,893)	71	189	3,035	547	8	555
Profit for the year							537	537	1	538
Other comprehensive income:										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets					1			1		1
Losses reclassified to financial expenses on cash flow hedges					1			1		1
Exchange differences on retranslation of foreign operations					(1)	25		24		24
					1	25		26		26
Items that will not be reclassified to profit or loss:										
Re-measurement losses on defined benefit plans							(10)	(10)		(10)
Tax related to pension contributions							18	18		18
							8	8		8
Total other comprehensive income					1	25	8	34		34
Total comprehensive income for the year					1	25	545	571	1	572
Issue of ordinary shares	10							10		10
Repurchase of shares	(1)						(106)	(107)		(107)
		1					(1)			

Transfer to capital redemption reserve										
Transaction costs relating to shareholder returns							(2)	(2)		(2)
Purchase of own shares by employee share trusts			(84)					(84)		(84)
Release of own shares by employee share trusts			63				(63)			
Equity-settled share-based cost							27	27		27
Tax related to share schemes							20	20		20
Equity dividends paid							(679)	(679)		(679)
Share of reserve in equity accounted investment							5	5		5
Exchange adjustments	8			(8)						
At 31 December 2012	179	11	(48)	(2,901)	72	214	2,781	308	9	317

[1] Restated for the adoption of IAS I9R Employee Benefits (see page 111).
All items above are shown net of tax.

Notes on pages 111 to 153 form an integral part of these Financial Statements.

Table of Contents

Group Financial Statements continued

Group statement of changes in equity continued

	Equity share capital	Capital redemption reserve	Shares held by employee share trusts	Other reserves	Unrealised gains and losses reserve	Currency translation reserve	Retained earnings (restated[2])	IHG share-holders equity (restated[2])	Non-controlling interest	Total equity (restated[2])
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 January 2011[1]	155	10	(35)	(2,894)	49	211	2,775	271	7	278
Profit for the year[1]							465	465		465
Other comprehensive income:										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets					15			15		15
Losses reclassified to income on impairment of available-for-sale financial assets					3			3		3
Losses reclassified to financial expenses on cash flow hedges					4			4		4
Exchange differences on retranslation of foreign operations						(22)		(22)	1	(21)
					22	(22)			1	1
Items that will not be reclassified to profit or loss:										
Re-measurement losses on defined benefit plans							(13)	(13)		(13)
							(13)	(13)		(13)
Total other comprehensive loss					22	(22)	(13)	(13)	1	(12)
Total comprehensive income for the year					22	(22)	452	452	1	453
Issue of ordinary shares	8							8		8
			(75)					(75)		(75)

Purchase of own shares by employee share trusts										
Release of own shares by employee share trusts			83				(80)	3		3
Equity-settled share-based cost							29	29		29
Tax related to share schemes							7	7		7
Equity dividends paid							(148)	(148)		(148)
Exchange adjustments	(1)			1						
At 31 December 2011	162	10	(27)	(2,893)	71	189	3,035	547	8	555

[1] See note on Comparatives for 2011 on page 111.
[2] Restated for the adoption of IAS I9R Employee Benefits (see page 111).
All items above are shown net of tax.

Notes on pages 111 to 153 form an integral part of these Financial Statements.

Table of Contents

Group statement of financial position

31 December 2013	Note	2013 $m	2012 $m
ASSETS			
Property, plant and equipment	10	**1,169**	1,056
Goodwill	12	**80**	93
Intangible assets	13	**438**	354
Investment in associates and joint ventures	14	**85**	84
Retirement benefit assets	26	**7**	99
Other financial assets	15	**236**	155
Non-current tax receivable		**16**	24
Deferred tax assets	27	**108**	204
Total non-current assets		**2,139**	2,069
Inventories	16	**4**	4
Trade and other receivables	17	**423**	422
Current tax receivable		**12**	31
Derivative financial instruments	23	**1**	2
Other financial assets	15	**12**	6
Cash and cash equivalents	18	**134**	195
Total current assets		**586**	660
Non-current assets classified as held for sale	11	**228**	534
Total assets	2	**2,953**	3,263
LIABILITIES			
Loans and other borrowings	22	**(16)**	(16)
Trade and other payables	19	**(748)**	(709)
Provisions	20	**(3)**	(1)
Current tax payable		**(47)**	(54)
Total current liabilities		**(814)**	(780)
Loans and other borrowings	22	**(1,269)**	(1,242)
Derivative financial instruments	23	**(11)**	(19)
Retirement benefit obligations	26	**(184)**	(187)
Trade and other payables	19	**(574)**	(563)
Provisions	20		(1)
Deferred tax liabilities	27	**(175)**	(93)
Total non-current liabilities		**(2,213)**	(2,105)
Liabilities classified as held for sale	11		(61)
Total liabilities	2	**(3,027)**	(2,946)

Net (liabilities)/assets		**(74)**	317
EQUITY			
Equity share capital	29	**189**	179
Capital redemption reserve	29	**12**	11
Shares held by employee share trusts	29	**(38)**	(48)
Other reserves	29	**(2,906)**	(2,901)
Unrealised gains and losses reserve	29	**100**	72
Currency translation reserve	29	**227**	214
Retained earnings		**2,334**	2,781
IHG shareholders equity		**(82)**	308
Non-controlling interest	29	**8**	9
Total equity		**(74)**	317

Signed on behalf of the Board

Paul Edgecliffe-Johnson

17 February 2014

Notes on pages 111 to 153 form an integral part of these Financial Statements.

Table of Contents

Group Financial Statements continued

Group statement of cash flows

	2013	2012 (restated[1])	2011[2] (restated[1])
For the year ended 31 December 2013	**$m**	$m	$m
Profit for the year	**374**	538	465
Adjustments for:			
Net financial expenses	**73**	54	62
Income tax charge	**226**	9	78
Depreciation and amortisation	**85**	94	99
Impairment		(23)	(20)
Other exceptional operating items	**(5)**	27	(37)
Equity-settled share-based cost	**22**	22	25
Dividends from associates and joint ventures	**5**	1	1
Other items	**2**	(3)	(1)
Operating cash flow before movements in working capital	**782**	719	672
Increase in trade and other receivables	**(9)**	(50)	(11)
Net change in loyalty programme liability and System Fund surplus	**61**	57	66
Increase/(decrease) in other trade and other payables	**8**	26	(20)
Utilisation of provisions	**(3)**	(12)	(19)
Retirement benefit contributions, net of cost	**(18)**	(95)	(33)
Cash flows relating to exceptional operating items	**(33)**	(6)	(32)
Cash flow from operations	**788**	639	623
Interest paid	**(74)**	(50)	(56)
Interest received	**2**	2	1
Tax paid on operating activities	**(92)**	(119)	(89)
Net cash from operating activities	**624**	472	479
Cash flow from investing activities			
Purchase of property, plant and equipment	**(159)**	(44)	(55)
Purchase of intangible assets	**(86)**	(84)	(48)
Investment in other financial assets	**(154)**	(2)	(50)
Investment in associates and joint ventures	**(10)**	(3)	(41)
Disposal of hotel assets, net of costs	**460**	4	142
Proceeds from other financial assets	**109**	4	15
Distribution from associate on sale of hotel	**17**		
Proceeds from other associates and joint ventures	**3**		
Tax paid on disposals	**(5)**	(3)	(1)
Net cash from investing activities	**175**	(128)	(38)

Cash flow from financing activities			
Proceeds from the issue of share capital	**5**	10	8
Purchase of own shares	**(283)**	(107)	
Purchase of own shares by employee share trusts	**(44)**	(84)	(75)
Dividends paid to shareholders	**(533)**	(679)	(148)
Dividend paid to non-controlling interests	**(1)**		
Transaction costs relating to shareholder returns		(2)	
Issue of long-term bonds		632	
Decrease in other borrowings	**(1)**	(99)	(119)
Net cash from financing activities	**(857)**	(329)	(334)
Net movement in cash and cash equivalents in the year	**(58)**	15	107
Cash and cash equivalents at beginning of the year	**195**	182	78
Exchange rate effects	**(3)**	(2)	(3)
Cash and cash equivalents at end of the year	**134**	195	182

[1] Restated for the adoption of IAS I9R Employee Benefits (see page 111).
[2] See note on Comparatives for 2011 on page 111.
Notes on pages 111 to 153 form an integral part of these Financial Statements.

Table of Contents

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. In previous years the Group issued separate documents.

The Consolidated Financial Statements of InterContinental Hotels Group PLC (the Group or IHG) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 17 February 2014. InterContinental Hotels Group PLC (the Company) is incorporated and domiciled in Great Britain and registered in England and Wales.

Comparatives for 2011

The comparative information presented for the year ended 31 December 2011 is that previously issued on Form 20-F for that year which differs from the Consolidated Financial Statements issued to the UK listing authorities for 2011. The difference arose in respect of a litigation provision of $22m ($13m net of tax) which was recorded on Form 20-F in the year ended 31 December 2010 but not in the UK Consolidated Financial Statements until the following year. An unfavourable court judgement on 23 February 2011, between the authorisation of the respective documents (UK Consolidated Financial Statements on 14 February 2011 and Form 20-F on 11 April 2011), resulted in the litigation provision being recorded as an adjusting post balance sheet event in the Financial Statements for the year ended 31 December 2010 issued on Form 20-F.

The respective numbers reported were as follows:

	2011 Financial Statements[2]	
	Form 20-F[1]	UK filing
Profit before tax ($m)	554	532
Profit for the year ($m)	473	460
Net assets ($m)	555	555
Basic earnings per ordinary share (cents)	163.7	159.2
Diluted earnings per ordinary share (cents)	159.8	155.4

[1] These numbers form the basis of the comparatives included in this document and exclude the litigation provision described above.

[2] Before restatement for the adoption of IAS 19R Employee Benefits (see below).

Changes in accounting policies

With effect from 1 January 2013, the Group has adopted IAS 19 (Revised) Employee Benefits which introduces a number of changes to accounting for defined benefit plans. The key change that impacts the Group is the removal of expected returns on plan assets from the income statement and its replacement with a requirement to recognise interest on the net defined benefit asset/ liability (after any asset restrictions), calculated using the discount rate used to measure the defined benefit obligation.

The impact of this change in accounting policy on the current and prior year Financial Statements, which have been restated, is as follows:

	2013	2012	2011
Group income statement	$m	$m	$m
Administrative expenses	(6)	(9)	(11)
Operating profit and profit before tax	(6)	(9)	(11)
Tax	2	2	3
Profit for the year	(4)	(7)	(8)

	2013	2012	2011
Group statement of comprehensive income	$ m	$m	$m
Profit for the year	(4)	(7)	(8)
Re-measurement gains, net of related tax charge of $2m (2012 $1m, 2011 $1m)	4	8	10
Tax related to pension contributions		(1)	(2)
Total comprehensive income for the year			

	2013	2012	2011
Earnings per share	cents	cents	cents
Basic	(1.5)	(2.4)	(2.8)
Diluted	(1.5)	(2.4)	(2.7)

There has been no change to previously reported retained earnings, balance sheet amounts or cash flows, other than consequential adjustments to the analysis of operating cash flows.

The Group has also adopted IAS 1 (Amendment) Presentation of Items of Other Comprehensive Income , which changes the grouping of items presented in the Group statement of comprehensive income so that items which may be reclassified to profit or loss in the future are presented separately from items that will never be reclassified. The amendment affects presentation only and has had no impact on the Group s financial position or performance.

In addition, with effect from 1 January 2013, the Group has implemented IAS 28 (Amendment) Investments in Associates and Joint Ventures , IFRS 10 Consolidated Financial Statements , IFRS 11 Joint Arrangements , IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement . The adoption of these standards has had no material impact on the Group s financial performance or position and there has been no requirement to restate prior year comparatives. IFRS 13 has resulted in new disclosures which are provided in note 24.

In accordance with IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) additional disclosures have been made in note 18 regarding the Group s cash pooling arrangements.

Summary of significant accounting policies

Basis of preparation

The Consolidated Financial Statements of IHG 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 Group s Consolidated Financial Statements for the years presented.

Presentational currency

The Consolidated Financial Statements are presented in millions of US dollars following a management decision to change the reporting currency from sterling during 2008. The change was made to reflect the profile of the Group s revenue and operating profit which are primarily generated in US dollars or US dollar-linked currencies.

The currency translation reserve was set to nil at 1 January 2004 on transition to IFRS and this reserve is presented on the basis that the Group has reported in US dollars since this date. 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.

***Accounting policies** continued*

The functional currency of the parent company remains 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 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 (i.e. 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 2013, the trust had assets with a fair value of $135m (2012 $113m).

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 the retranslation are taken

directly to the currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in the currency translation reserve relating to that particular foreign operation is recycled against the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any impairment.

Repairs and maintenance costs are expensed as incurred.

Land is not depreciated. All other property, plant and equipment are depreciated to a residual value over their estimated useful lives, namely:

buildings   lesser of 50 years and unexpired term of lease; and

fixtures, fittings and equipment   three to 25 years.

All depreciation is charged on a straight-line basis. Residual value is re-assessed annually.

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that do not generate independent cash flows are combined into cash-generating units. If carrying values exceed their estimated recoverable amount, the assets or cash-generating units are written down to the recoverable amount. Recoverable amount is the greater of fair value less costs to sell 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 .

Goodwill

Goodwill arises on consolidation and is recorded at cost, being the excess of the cost of acquisition over the fair value at the date of acquisition of the Group s share of identifiable assets, liabilities and contingent liabilities. With effect from 1 January 2010, transaction costs are expensed and therefore not included in the cost of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually by comparing carrying values of cash-generating units with their recoverable amounts. Impairment losses cannot be subsequently reversed.

Intangible assets

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.

Management contracts

When 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 over the life of the contract which ranges from six to 50 years on a straight-line basis.

Other intangible assets

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

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Borrowing costs

Borrowing costs attributable to the acquisition or construction of property, plant and equipment or in respect of software projects that necessarily take a substantial period of time to prepare for their intended use, or sale, are capitalised as part of the asset cost. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs relating to projects commencing before 1 January 2009 were expensed.

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but does not have control or joint control over those policies.

A joint venture exists when two or more parties have joint control over, and rights to the net assets of, the venture. Joint control is the contractually agreed sharing of control which only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates and joint ventures are accounted for using the equity method unless the associate or joint venture is classified as held for sale. Under the equity method, the Group s investment is recorded at cost adjusted by the Group s share of post-acquisition profits and losses and other movements in the investee s reserves. When the Group s share of losses exceeds its interest in an associate or joint venture, the Group s carrying amount is reduced to $nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

Financial assets

The Group classifies its financial assets into one of the two following categories: loans and receivables or available-for-sale financial assets. Management determines the classification of financial assets on initial recognition and they are subsequently held at amortised cost (loans and receivables) or fair value (available-for-sale financial assets). Interest on loans and receivables is calculated using the effective interest rate method and is recognised in the income statement as interest income. Changes in fair values of available-for-sale financial assets are recorded directly in equity within the unrealised gains and losses reserve. On disposal, the accumulated fair value adjustments recognised in equity are recycled to the income statement. Dividends from available-for-sale financial assets are recognised in the income statement as other operating income and expenses.

Financial assets are assessed for impairment at each period-end date. In the case of an equity investment classified as available-for-sale, a significant or prolonged decline in fair value below cost is evidence that the asset is impaired. If an available-for-sale financial asset is impaired, the difference between original cost and fair value is transferred from equity to the income statement to the extent of any cumulative loss recorded in equity, with any excess charged directly to the income statement. Subsequent impairment reversals relating to previously impaired equity instruments are recorded in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value.

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 when collection is no longer considered probable. 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

Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable and expected to complete within one year. For a sale to be highly probable, management need to be committed to a plan to sell the asset and the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

Depreciation is not charged against property, plant and equipment classified as held for sale.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest rate method. A financial liability is derecognised when the obligation under the liability expires, is discharged or cancelled.

Trade payables

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

Bank and other borrowings

Bank and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortised cost. Finance charges, including the transaction costs and any discount or premium on issue, are recognised in the income statement using the effective interest rate method.

Borrowings are classified as non-current when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

Derivative financial instruments and hedging

Derivatives are initially recognised and subsequently re-measured at fair value. The method of recognising the re-measurement depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income and the unrealised gains and losses reserve to the extent that the hedges are effective. When the hedged item is recognised, the cumulative gains and losses on the related hedging instrument are reclassified to the income statement.

Changes in the fair value of derivatives designated as net investment hedges are recorded in other comprehensive income and the currency translation reserve to the extent that the hedges are effective. The cumulative gains and losses remain in equity until a foreign operation is sold, at which point they are reclassified to the income statement.

Changes in the fair value of derivatives which have either not been designated as hedging instruments or relate to the ineffective portion of hedges are recognised immediately in the income statement.

Table of Contents

Accounting policies continued

Documentation outlining the measurement and effectiveness of any hedging arrangements is maintained throughout the life of the hedge relationship.

Interest arising from currency derivatives and interest rate swaps is recorded in either financial income or expenses over the term of the agreement, unless the accounting treatment for the hedging relationship requires the interest to be taken to reserves.

Self insurance

Liabilities in respect of self insured risks include projected settlements for known and incurred but not reported claims. Projected settlements are estimated based on historical trends and actuarial data.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a payment will be made and a reliable estimate of the amount payable can be made. If the effect of the time value of money is material, the provision is discounted.

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.

Deferred tax assets are recognised to the extent that it is regarded as probable that the deductible temporary differences can be realised. The recoverability of all deferred tax assets is re-assessed at the end of each reporting period.

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

Retirement benefits

Defined contribution plans

Payments to defined contribution schemes are charged to the income statement as they fall due.

Defined benefit plans

Plan assets, including qualifying insurance policies, are measured at fair value and plan liabilities are measured on an actuarial basis, using the projected unit credit method and discounting at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The difference between the value of plan assets and liabilities at the period-end date is the amount of surplus or deficit recorded in the statement of financial position as an asset or liability. An asset is recognised when the employer has an unconditional right to use the surplus at some point during the life of the plan or on its wind-up. If a refund would be subject to a tax other than income tax, as is the case in the UK, the asset is recorded at the amount net of the tax. A liability is also recorded for any such tax that would be payable in respect of funding commitments based on the accounting assumption that the related payments increase the asset.

The service cost of providing pension benefits to employees, together with the net interest expense or income for the year, is charged to the income statement within administration 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.

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 normally carried out every three years 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.

Generally, revenue represents sales (excluding VAT and similar taxes) of goods and services, net of discounts, provided in the normal course of business and recognised when services have been rendered. The following is a description of the composition of revenues of the Group.

Franchise fees received in connection with the license 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 earned and recognised on a monthly basis.

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 earned and recognised on a monthly basis 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.

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.

The Group has taken advantage of the transitional provisions of IFRS 2 Share-based Payment in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2005.

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 to sell. 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 24.

For impairment testing purposes and where significant assets (such as property) are valued by reference to fair value less costs to sell, an external valuation will normally be obtained using professional valuers who have appropriate market knowledge, reputation and independence.

Exceptional items

The Group discloses certain financial information both including and excluding exceptional items. The presentation of information excluding exceptional items allows a better understanding of the underlying trading performance of the Group and provides consistency with the Group s internal management reporting. Exceptional items are identified by virtue of either their size or nature so as to facilitate comparison with prior periods and to assess underlying trends in financial performance. Exceptional items can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, restructuring costs and the release of tax provisions.

Treasury shares

Own shares repurchased by the Company and not cancelled (treasury shares) are recognised at cost and deducted from retained earnings. If reissued, any excess of consideration over carrying amount is recognised in the share premium reserve.

Critical accounting policies and the use of judgements, estimates and assumptions

In determining and applying the Group s accounting policies, management are required to make judgements, estimates and assumptions. An accounting policy is considered to be critical if its selection or application could materially affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management consider accounting for the System Fund to be a critical judgement and that critical estimates and assumptions are used in impairment testing and for measuring the loyalty programme liability, retirement and other post-employment

obligations, tax assets and liabilities, 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 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 global 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.

Table of Contents

Accounting policies continued

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 34.

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 by the redemption cost per point. On an annual basis the Group engages an external actuary who uses statistical formulas to assist in the estimate of the number of points that will never be redeemed (breakage). 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. The future redemption liability, which is included in trade and other payables, was $649m at 31 December 2013. Based on the conditions existing at the balance sheet date, a 5% decrease in the breakage estimate would increase this liability by approximately $31m.

Impairment testing intangible assets, property, plant and equipment are tested for impairment when events or circumstances indicate that their carrying value may not be recoverable. Goodwill is subject to an impairment test on an annual basis or more frequently if there are indicators of impairment. Assets that do not generate independent cash flows are combined into cash-generating units.

The impairment testing of individual assets or cash-generating units requires an assessment of the recoverable amount of the asset or cash-generating unit. If the carrying value of the asset or cash-generating unit exceeds its estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell 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 2013, the Group had intangible assets of $438m and property, plant and equipment of $1,169m, none of which were subject to an impairment charge during the year. In respect of those assets requiring an impairment test and depending on how recoverable amount was assessed, neither a 10% reduction in fair value or estimated future cash flows would have resulted in an impairment loss.

Information on impairment testing of goodwill, which had a net book value of $80m at 31 December 2013, is included in note 12.

Pensions and other post-employment benefit plans accounting for pensions and other post-employment benefit plans requires the Group to make assumptions including, but not limited to, discount rates, rates of inflation, life expectancies and healthcare costs. The use of different assumptions could have a material effect on the accounting values of the relevant liabilities which could result in a material change to the cost of such liabilities as recognised in the income statement over time. These assumptions are subject to annual review and are determined with the assistance of an external actuary. A sensitivity analysis to changes in the key assumptions is included in note 26.

On 15 August 2013, the UK defined benefit plan completed a buy-in transaction whereby the assets of the plan were invested in a bulk insurance annuity contract that fully insures the benefits payable to the members of the plan. As the contract has been structured to enable the plan to move to full buy-out (following which the insurance company would become directly responsible for the pension payments) and the intention is to proceed on this basis, the buy-in transaction has been accounted for as a settlement with the loss arising of $147m recorded in the income statement as an exceptional item. An acceptable alternative accounting treatment would have been to record the loss as an actuarial loss in other comprehensive income.

Income taxes deferred tax assets are recognised to the extent that it is regarded as probable that deductible temporary differences can be realised. The Group estimates deferred tax assets and liabilities based on current tax laws and rates, and in certain cases, business plans, including management s expectations regarding the manner and timing of recovery of the related assets. Changes in these estimates may affect the amount of deferred tax liabilities or the valuation of deferred tax assets and therefore the tax charge in the income statement.

Provisions for tax liabilities require judgements on the interpretation of tax legislation, developments in case law and the potential outcomes of tax audits and appeals which may be subject to significant uncertainty. Therefore the actual results may vary from expectations resulting in adjustments to provisions, the valuation of deferred tax assets, cash tax settlements, and therefore the tax charge in the income statement.

Exceptional tax charges and credits have arisen in 2013, 2012 and 2011 as explained in note 7.

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 judgment is made when evaluating, amongst other factors, the probability of unfavourable outcome and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each accounting period and revisions made for changes in facts and circumstances.

New standards issued but not effective

IFRS 9 Financial Instruments: Classification and Measurement introduces new requirements for classifying and measuring financial assets and financial liabilities and, when finalised, will address hedge accounting and impairment of financial assets. The Group will assess the impacts when the final standard is issued. The effective date for IFRS 9 is not expected to be before 1 January 2017.

The amendments to existing accounting standards that are effective from 1 January 2014, Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36), are not expected to have a material impact on the Group s reported income or financial position.

Table of Contents

Notes to the Group Financial Statements

1. Exchange rates

The results of operations have been translated into US dollars at the average rates of exchange for the year. In the case of sterling, the translation rate is $1=£0.64 (2012 $1=£0.63, 2011 $1=£0.62). In the case of the euro, the translation rate is $1= 0.75 (2012 $1= 0.78, 2011 $1= 0.72).

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=£0.60 (2012 $1=£0.62, 2011 $1=£0.65). In the case of the euro, the translation rate is $1= 0.73 (2012 $1= 0.76, 2011 $1= 0.77).

2. Segmental information

The management of the Group s operations, excluding Central functions, is organised within four geographical regions:

Americas;

Europe;

Asia, Middle East and Africa (AMEA); and

Greater China.

These, together with Central functions, comprise the Group s five reportable segments. No operating segments have been aggregated to form these reportable segments.

Central functions include costs of global functions including technology, sales and marketing, finance, human resources and corporate services; revenue arises principally from technology fee income. Central liabilities include the loyalty programme liability and the cumulative short-term System Fund surplus.

Each of the geographical regions 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 2013	$m	$m	$m	$m	$m	$m
Revenue						
Franchised	576	104	16	3		699
Managed	128	156	170	92		546
Owned and leased	212	140	44	141		537
Central					121	121
	916	400	230	236	121	1,903

	Americas	Europe	AMEA	Greater China	Central	Group
	$m	$m	$m	$m	$m	$m
Segmental result						
Franchised	499	79	12	5		595
Managed	74	30	92	51		247
Owned and leased	30	30	4	47		111
Regional and central	(53)	(34)	(22)	(21)	(155)	(285)
Reportable segments operating profit	550	105	86	82	(155)	668
Exceptional operating items (note 5)	6	19		(10)	(10)	5
Operating profit	556	124	86	72	(165)	673

	Group
	$m
Reportable segments operating profit	668
Exceptional operating items (note 5)	5
Operating profit	673
Net finance costs	(73)
Profit before tax	600
Tax	(226)
Profit for the year	374

All items above relate to continuing operations.

Table of Contents

Notes to the Group Financial Statements continued

2. Segmental information continued

31 December 2013	Americas $m	Europe $m	AMEA $m	Greater China $m	Central $m	Group $m
Assets and liabilities						
Segment assets	851	654	253	392	304	2,454
Non-current assets classified as held for sale	228					228
	1,079	654	253	392	304	2,682
Unallocated assets:						
Non-current tax receivable						16
Deferred tax assets						108
Current tax receivable						12
Derivative financial instruments						1
Cash and cash equivalents						134
Total assets						2,953
Segment liabilities	(364)	(286)	(56)	(62)	(741)	(1,509)
Unallocated liabilities:						
Current tax payable						(47)
Deferred tax liabilities						(175)
Loans and other borrowings						(1,285)
Derivative financial instruments						(11)
Total liabilities						(3,027)

Year ended 31 December 2013	Americas $m	Europe $m	AMEA $m	Greater China $m	Central $m	Group $m
Other segmental information						
Capital expenditure (see below)	116	37	17	8	91	269
Non-cash items:						
Depreciation and amortisation[1]	19	18	10	15	23	85
Share-based payments cost					22	22
Share of profit of associates and joint ventures	5		3			8

[1] Included in the $85m of depreciation and amortisation is $34m relating to administrative expenses and $51m 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	**116**	**37**	**17**	**8**	**91**	**269**
Management contract acquired on disposal of hotel		**40**				**40**
Other financial assets relating to pensions		**48**			**92**	**140**
Timing differences	**8**			**(1)**	**8**	**15**
Capital expenditure per the Financial Statements	**124**	**125**	**17**	**7**	**191**	**464**
Comprising additions to:						
Property, plant and equipment	**93**	**22**	**8**	**7**	**20**	**150**
Non-current assets classified as held for sale	**5**	**3**				**8**
Intangible assets	**6**	**45**	**5**		**79**	**135**
Investment in associates and joint ventures	**6**		**4**			**10**
Other financial assets	**14**	**55**			**92**	**161**
	124	**125**	**17**	**7**	**191**	**464**

Table of Contents

2. Segmental information continued

Year ended 31 December 2012[1]	Americas $m	Europe $m	AMEA $m	Greater China $m	Central $m	Group $m
Revenue						
Franchised	541	91	18	3		653
Managed	97	147	152	89		485
Owned and leased	199	198	48	138		583
Central					114	114
	837	436	218	230	114	1,835

	Americas $m	Europe $m	AMEA $m	Greater China $m	Central $m	Group $m
Segmental result						
Franchised	466	65	12	4		547
Managed	48	32	90	51		221
Owned and leased	24	50	6	45		125
Regional and central	(52)	(35)	(20)	(19)	(162)	(288)
Reportable segments operating profit	486	112	88	81	(162)	605
Exceptional operating items (note 5)	23	(4)	(5)		(18)	(4)
Operating profit	509	108	83	81	(180)	601

	Group $m
Reportable segments operating profit	605
Exceptional operating items (note 5)	(4)
Operating profit	601
Net finance costs	(54)
Profit before tax	547
Tax	(9)
Profit for the year	538

[1] Restated for the adoption of IAS 19R Employee Benefits (see page 111).
All items above relate to continuing operations.

Table of Contents

Notes to the Group Financial Statements continued

2. Segmental information continued

	Americas	Europe	AMEA	Greater China	Central	Group
31 December 2012	$m	$m	$m	$m	$m	$m
Assets and liabilities						
Segment assets	725	626	282	390	250	2,273
Non-current assets classified as held for sale	232	302				534
	957	928	282	390	250	2,807
Unallocated assets:						
Non-current tax receivable						24
Deferred tax assets						204
Current tax receivable						31
Derivative financial instruments						2
Cash and cash equivalents						195
Total assets						3,263
Segment liabilities	(403)	(249)	(58)	(61)	(690)	(1,461)
Liabilities classified as held for sale	(61)					(61)
	(464)	(249)	(58)	(61)	(690)	(1,522)
Unallocated liabilities:						
Current tax payable						(54)
Deferred tax liabilities						(93)
Loans and other borrowings						(1,258)
Derivative financial instruments						(19)
Total liabilities						(2,946)

	Americas	Europe	AMEA	Greater China	Central	Group
Year ended 31 December 2012	$m	$m	$m	$m	$m	$m
Other segmental information						
Capital expenditure (see below)	25	19	6	7	76	133
Non-cash items:						
Depreciation and amortisation[1]	20	23	14	15	22	94
Reversal of previously recorded impairment	(23)					(23)
Write-off of software					18	18
Demerger liability released					(9)	(9)
Share-based payments cost					22	22
Share of profit of associates and joint ventures			(3)			(3)

[1] Included in the $94m of depreciation and amortisation is $31m relating to administrative expenses and $63m 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	25	19	6	7	76	133
Timing differences	(1)			2		1
Capital expenditure per the Financial Statements	24	19	6	9	76	134
Comprising additions to:						
Property, plant and equipment	15	9	2	9	6	41
Non-current assets classified as held for sale	5					5
Intangible assets	2	8	4		70	84
Investment in associates and joint ventures	2					2
Other financial assets		2				2
	24	19	6	9	76	134

Table of Contents

2. Segmental information continued

Year ended 31 December 2011[1]	Americas	Europe	AMEA	Greater China	Central	Group
	$m	$m	$m	$m	$m	$m
Revenue						
Franchised	502	86	19	2		609
Managed	124	118	151	77		470
Owned and leased	204	201	46	126		577
Central					112	112
	830	405	216	205	112	1,768

	Americas	Europe	AMEA	Greater China	Central	Group
	$m	$m	$m	$m	$m	$m
Segmental result						
Franchised	431	65	12	3		511
Managed	52	26	87	43		208
Owned and leased	17	49	5	37		108
Regional and central	(49)	(40)	(20)	(16)	(154)	(279)
Reportable segments operating profit	451	100	84	67	(154)	548
Exceptional operating items (note 5)	35	(39)	26		35	57
Operating profit	486	61	110	67	(119)	605

	Group
	$m
Reportable segments operating profit	548
Exceptional operating items (note 5)	57
Operating profit	605
Net finance costs	(62)
Profit before tax	543
Tax	(78)
Profit for the year	465

All items above relate to continuing operations.

Year ended 31 December 2011	Americas	Europe	AMEA	Greater China	Central	Group

	$m	$m	$m	$m	$m	$m
Other segmental information						
Capital expenditure	84	15	14	8	72	193
Non-cash items:						
Depreciation and amortisation[2]	23	24	16	16	20	99
Impairment losses		2	3			5
Reversal of previously recorded impairment	(25)					(25)
Share-based payments cost					25	25
Share of profit of associates and joint ventures			(1)			(1)

[1] Restated for the adoption of IAS I9R Employee Benefits (see page 111). See note on Comparatives for 2011 on page 111.

[2] Included in the $99m of depreciation and amortisation is $30m relating to administrative expenses and $69m relating to cost of sales.

Table of Contents

Notes to the Group Financial Statements continued

2. Segmental information continued

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Geographical information	**$m**	$m	$m
Revenue			
United Kingdom	**90**	152	139
United States	**843**	769	740
People s Republic of China (including Hong Kong)	**247**	238	210
Rest of World	**723**	676	679
	1,903	1,835	1,768

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 2013	31 December 2012	31 December 2011
	$m	$m	$m
Non-current assets			
United Kingdom	**131**	78	361
United States	**705**	590	559
France	**342**	329	328
People s Republic of China (including Hong Kong)	**326**	333	331
Rest of World	**268**	257	270
	1,772	1,587	1,849

For the purposes of the above table, non-current assets comprise property, plant and equipment, goodwill, intangible assets and investments in associates and joint ventures. 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

	2013 $m	2012 (restated[2]) $m	2011 (restated[2]) $m
Staff			
Costs:			
Wages and salaries	**580**	547	550
Social security costs	**41**	44	43
Pension and other post-retirement benefits:			
Defined benefit plans[1] (note 26)	**10**	13	19
Defined contribution plans	**25**	22	22
	656	626	634

[1] Before exceptional items.

[2] Restated for the adoption of IAS I9R Employee Benefits (see page 111).

	2013	2012	2011
Average number of employees, including part-time employees:			
Americas	**2,548**	2,552	2,895
Europe	**1,602**	1,866	1,574
Asia, Middle East and Africa	**1,545**	1,195	1,195
Greater China	**1,083**	1,051	1,000
Central	**1,401**	1,317	1,292
	8,179	7,981	7,956

The costs of the above employees are borne by IHG. Of these, 94% were employed on a full-time basis and 6% 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 34. In line with IHG s business model, IHG also employs 578 (2012 587, 2011 577) General Managers who work in the managed hotels and whose costs of $135m (2012 $132m, 2011 $125m) are borne by those hotels and, in the US predominantly, there are 12,588 (2012 12,494, 2011 14,596) other hotel workers in the managed hotels who have contracts or letters of service with IHG whose costs of $376m (2012 $430m, 2011 $448m) are borne by those hotels.

	2013	2012	2011
	$m	$m	$m
Directors emoluments			
Base salaries, fees, performance payments and benefits	8.5	9.7	8.3
Pension benefits under defined contribution plans	0.4	0.2	0.2

More detailed information on the emoluments, pensions, option holdings and shareholdings for each Director is shown in the Directors Remuneration Report on pages 74 to 97.

4. Auditor s remuneration paid to Ernst & Young LLP

	2013	2012	2011
	$m	$m	$m
Audit of the Financial Statements	2.0	2.8	1.9
Audit of subsidiaries	1.4	1.5	1.5
Audit-related assurance services	0.5	1.0	0.8
Other assurance services	1.2	1.4	1.2
Tax compliance	0.2	0.3	0.2
Tax advisory	0.4	0.2	0.5
Other non-audit services not covered by the above	0.1		0.1
	5.8	7.2	6.2

Audit fees in respect of the pension scheme were not material.

Table of Contents

Notes to the Group Financial Statements continued

5. Exceptional items

	Note	2013	2012	2011[1]
		$m	$m	$m
Exceptional operating items				
Administrative expenses:				
Litigation	a	**(10)**		
Loyalty programme rebranding costs	b	**(10)**		
Pension settlement loss	c	**(147)**		
Reorganisation costs	d		(16)	
Resolution of commercial dispute	e			(37)
Pension past service gain	f			28
		(167)	(16)	(9)
Share of profits of associates and joint ventures:				
Share of gain on disposal of a hotel (note 14)		**6**		
Other operating income and expenses:				
Gain/(loss) on disposal of hotels (note 11)		**166**	(2)	37
Write-off of software (note 13)			(18)	
Demerger liability released	g		9	
VAT refund	h			9
		166	(11)	46
Impairment:				
Impairment charges:				
Property, plant and equipment	i			(2)
Other financial assets	j			(3)
Reversals of previously recorded impairment:				
Property, plant and equipment	k		23	23
Associates	l			2
			23	20
		5	(4)	57
Tax				
Tax on exceptional operating items		**(6)**	1	(4)
Exceptional tax	m	**(45)**	141	43
		(51)	142	39

[1] See note on Comparatives for 2011 on page 111.
All items above relate to continuing operations.

The above items are treated as exceptional by reason of their size or nature.

a Relates to an agreed settlement in respect of a lawsuit filed against the Group in the Greater China region.
b Relates to costs incurred in support of the worldwide rebranding of IHG Rewards Club that was announced 1 July 2013.
c Arises from a buy-in of the Group s UK funded defined benefit obligations with the insurer, Rothesay Life, on 15 August 2013 (see note 26 for further details).
d Arose from a reorganisation of the Group s support functions together with a restructuring within the AMEA region.
e Related to the settlement of a prior period commercial dispute in the Europe region.
f Related to the closure of the UK defined benefit pension scheme to future accrual with effect from 1 July 2013.
g Resulted from a release of a liability no longer required which arose on the demerger of the Group from Six Continents PLC.
h Arose in the UK relating to periods prior to 1996.
i Arose in respect of a hotel in Europe following a re-assessment of its recoverable amount, based on fair value less costs to sell.
j Related to an available-for-sale equity investment and arose as a result of a significant and prolonged decline in its fair value below cost.
k In 2012, a previously recorded impairment charge relating to a North American hotel was reversed in full following a re-assessment of its recoverable amount, based on the market value of the hotel as determined by an independent professional property valuer. Of the impairment reversal in 2011, $11m arose on the classification of a North American hotel as held for sale and was based on the expected net sales proceeds which were subsequently realised on the disposal of the hotel. A further $12m arose in respect of another North American hotel following a re-assessment of its recoverable amount, based on value in use.
l The impairment reversal arose in the Americas region.
m In 2013, comprises a deferred tax charge of $63m consequent on the disposal of the InterContinental London Park Lane hotel (see note 27), together with charges and credits of $38m and $19m respectively from associated restructurings (including intra-group dividends) and refinancings, offset by the recognition of $37m of previously unrecognised tax credits. In 2012, represented the recognition of $104m of deferred tax assets, principally relating to pre-existing overseas tax losses, whose value had become more certain as a result of a change in law and the resolution of prior period tax matters, together with the associated release of $37m of provisions. In 2011, related to a $30m revision of the estimated tax impacts of an internal reorganisation completed in 2010 together with the release of $13m of provisions.

Table of Contents

6. Finance costs

	2013	2012	2011
	$m	$m	$m
Financial income			
Interest income on deposits	4	2	1
Unwinding of discount on other financial assets	1	1	1
	5	3	2
Financial expenses			
Interest expense on borrowings	59	37	42
Interest rate swaps fair value transferred from equity		1	4
Finance charge payable under finance leases	19	19	18
	78	57	64

Interest income and expense relate to financial assets and liabilities held at amortised cost, calculated using the effective interest rate method.

Included within interest expense is $2m (2012 $2m, 2011 $1m) 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.

7. Tax

	Note	2013	2012 (restated[1])	2011[2] (restated[1])
		$m	$m	$m
Income tax				
UK corporation tax at 23.25% (2012 24.50%, 2011 26.50%):				
Current period		62	21	28
Benefit of tax reliefs on which no deferred tax previously recognised	a	(49)		
Adjustments in respect of prior periods	b		(34)	(25)
		13	(13)	3
Foreign tax:	c			
Current period		184	170	98

Benefit of tax reliefs on which no deferred tax previously recognised		**(42)**	(31)	(16)
Adjustments in respect of prior periods	b	**(17)**	(27)	(65)
		125	112	17
Total current tax		**138**	99	20
Deferred tax:				
Origination and reversal of temporary differences		**122**	7	81
Changes in tax rates		**(1)**	(2)	(2)
Adjustments to estimated recoverable deferred tax assets		**(39)**	(105)	(12)
Adjustments in respect of prior periods		**6**	10	(9)
Total deferred tax		**88**	(90)	58
Total income tax charge for the year		**226**	9	78
Further analysed as tax relating to:				
Profit before exceptional items		**175**	151	117
Exceptional items (note 5):				
Exceptional operating items		**6**	(1)	4
Exceptional tax	d	**45**	(141)	(43)
		226	9	78

[1] Restated for the adoption of IAS I9R Employee Benefits (see page 111).
[2] See note on Comparatives for 2011 on page 111.
All items above relate to continuing operations.

a Includes $45m in respect of the utilisation of unrecognised capital losses against the gain on disposal of the InterContinental London Park Lane hotel.
b In 2012, included $37m (2011 $39m) of exceptional credits included at note d below together with other releases relating to tax matters which have been settled or in respect of which the relevant statutory limitation period has expired.
c Represents corporate income taxes on profit taxable in foreign jurisdictions, a significant proportion of which relates to the Group s US subsidiaries.
d In 2013, comprises a deferred tax charge of $63m consequent on the disposal of the InterContinental London Park Lane hotel (see note 27), together with charges and credits of $38m and $19m respectively from associated restructurings (including intra-group dividends) and refinancings, offset by the recognition of $37m of previously unrecognised tax credits. In 2012, represented the recognition of $104m of deferred tax assets, principally relating to pre-existing overseas tax losses, whose value had become more certain as a result of a change in law and the resolution of prior period tax matters, together with the associated release of $37m of provisions. In 2011, related to a $30m revision of the estimated tax impacts of an internal reorganisation completed in 2010 together with the release of $13m of provisions.

Table of Contents

Notes to the Group Financial Statements continued

7. Tax continued

			Total[2]			Before exceptional items[4]
		2012	2011[3]		2012	2011
	2013	(restated[1])	(restated[1])	**2013**	(restated[1])	(restated[1])
	%	%	%	**%**	%	%
Reconciliation of tax charge, including gain on disposal of assets						
UK corporation tax at standard rate	**23.3**	24.5	26.5	**23.3**	24.5	26.5
Non-deductible expenditure and non-taxable income	**16.6**	2.0	1.9	**1.9**	1.0	2.7
Non-recoverable withholding taxes	**1.2**	2.0	4.5	**1.2**	2.0	5.1
Net effect of different rates of tax in overseas businesses	**11.6**	7.7	4.5	**11.9**	7.8	4.9
Effect of changes in tax rates	**(0.1)**	(0.3)	(0.5)	**(0.1)**	(0.1)	(0.4)
Benefit of tax reliefs on which no deferred tax previously recognised	**(15.0)**	(5.6)	(2.9)	**(1.1)**	(5.6)	(3.3)
Effect of adjustments to estimated recoverable deferred tax assets	**(6.4)**	(19.4)	(2.2)	**(4.9)**	(0.2)	(0.3)
Adjustment to tax charge in respect of prior periods	**(2.2)**	(9.8)	(18.4)	**(2.1)**	(2.5)	(12.4)
Deferred tax provision on unremitted earnings	**10.5**					
Other	**(1.8)**	0.4	0.8	**(0.6)**	0.5	1.2
	37.7	1.5	14.2	**29.5**	27.4	24.0

Tax paid

Total net tax paid during the year of $97m (2012 $122m, 2011 $90m) comprises $92m (2012 $119m, 2011 $89m) paid in respect of operating activities and $5m (2012 $3m, 2011 $1m) paid in respect of investing activities.

Tax paid represents an effective rate of 16% (20121 22%, 20111 16%) on total profits and is lower than the effective income statement tax rate of 29% (2012 27%, 2011 24%) primarily due to the impact of deferred taxes (including the realisation of assets such as tax losses), the receipt of refunds in respect of prior years and provisions for tax for which no payment of tax has currently been made.

Corporation tax liabilities did not arise in 2013 in the UK and are not expected to arise for a number of years thereafter due to expenses and associated tax losses attributable principally to employment matters, in particular additional shortfall contributions made to the UK pension plan in the years 2007 to 2013.

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 51.

[1] Restated for the adoption of IAS I9R Employee Benefits (see page 111).
[2] Calculated in relation to total profits including exceptional items.
[3] See note on Comparatives for 2011 on page 111.
[4] Calculated in relation to profits excluding exceptional items.

8. Dividends and shareholder returns

	2013 cents per share	2012 cents per share	2011 cents per share	**2013 $m**	2012 $m	2011 $m
Paid during the year:						
Final (declared for previous year)	**43.0**	39.0	35.2	**115**	113	102
Interim	**23.0**	21.0	16.0	**63**	61	46
Special (note 29)	**133.0**	172.0		**355**	505	
	199.0	232.0	51.2	**533**	679	148
Proposed (not recognised as a liability at 31 December):						
Final	**47.0**	43.0	39.0	**121**	115	113

The final dividend of 28.1p (47.0¢ converted at the closing exchange rate on 14 February 2014) is proposed for approval at the Annual General Meeting (AGM) on 2 May 2014 and is payable on the shares in issue at 21 March 2014.

Under the $500m share repurchase programme announced 7 August 2012, 9,773,912 shares were repurchased in the year to 31 December 2013 for a consideration of $283m, increasing the total amount repurchased to $390m. All of the shares repurchased in 2013 were held as treasury shares at 31 December 2013, the cost of which has been deducted from retained earnings. There were no treasury shares held at 31 December 2012 or earlier.

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 options 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.

		2012	2011[2]
Continuing and total operations	**2013**	(restated[1])	(restated[1])
Basic earnings per ordinary share			
Profit available for equity holders ($m)	**372**	537	465
Basic weighted average number of ordinary shares (millions)	**264**	287	289
Basic earnings per ordinary share (cents)	**140.9**	187.1	160.9
Diluted earnings per ordinary share			
Profit available for equity holders ($m)	**372**	537	465
Diluted weighted average number of ordinary shares (millions)	**267**	292	296
Diluted earnings per ordinary share (cents)	**139.3**	183.9	157.1
Adjusted earnings per ordinary share			
Profit available for equity holders ($m)	**372**	537	465
Adjusting items (note 5):			
Exceptional operating items ($m)	**(5)**	4	(57)
Tax on exceptional operating items ($m)	**6**	(1)	4
Exceptional tax ($m)	**45**	(141)	(43)
Adjusted earnings ($m)	**418**	399	369
Basic weighted average number of ordinary shares (millions)	**264**	287	289
Adjusted earnings per ordinary share (cents)	**158.3**	139.0	127.7
Adjusted diluted earnings per ordinary share			
Adjusted earnings ($m)	**418**	399	369
Diluted weighted average number of ordinary shares (millions)	**267**	292	296
Adjusted diluted earnings per ordinary share (cents)	**156.6**	136.6	124.7

[1] Restated for the adoption of IAS I9R Employee Benefits (see page 111).

[2] See note on Comparatives for 2011 on page 111.

	2013 millions	2012 millions	2011 millions
Diluted weighted average number of ordinary shares is calculated as:			
Basic weighted average number of ordinary shares	**264**	287	289
Dilutive potential ordinary shares employee share options	**3**	5	7
	267	292	296

Table of Contents

Notes to the Group Financial Statements continued

10. Property, plant and equipment

	Land and buildings $m	Fixtures, fittings and equipment $m	Total $m
Cost			
At 1 January 2012	1,237	917	2,154
Additions	8	33	41
Net transfers to non-current assets classified as held for sale	(265)	(99)	(364)
Reclassification to intangible assets		(25)	(25)
Disposals		(12)	(12)
Exchange and other adjustments	15	10	25
At 31 December 2012	995	824	1,819
Additions	**96**	**54**	**150**
Disposals	**(2)**	**(8)**	**(10)**
Exchange and other adjustments	**12**	**1**	**13**
At 31 December 2013	**1,101**	**871**	**1,972**
Depreciation and impairment			
At 1 January 2012	(174)	(618)	(792)
Provided	(11)	(46)	(57)
System Fund expense		(3)	(3)
Net transfers to non-current assets classified as held for sale	16	42	58
Reclassification to intangible assets		2	2
Impairment reversals (note 5)	23		23
Disposals		11	11
Exchange and other adjustments		(5)	(5)
At 31 December 2012	(146)	(617)	(763)
Provided	**(11)**	**(35)**	**(46)**
System Fund expense		**(4)**	**(4)**
Disposals	**2**	**8**	**10**
Exchange and other adjustments	**(1)**	**1**	
At 31 December 2013	**(156)**	**(647)**	**(803)**
Net book value			
At 31 December 2013	**945**	**224**	**1,169**
At 31 December 2012	849	207	1,056
At 1 January 2012	1,063	299	1,362

The Group s property, plant and equipment mainly comprises hotels, but also offices, throughout the world. In addition to the hotels included above, there was one hotel (2012 two hotels) classified as held for sale at 31 December 2013 (see note 11). Including the hotels classified as held for sale, 81% (2012 90%) of the net book value relates to the four (2012 five) largest owned and leased hotels (in terms of net book value) of a total of 12 hotels (2012 10 hotels), nine of which are open (2012 10 open). There were three hotels acquired during the year for $70m which are under conversion, not yet in use and therefore not being depreciated.

The carrying value of property, plant and equipment held under finance leases at 31 December 2013 was $187m (2012 $187m).

Including assets classified as held for sale, 55% (2012 43%) of hotel properties by net book value were directly owned, with 39% (2012 54%) held under leases having a term of 50 years or longer.

All impairment charges and reversals are included within impairment on the face of the Group income statement.

No borrowing costs were capitalised during the current or prior year.

Following the sale of the InterContinental London Park Lane hotel there are no longer charges (2012 $89m) over the Group s property, plant and equipment.

The table below analyses the net book value of the Group s property, plant and equipment by operating segment at 31 December 2013:

	Americas	**Europe**	**AMEA**	**Greater China**	**Central**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Land and buildings	**367**	**290**	**8**	**259**	**21**	**945**
Fixtures, fittings and equipment	**33**	**63**	**12**	**48**	**68**	**224**
	400	**353**	**20**	**307**	**89**	**1,169**

Table of Contents

11. Assets sold and held for sale

Assets sold

During the year ended 31 December 2013, the Group sold one hotel in the Europe region, the InterContinental London Park Lane.

During the year ended 31 December 2012, the Group sold an interest in a hotel in the Europe region.

During the year ended 31 December 2011, the Group sold four hotels, three in the Americas region and one in the AMEA region. The gain on disposal mainly related to the sale of the Holiday Inn Burswood in Australia. The other significant disposal was the Hotel Indigo San Diego which resulted in an impairment reversal (see note 5) in March 2011 on classification as held for sale.

	2013	2012	2011
	$m	$m	$m
Consideration			
Current year disposals:			
Cash consideration, net of costs paid	**460**	4	142
Management contract value	**40**		2
	500	4	144
Net assets disposed of	**(288)**	(6)	(107)
Exchanges losses recycled from currency translation reserve	**(46)**		
Gain/(loss) on disposal of assets from continuing operations	**166**	(2)	37
Net cash inflow			
Current year disposals:			
Cash consideration, net of costs paid	**460**	4	142
Distribution from associate on sale of hotel	**17**		
Tax	**(5)**		(1)
Prior year disposals:			
Tax		(3)	
	472	1	141

Assets held for sale

One hotel, the InterContinental New York Barclay, met the held for sale criteria of IFRS 5 at 31 December 2013. Two hotels, the InterContinental New York Barclay and the InterContinental London Park Lane, and one associate investment were held for sale at 31 December 2012.

	2013	2012
	$m	$m
Assets and liabilities held for sale		
Non-current assets classified as held for sale:		
Property, plant and equipment	228	524
Associates		10
	228	534
Liabilities classified as held for sale:		
Deferred tax (note 27)		61

On 19 December 2013, the Group signed an agreement to dispose of an 80% interest in the InterContinental New York Barclay hotel for gross proceeds of $240m. The transaction is expected to complete in the first quarter of 2014.

Deferred tax in relation to the InterContinental New York Barclay hotel is no longer classified as held for sale at 31 December 2013 as no such liabilities are expected to leave the Group upon disposal of the asset as a result of the agreement signed during the year.

Table of Contents

Notes to the Group Financial Statements continued

12. Goodwill

	2013	2012
	$m	$m
Cost		
At 1 January	234	233
Exchange adjustments	(13)	1
At 31 December	221	234
Impairment		
At 1 January and 31 December	(141)	(141)
Net book value		
At 31 December	80	93
At 1 January	93	92

Goodwill arising on business combinations that occurred before 1 January 2005 was not restated on adoption of IFRS as permitted by IFRS 1.

Impairment charges are included within impairment on the face of the Group income statement and all cumulative impairment losses relate to the Americas managed cash-generating unit (CGU) (see below).

Goodwill has been allocated to CGUs for impairment testing as follows:

	Cost		Net book value	
	2013	2012	2013	2012
	$m	$m	$m	$m
AMEA franchised and managed operations	80	93	80	93
Americas managed operations	141	141		
	221	234	80	93

The Group tests goodwill for impairment annually, or more frequently if there are any indications that an impairment may have arisen. The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use pre-tax cash flow forecasts derived from the most recent financial budgets and strategic plans approved by management covering a five-year period or, in the absence of up-to-date strategic plans, the financial budget for the next year with an extrapolation of the cash flows for the following four years, using growth rates based on management s past experience and industry growth forecasts. After the five-year planning period, the terminal value of future cash flows is calculated based on perpetual growth rates that do not exceed the average long-term growth rates for the relevant markets. Pre-tax discount rates are used to discount the cash flows 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.

Asia, Middle East and Africa (AMEA) goodwill

At 31 December 2013, the recoverable amount of the CGU has been assessed based on the approved budget for 2014 and strategic plans covering a five-year period, a perpetual growth rate of 3.5% (2012 3.5%) and a discount rate of 15.5% (2012 14.3%). In previous years, the goodwill was allocated to Asia Australasia franchised and managed operations but, due to a change in management structure, this CGU no longer exists as the business is now managed at the AMEA level.

Impairment was not required at either 31 December 2013 or 31 December 2012 and management believe that the carrying value of the CGU would only exceed its recoverable amount in the event of highly unlikely changes in the key assumptions.

Americas goodwill

Goodwill relating to the Americas managed operations was impaired in full in 2009. As goodwill impairment cannot be reversed, there is no sensitivity around any assumptions that could lead to further impairment adjustments.

Table of Contents

13. Intangible assets

	Software	Management contracts	Other intangibles	Total
	$m	$m	$m	$m
Cost				
At 1 January 2012	252	231	138	621
Additions	70		14	84
Reclassification from property, plant and equipment	25			25
Disposals	(21)		(3)	(24)
Exchange and other adjustments	(1)	4	2	5
At 31 December 2012	325	235	151	711
Additions	**79**	**40**	**16**	**135**
Disposals	**(8)**		**(7)**	**(15)**
Exchange and other adjustments	**(1)**	**2**	**(1)**	
At 31 December 2013	**395**	**277**	**159**	**831**
Amortisation and impairment				
At 1 January 2012	(138)	(116)	(59)	(313)
Provided	(17)	(10)	(10)	(37)
System Fund expense	(9)			(9)
Reclassification from property, plant and equipment	(2)			(2)
Disposals	2		3	5
Exchange and other adjustments	1		(2)	(1)
At 31 December 2012	(163)	(126)	(68)	(357)
Provided	**(21)**	**(7)**	**(11)**	**(39)**
System Fund expense	**(12)**			**(12)**
Disposals	**8**		**7**	**15**
Exchange and other adjustments	**(1)**	**2**	**(1)**	
At 31 December 2013	**(189)**	**(131)**	**(73)**	**(393)**
Net book value				
At 31 December 2013	**206**	**146**	**86**	**438**
At 31 December 2012	162	109	83	354
At 1 January 2012	114	115	79	308

Software disposals in 2012 included an exceptional write-off of $18m resulting from a re-assessment of the ongoing value of elements of the technology infrastructure.

Substantially all of software additions are internally developed.

Borrowing costs of $0.2m (2012 $0.3m) were capitalised during the year in respect of software projects.

The weighted average remaining amortisation period for management contracts is 24 years (2012 19 years).

Table of Contents

Notes to the Group Financial Statements continued

14. Investment in associates and joint ventures

	Associates	Joint ventures	Total
	$m	$m	$m
Cost			
At 1 January 2012	60	30	90
Reclassification	4	(4)	
Additions		2	2
Transfer to non-current assets classified as held for sale	(10)		(10)
Share of profit	3		3
Dividends	(3)		(3)
Share of reserve movement	5		5
At 31 December 2012	**59**	**28**	**87**
Additions	**8**	**2**	**10**
Capital returns		**(3)**	**(3)**
Share of profit	**2**		**2**
Dividends	**(5)**		**(5)**
Exchange and other adjustments	**(3)**		**(3)**
At 31 December 2013	**61**	**27**	**88**
Impairment			
At 1 January 2012, 31 December 2012 and 31 December 2013	**(3)**		**(3)**
Net book value			
At 31 December 2013	**58**	**27**	**85**
At 31 December 2012	56	28	84
At 1 January 2012	57	30	87

		Associates			Joint ventures				Total
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
	$m	$m	$m	**$m**	$m	$m	**$m**	$m	$m
Share of profit/(loss)									
Operating profit/(loss) before exceptional items	**2**	3	2			(1)	**2**	3	1
Exceptional items	**6**						**6**		
	8	3	2			(1)	**8**	3	1

The exceptional profit arose on the sale of a hotel owned by an associate investment that was classified as held for sale at 31 December 2012. Following completion of the sale, the Group received a $17m cash distribution from the associate, being the Group s share of the net disposal proceeds.

	Associates			Joint ventures			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
	$m	$m	$m	**$m**	$m	$m	**$m**	$m	$m
Related party transactions									
Revenue from associates and joint ventures	**4**	5	5				**4**	5	5
Amounts owed by associates and joint ventures	**2**	2	1				**2**	2	1
Loans from associates and joint ventures			(2)						(2)

None of the Group s investments in associates and joint ventures are individually material.

15. Other financial assets

	2013	2012
	$m	$m
Equity securities available-for-sale:		
Quoted equity shares	**9**	18
Unquoted equity shares	**127**	94
	136	112
Loans and receivables:		
Trade deposits and loans	**20**	20
Restricted funds	**40**	29
Bank accounts pledged as security	**52**	
	112	49
Total other financial assets	**248**	161

Table of Contents

15. Other financial assets continued

	2013	2012
	$m	$m
Analysed as:		
Current	12	6
Non-current	236	155
	248	161

Equity securities available-for-sale are measured at fair value (see note 24) and loans and receivables are held at amortised cost.

Equity securities available-for-sale were denominated in the following currencies: US dollars $84m (2012 $59m), Hong Kong dollars $27m (2012 $24m) and other currencies $25m (2012 $29m). Unlisted equity shares are mainly investments in entities that own hotels which the Group manages. Dividend income from available for-sale equity securities of $6m (2012 $5m) is reported as other operating income and expenses in the Group income statement.

Trade deposits and loans include a deposit of $37m made in 2011 to a hotel owner in connection with the renegotiation of a management contract. The deposit is non-interest-bearing and repayable at the end of the management contract, and is therefore held at its discounted value of $12m (2012 $11m); the discount unwinds to the income statement within financial income over the period to repayment.

Restricted funds include cash held in bank accounts which is pledged as collateral to insurance companies for risks retained by the Group, cash held in the IHG Funding Trust (see note 26) and other amounts held in escrow.

The bank accounts pledged as security (£31m) are subject to a charge in favour of the members of the UK unfunded pension arrangement (see note 26).

The movement in the provision for impairment of other financial assets during the year is as follows:

	2013	2012
	$m	$m
At 1 January	(26)	(25)
Reclassification		(1)
Amounts written off	1	
At 31 December	(25)	(26)

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.

16. Inventories

	2013	2012
	$m	$m
Finished goods	2	2
Consumable stores	2	2
	4	4

17. Trade and other receivables

	2013	2012
	$m	$m
Trade receivables	338	344
Other receivables	20	18
Prepayments	65	60
	423	422

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.

Table of Contents

Notes to the Group Financial Statements continued

17. Trade and other receivables continued

The maximum exposure to credit risk for trade and other receivables, excluding prepayments, at the end of the reporting period by geographic region is:

	2013	2012
	$m	$m
Americas	193	186
Europe	78	83
Asia, Middle East and Africa	53	64
Greater China	34	29
	358	362

The ageing of trade and other receivables, excluding prepayments, at the end of the reporting period is:

			2013			2012
	Gross	Provision	Net	Gross	Provision	Net
	$m	$m	$m	$m	$m	$m
Not past due	236		236	223		223
Past due 1 to 30 days	66	(4)	62	74	(3)	71
Past due 31 to 180 days	57	(3)	54	69	(3)	66
Past due more than 180 days	42	(36)	6	43	(41)	2
	401	(43)	358	409	(47)	362

The movement in the provision for impairment of trade and other receivables during the year is as follows:

	2013	2012	2011
	$m	$m	$m
At 1 January	(47)	(46)	(58)
Provided	(18)	(18)	(15)
Amounts written back	14	10	7
Amounts written off	8	7	20
At 31 December	(43)	(47)	(46)

18. Cash and cash equivalents

	2013	2012
	$m	$m
Cash at bank and in hand	63	57
Short-term deposits	71	138
	134	195

Short-term deposits are highly liquid investments with an original maturity of three months or less, in various currencies.

Cash at bank includes gross cash assets of $114m (2012 $194m) and gross overdrafts of $114m (2012 $192m) which are offset under cash pooling arrangements.

Cash and cash equivalents includes $12m (2012 $7m) that is not available for use by the Group due to local exchange controls.

19. Trade and other payables

	2013	2012
	$m	$m
Current		
Trade payables	97	117
Other tax and social security payable	32	35
Other payables	335	268
Accruals	284	289
	748	709
Non-current		
Other payables	574	563

Trade payables are non-interest-bearing and are normally settled within an average of 45 days.

Other payables include $649m (2012 $623m) relating to the future redemption liability of the Group s loyalty programme, of which $120m (2012 $108m) is classified as current and $529m (2012 $515m) as non-current.

Table of Contents

20. Provisions

	Onerous management contracts	Litigation	Total
	$m	$m	$m
At 1 January 2012	3	11	14
Utilised	(1)	(11)	(12)
At 31 December 2012	2		2
Provided		**4**	**4**
Utilised	**(1)**	**(2)**	**(3)**
At 31 December 2013	**1**	**2**	**3**

	2013	2012
	$m	$m
Analysed as:		
Current	**3**	1
Non-current		1
	3	2

The onerous management contracts provision relates to the unavoidable net cash outflows that are expected to be incurred under performance guarantees associated with certain management contracts. The non-current portion of the provision is expected to be utilised over the period to 2020.

Litigation during 2013 largely relates to actions brought against the Group in the Greater China region and during 2012 in the Americas region.

21. Financial risk management

Overview

The Group s treasury policy is to manage financial risks that arise in relation to underlying business needs. The activities of the treasury function are carried out in accordance with Board approved policies and are subject to regular audit. The treasury function does not operate as a profit centre.

The treasury function seeks to reduce the financial risks faced by the Group and manages liquidity to meet all foreseeable cash needs. Treasury activities may include money market investments, spot and forward foreign exchange instruments, currency swaps, interest rate swaps and forward rate agreements. One of the primary objectives of the Group s treasury risk management policy is to mitigate the adverse impact of movements in interest rates and foreign exchange rates.

Market risk exposure

The US dollar is the predominant currency of the Group s revenue and cash flows. Movements in foreign exchange rates can affect the Group s reported profit, net assets and interest cover. To hedge translation exposure, wherever possible, the Group matches the currency of its debt (either directly or via derivatives) to the currency of its net assets, whilst maximising the amount of US dollars borrowed to reflect the predominant trading currency.

From time to time, foreign exchange transaction exposure is managed by the forward purchase or sale of foreign currencies. Most significant exposures of the Group are in currencies that are freely convertible.

A general strengthening of the US dollar (specifically a five cent fall in the sterling:US dollar rate) would increase the Group s profit before tax by an estimated $4.1m (2012 $2.8m, 2011 $3.3m) and increase net assets by an estimated $16.0m (2012 increase of $1.8m, 2011 decrease of $10.4m). Similarly, a five cent fall in the euro:US dollar rate would reduce the Group s profit before tax by an estimated $2.6m (2012 $2.3m, 2011 $1.9m) and decrease net assets by an estimated $14.8m (2012 $16.1m, 2011 $10.3m).

Interest rate exposure is managed, using interest rate swaps if appropriate, within set parameters depending on the term of the debt, with a minimum fixed proportion of 25% of borrowings for each major currency. Due to relatively low interest rates and the level of the Group s debt, 100% of borrowings in major currencies were fixed rate debt at 31 December 2013.

Based on the year-end net debt position and given the underlying maturity profile of investments, borrowings and hedging instruments at that date, neither a one percentage point rise in US dollar, euro nor sterling interest rates would have a material impact on the annual net interest charge in the current or prior two years.

Notes to the Group Financial Statements continued

21. Financial risk management continued

Liquidity risk exposure

The treasury function ensures that the Group has access to sufficient funds to allow the implementation of the strategy set by the Board. Medium and long-term borrowing requirements are met through the $1.07bn Syndicated Facility which expires in November 2016, through the £250m 6% bonds that are repayable on 9 December 2016 and through the £400m 3.875% bonds repayable on 28 November 2022. The bonds were issued under the Group s £750m Medium Term Notes programme. Short-term borrowing requirements are met from drawings under bilateral bank facilities. The $1.07bn Syndicated Facility was undrawn at the year end.

The Syndicated Facility contains 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.

At the year end, the Group had cash of $134m which is predominantly 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 $12m (2012 $7m) is held in countries where repatriation is restricted as a result of foreign exchange regulations.

The Group had net liabilities of $74m at 31 December 2013 reflecting that its brands, in accordance with accounting standards, are not recorded on the balance sheet.

Credit risk exposure

Credit risk on treasury transactions is minimised by operating a policy on the investment of surplus cash that generally restricts counterparties to those with an A credit rating or better or those providing adequate security.

Notwithstanding that counterparties must have an A credit rating or better, during periods of significant financial market turmoil, counterparty exposure limits are significantly reduced and counterparty credit exposure reviews are broadened to include the relative placing of credit default swap pricings.

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.

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 $1,071m at 31 December 2013 (2012 $1,382m). 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.

Hedging

Interest rate risk

The Group hedges its interest rate risk by ensuring that interest flows are fixed on at least 25% of its borrowings in major currencies. If required, the Group uses interest rate swaps to manage the exposure although none were held at either 31 December 2013 or 31 December 2012. The Group designates interest rate swaps as cash flow hedges. At both 31 December 2013 and 31 December 2012, the Group s interest flows were 100% fixed due to the low interest environment and profile of the Group s debt.

Foreign currency risk

The Group is exposed to foreign currency risk on income streams denominated in foreign currencies. 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 2013 or 31 December 2012.

Hedge of net investment in foreign operations

The Group designates its 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 and the forward risk for the seven-year currency swaps. The interest on these financial instruments is taken through financial income or expense except for the seven-year currency swaps where interest is taken to the currency translation reserve.

At 31 December 2013, the Group held currency swaps with a principal of $415m (2012 $415m) and short dated foreign exchange swaps with principals of 75m (2012 75m) and $100m (2012 $170m) (see note 23 for further details). The maximum amount of foreign exchange derivatives held during the year as net investment hedges and measured at calendar quarter ends were currency swaps with a principal of $415m (2012 $415m) and short dated foreign exchange swaps with principals of 75m (2012 75m) and $310m (2012 $350m).

Hedge effectiveness is measured at calendar quarter ends. No ineffectiveness arose in respect of either the Group s cash flow or net investment hedges during the current or prior year.

Table of Contents

21. Financial risk management continued

Liquidity risk

The following are the undiscounted contractual cash flows of financial liabilities, including interest payments:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	$m	$m	$m	$m	$m
31 December 2013					
Non-derivative financial liabilities:					
Secured bank loans		4			4
£250m 6% bonds 2016	25	25	438		488
£400m 3.875% bonds 2022	26	26	77	764	893
Finance lease obligations	16	16	48	3,300	3,380
Trade and other payables	748	162	193	289	1,392
Provisions	3				3
Derivative financial liabilities:					
Forward foreign exchange contracts	(1)				(1)
Currency swaps outflows	26	26	441		493
inflows	(25)	(25)	(438)		(488)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	$m	$m	$m	$m	$m
31 December 2012					
Non-derivative financial liabilities:					
Secured bank loans			5		5
£250m 6% bonds 2016	24	24	453		501
£400m 3.875% bonds 2022	25	25	75	772	897
Finance lease obligations	16	16	48	3,316	3,396
Trade and other payables	709	154	191	285	1,339
Provisions	1	1			2
Derivative financial liabilities:					
Forward foreign exchange contracts	(2)				(2)

Currency swaps	outflows	26	26	467		519
inflows		(24)	(24)	(453)		(501)

Credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

	2013	2012
	$m	$m
Cash and cash equivalents	**134**	195
Equity securities available-for-sale	**136**	112
Derivative financial instruments	**1**	2
Loans and receivables:		
Other financial assets	**112**	49
Trade and other receivables, excluding prepayments	**358**	362
	741	720

Table of Contents

Notes to the Group Financial Statements continued

22. Loans and other borrowings

	2013			2012		
	Current	Non-current	Total	Current	Non-current	Total
	$m	$m	$m	$m	$m	$m
Secured bank loans		4	4		5	5
Finance lease obligations	16	199	215	16	196	212
£250m 6% bonds 2016		412	412		403	403
£400m 3.875% bonds 2022		654	654		638	638
Total borrowings	16	1,269	1,285	16	1,242	1,258
Denominated in the following currencies:						
Sterling		1,066	1,066		1,041	1,041
US dollars	16	199	215	16	196	212
Other		4	4		5	5
	16	1,269	1,285	16	1,242	1,258

Secured bank loans

The New Zealand dollar mortgage is secured on the hotel property to which it relates. Non-current amounts include $4m (2012 $5m) repayable by instalments.

Finance lease obligations

Finance lease obligations, which relate to the 99-year lease (of which 92 years remain) on the InterContinental Boston, are payable as follows:

	2013		2012	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	$m	$m	$m	$m
Less than one year	16	16	16	16
Between one and five years	64	48	64	48
More than five years	3,300	151	3,316	148

	3,380	**215**	3,396	212
Less: amount representing finance charges	**(3,165)**		(3,184)	
	215	**215**	212	212

The Group has the option to extend the term of the lease for two additional 20-year terms. Payments under the lease step up at regular intervals over the lease term.

£250m 6% bonds 2016

The 6% fixed interest sterling bonds were issued on 9 December 2009 and are repayable in full on 9 December 2016. Interest is payable annually on 9 December in each year commencing 9 December 2010 to the maturity date. The bonds were initially priced at 99.465% of face value and are unsecured. Currency swaps were transacted at the same time the bonds were issued in order to swap the proceeds and interest flows into US dollars (see note 23 for further details).

£400m 3.875% bonds 2022

The 3.875% fixed interest sterling bonds were issued on 28 November 2012 and are repayable on 28 November 2022. Interest is payable annually on 28 November in each year commencing 28 November 2013 to the maturity date. The bonds were initially priced at 98.787% of face value and are unsecured.

Table of Contents

22. Loans and other borrowings continued

Facilities provided by banks

	Utilised	Unutilised	2013 Total	Utilised	Unutilised	2012 Total
	$m	$m	$m	$m	$m	$m
Committed	4	1,070	1,074	5	1,070	1,075
Uncommitted		80	80		96	96
	4	1,150	1,154	5	1,166	1,171

	2013	2012
	$m	$m
Unutilised facilities expire:		
Within one year	80	96
After two but before five years	1,070	1,070
	1,150	1,166

Utilised facilities are calculated based on actual drawings and may not agree to the carrying value of loans held at amortised cost.

23. Derivative financial instruments

	2013	2012
	$m	$m
Currency swaps	11	19
Forward foreign exchange contracts	(1)	(2)
	10	17
Analysed as:		
Current assets	(1)	(2)
Non-current liabilities	11	19

Derivatives are recorded at their fair values as set out in note 24.

Currency swaps

At 31 December 2013, the Group held currency swaps with a principal of $415m (2012 $415m). These swaps were transacted at the same time as the £250m 6% bonds were issued in December 2009 in order to swap the bonds proceeds and interest flows into US dollars. Under the terms of the swaps, $415m was borrowed and £250m deposited for seven years at a fixed exchange rate of £1 = $1.66. The fair value of the currency swap comprises two components: $2m (2012 $11m) relating to the repayment of the underlying principal and $9m (2012 $8m) relating to interest payments. The element relating to the underlying principal is disclosed as a component of net debt (see note 25). The currency swaps are designated as net investment hedges.

Forward foreign exchange contracts

At 31 December 2013, the Group held short dated foreign exchange swaps with principals of 75m (2012 75m) and $100m (2012 $170m). The swaps are used to manage sterling surplus cash and reduce euro and US dollar borrowings whilst maintaining operational flexibility. The foreign exchange swaps have been designated as net investment hedges.

Table of Contents

Notes to the Group Financial Statements continued

24. Fair value measurement

Fair values

The following table compares carrying amounts and fair values of the Group s financial assets and liabilities:

		2013		2012	
	Note	Carrying value $m	Fair value $m	Carrying value $m	Fair value $m
Financial assets					
Cash and cash equivalents	18	134	134	195	195
Equity securities available-for-sale[1]	15	136	136	112	112
Loans and receivables:					
Other financial assets	15	112	112	49	49
Trade and other financial receivables, excluding prepayments	17	358	358	362	362
Derivatives[1]	23	1	1	2	2
		741	741	720	720
Financial liabilities					
£250m 6% bonds 2016	22	(412)	(461)	(403)	(456)
£400m 3.875% bonds 2022	22	(654)	(650)	(638)	(652)
Finance lease obligations	22	(215)	(233)	(212)	(268)
Other borrowings	22	(4)	(4)	(5)	(5)
Trade and other payables	19	(1,322)	(1,322)	(1,272)	(1,272)
Derivatives[1]	23	(11)	(11)	(19)	(19)
Provisions	20	(3)	(3)	(2)	(2)
		(2,621)	(2,684)	(2,551)	(2,674)

[1] 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.

The fair value of cash and cash equivalents 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 other borrowings 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 and current provisions approximates to their carrying value, including the future redemption liability of the Group s loyalty programme.

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**	**2013 Total**	Level 1	Level 2	Level 3	2012 Total
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Assets								
Equity securities available-for-sale:								
Quoted equity shares	**9**			**9**	18			18
Unquoted equity shares			**127**	**127**			94	94
Derivatives		**1**		**1**		2		2
Liabilities								
£250m 6% bonds 2016	**(461)**			**(461)**	(456)			(456)
£400m 3.875% bonds 2022	**(650)**			**(650)**	(652)			(652)
Finance lease obligations		**(233)**		**(233)**		(268)		(268)
Derivatives		**(11)**		**(11)**		(19)		(19)

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.

Table of Contents

24. Fair value measurement continued

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. As the Group s derivatives are not cash collaterised, a valuation adjustment is made for credit risk, being counterparty risks in respect of derivative assets and own credit risks in respect of derivative liabilities. At 31 December 2013, the interest rates used to fair value the derivative liabilities ranged from 1.4% to 2.5%, depending on the currency and the term of the derivative contract.

Finance lease obligations relate to the lease of the InterContinental Boston and are 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 2013 was 8.4% (2012 7.4%).

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. The average P/E ratio for the year was 23.9 and a non-marketability factor of 30% is applied. A 10% increase in the average P/E ratio would result in a $5m increase (2012 $5m) in the fair value of the investments and a 10% decrease in the average P/E ratio would result in a $5m decrease (2012 $5m) in the fair value of the investments. A 10% increase in net assets would result in a $5m increase (2012 $2m) in the fair value of the investments and a 10% decrease in net assets would result in a $5m decrease (2012 $2m) 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:

	2013	2012
	$m	$m
At 1 January	94	97
Additions	8	
Repaid		(1)
Valuation gains/(losses) recognised in other comprehensive income	25	(2)
At 31 December	127	94

25. Net debt

	2013	2012
	$m	$m
Cash and cash equivalents	134	195
Loans and other borrowings current	(16)	(16)
non-current	(1,269)	(1,242)
Derivatives hedging debt values (note 23)	(2)	(11)
Net debt	(1,153)	(1,074)
Movement in net debt		
Net (decrease)/increase in cash and cash equivalents	(58)	15
Add back cash flows in respect of other components of net debt:		
Issue of long-term bonds		(632)
Decrease in other borrowings	1	99
Increase in net debt arising from cash flows	(57)	(518)
Non-cash movements:		
Finance lease obligations	(3)	(3)
Exchange and other adjustments	(19)	(15)
Increase in net debt	(79)	(536)
Net debt at beginning of the year	(1,074)	(538)
Net debt at end of the year	(1,153)	(1,074)

Net debt includes the exchange element of the fair value of currency swaps that fix the value of the Group s £250m 6% bonds at $415m. An equal and opposite exchange adjustment on the retranslation of the £250m 6% bonds is included in non-current loans and other borrowings.

Notes to the Group Financial Statements continued

26. Retirement benefits

UK

UK retirement and death in service benefits are provided for eligible Group employees in the UK principally by the InterContinental Hotels UK Pension Plan, which is HM Revenue & Customs registered. The defined benefit section of the plan, which provides benefits based on final salary and is funded, closed to new entrants in 2002 and closed to future accrual for current members with effect from 1 July 2013. New members, including those who have been auto-enrolled since 1 September 2013, are provided with defined contribution arrangements as are members of the defined benefit section since 1 July 2013. The assets of the plan are held in a self-administered trust fund which is governed by a Trustee Board who are responsible for the administration and investment strategy of the plan. The Trustee Board comprises a combination of independent, company nominated and member nominated trustees, and is assisted by professional advisers as and when required. As required by the Pensions Act 2004, the plan is required to meet a Statutory Funding Objective in respect of its defined benefit obligations and a formal recovery plan is required to meet a funding shortfall. The overall operation of the plan is subject to the oversight of The Pensions Regulator.

On 15 August 2013, the Trustee Board completed a buy-in transaction whereby the assets of the plan were invested in a bulk purchase annuity policy with the insurer Rothesay Life, under which the benefits payable to defined benefit members are now fully insured. The insurance policy was purchased using the existing assets of the plan and a final company contribution of £5m. It is the intention of the Trustee Board that the plan will move to a full buy-out as soon as practical, following which the insurance company will become directly responsible for pension payments. Under the most recent recovery plan, the company agreed to make additional contributions of £130m by 31 July 2014; in addition to the £5m referred to above, £55m was paid in 2012 and a further amount of £60m was paid into a funding trust (the IHG Funding Trust) during the year. £30m of the funding trust payments occurred on the sale of the InterContinental London Park Lane in May 2013, over which there was previously a charge for the same amount in favour of the pension plan. As the buy-in transaction has resulted in the defined benefit obligations being fully insured, the company has no further contributions to make and £57m has been returned to the company from the funding trust. It is expected that the remaining £3m held in the funding trust will be returned to the company on completion of the planned buy-out.

In addition to the above, additional benefits are provided to certain members of the defined benefit section of the plan who are affected by lifetime or annual allowances through an unfunded pension arrangement. The unfunded pension arrangement also held a charge over the InterContinental London Park Lane which, on sale of the hotel, was replaced with a charge over certain ring-fenced bank accounts totalling £31m (see note 15).

US and other

The Group also maintains the following US-based defined benefit plans; the funded Inter-Continental Hotels Pension 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 funded 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. The company currently makes contributions that equal or exceed the minimum funding amounts required by the Employee Retirement Income and Security Act of 1974 (ERISA). The investment objective is to achieve full funding over time by following a specified glide path approach which results in a progressive switching from return seeking assets to liability-matching assets as the funded status of the plan increases. During the year, the funded status reached 80% which triggered a further de-risking of the investment portfolio.

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.

In respect of the defined benefit plans, the amounts recognised in the Group income statement, in administrative expenses, are:

	Pension plans											
	UK			US and other			Post-employment benefits			Total		
	2013	2012 (restated[1])	2011 (restated[1])	**2013**	2012 (restated[1])	2011 (restated[1])	**2013**	2012	2011	**2013**	2012 (restated[1])	2011 (restated[1])
	$m	$m	$m	**$m**	$m	$m	**$m**	$m	$m	**$m**	$m	$m
Current service cost	**2**	5	6	**1**	1	1				**3**	6	7
Past service cost				**1**						**1**		
Net interest expense		1	6	**3**	3	3	**1**	1	1	**4**	5	10
Administration costs	**1**	1	1	**1**	1	1				**2**	2	2
Operating profit before exceptional items	**3**	7	13	**6**	5	5	**1**	1	1	**10**	13	19
Exceptional items:												
Settlement loss	**147**									**147**		
Past service gain			(28)									(28)
	150	7	(15)	**6**	5	5	**1**	1	1	**157**	13	(9)

[1] Restated for the adoption of IAS 19R Employee Benefits (see page 111).

The settlement loss results from the buy-in transaction described above and comprises a past service cost of $5m relating to additional benefits secured by the transaction, the difference between the cost of the insurance policy and the accounting value of the liabilities secured of $137m and transaction costs of $5m. As the policy has been structured to enable the plan to move to a buy-out and the intention is to proceed on this basis, the buy-in transaction has been accounted for as a settlement with the loss arising recorded in the income statement.

The past service gain in 2011 arose in respect of the UK pension plan and from the decision to close the defined benefit section to future accrual with effect from 1 July 2013. The plan rules were formally amended to reflect this change in September 2011.

Table of Contents

26. Retirement benefits continued

Re-measurement gains and losses recognised in the Group statement of comprehensive income are:

	2013			2012[1]			2011[1]		
	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)	2		2	22		22	27		27
Actuarial gains and losses arising from changes in:									
Demographic assumptions		12	12		(6)	(6)		(1)	(1)
Financial assumptions		(57)	(57)		(25)	(25)		(52)	(52)
Experience adjustments		(6)	(6)		17	17		2	2
Change in asset restriction (excluding amounts included in interest)	89		89	(23)		(23)	(8)		(8)
Other comprehensive income	91	(51)	40	(1)	(14)	(15)	19	(51)	(32)

[1] Restated for the adoption of IAS 19R Employee Benefits (see page 111).

The assets and liabilities of the schemes and the amounts recognised in the Group statement of financial position are:

	Pension plans							
	UK		US and other		Post-employment benefits		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	$m	$m	$m	$m	$m	$m	$m	$m
Retirement benefit assets								
Fair value of plan assets	582	695	17	17			599	712
Present value of benefit obligations	(577)	(507)	(13)	(15)			(590)	(522)
Surplus in schemes	5	188	4	2			9	190
Asset restriction	(2)	(91)					(2)	(91)

Total retirement benefit assets	**3**	97	**4**	2			**7**	99
Retirement benefit obligations								
Fair value of plan assets			**142**	132			**142**	132
Present value of benefit obligations	**(82)**	(62)	**(220)**	(232)	**(24)**	(25)	**(326)**	(319)
Total retirement benefit obligations	**(82)**	(62)	**(78)**	(100)	**(24)**	(25)	**(184)**	(187)
Total fair value of plan assets	**582**	695	**159**	149			**741**	844
Total present value of benefit obligations	**(659)**	(569)	**(233)**	(247)	**(24)**	(25)	**(916)**	(841)

The US and other surplus of $4m (2012 $2m) relates to a defined benefit pension scheme in Hong Kong. Included within the US and other deficit is $2m (2012 $2m) relating to a defined benefit pension plan in the Netherlands.

Assumptions

The principal financial assumptions used by the actuaries to determine the benefit obligations are:

	Pension plans								
	UK			US			Post-employment benefits		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
	%	%	%	**%**	%	%	**%**	%	%
Wages and salaries increases		4.5	4.6					4.0	4.0
Pensions increases	**3.6**	3.0	3.1						
Discount rate	**4.6**	4.5	4.7	**4.5**	3.5	4.1	**4.6**	3.5	4.1
Inflation rate	**3.6**	3.0	3.1						
Healthcare cost trend rate assumed for next year:									
Pre 65 (ultimate rate reached in 2021)							**8.5**	9.0	9.5
Post 65 (ultimate rate reached in 2023)							**17.5**	11.8	12.8
Ultimate rate that the cost trend rate trends to							**5.2**	5.0	5.0

Mortality is the most significant demographic assumption. The current assumptions for the UK plan are based on the S1NA tables with long cohort projections and a 1.25% per annum underpin to future mortality improvements with age rated down by 1.75 years for pensioners and 1.5 years for non-pensioners. In the US, the current assumptions are based on the RP2000 Generational with Scale BB 2D mortality tables.

Table of Contents

Notes to the Group Financial Statements continued

26. Retirement benefits continued

Accordingly, assumed life expectancy at retirement age is as follows:

		Pension plans					
				UK			US
		2013	2012	2011	**2013**	2012	2011
		Years	Years	Years	**Years**	Years	Years
Current pensioners at 65[1]	male	**24**	24	24	**21**	19	19
	female	**27**	27	27	**23**	21	21
Future pensioners at 65[2]	male	**27**	27	26	**22**	21	21
	female	**30**	30	29	**25**	22	22

[1] Relates to assumptions based on longevity (in years) following retirement at the end of the reporting period.
[2] Relates to assumptions based on longevity (in years) relating to an employee retiring in 2033.
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) pension cost	**Increase/ (decrease) in liabilities**	**Higher/ (lower) pension cost**	**Increase/ (decrease) in liabilities**
		$m	**$m**	**$m**	**$m**
Pension increases	0.25% decrease		**(2.3)**		
	0.25% increase	**0.2**	**3.0**		
Discount rate	0.25% decrease		**4.0**	**0.1**	**6.3**

	0.25% increase	**(0.2)**	**(3.6)**	**(0.1)**	**(6.6)**
Inflation rate	0.25% increase	**0.2**	**3.6**		
	0.25% decrease	**(0.2)**	**(3.0)**		
Mortality rate	one year increase	**0.2**	**1.8**	**0.3**	**8.0**

A one percentage point increase in assumed healthcare costs trend rate would increase the accumulated post-employment benefit obligations as at 31 December 2013 by $2.8m (2012 $2.6m, 2011 $2.9m) and a one percentage point decrease would decrease the obligations by $2.3m (2012 $2.3m, 2011 $2.7m).

	Pension plans							
					Post-employment			
	UK		US and other		benefits		Total	
	2013	2012 (restated[1])	**2013**	2012 (restated[1])	**2013**	2012	**2013**	2012 (restated[1])
Movement in benefit obligation	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Benefit obligation at 1 January	**569**	525	**247**	233	**25**	30	**841**	788
Current service cost	**2**	5	**1**	1			**3**	6
Past service cost	**5**		**1**				**6**	
Members contributions		1						1
Interest expense	**26**	25	**7**	9	**1**	1	**34**	35
Benefits paid	**(22)**	(14)	**(13)**	(12)	**(1)**	(1)	**(36)**	(27)
Re-measurement losses/(gains)	**62**	3	**(10)**	16	**(1)**	(5)	**51**	14
Exchange adjustments	**17**	24					**17**	24
Benefit obligation at 31 December	**659**	569	**233**	247	**24**	25	**916**	841
Comprising:								
Funded plans	**577**	507	**182**	193			**759**	700
Unfunded plans	**82**	62	**51**	54	**24**	25	**157**	141
	659	569	**233**	247	**24**	25	**916**	841

[1] Restated for the adoption of IAS 19R Employee Benefits (see page 111).

26. Retirement benefits continued

	Pension plans							
	UK		US and other		Post-employment benefits		Total	
	2013	2012 (restated[1])	2013	2012 (restated[1])	2013	2012	2013	2012 (restated[1])
Movement in plan assets	$m	$m	$m	$m	$m	$m	$m	$m
Fair value of plan assets at 1 January	695	551	149	133			844	684
Company contributions	20	97	10	10	1	1	31	108
Members contributions		1						1
Benefits paid	(22)	(14)	(13)	(12)	(1)	(1)	(36)	(27)
Interest income	29	27	4	4			33	31
Settlement loss	(137)						(137)	
Re-measurement (losses)/gains	(7)	7	9	15			2	22
Administration costs	(1)	(1)	(1)	(1)			(2)	(2)
Exchange adjustments	5	27	1				6	27
Fair value of plan assets at 31 December	582	695	159	149			741	844

[1] Restated for the adoption of IAS 19R Employee Benefits (see page 111).
Company contributions are expected to be $12m in 2014.

The plan assets are measured at fair value and comprise the following:

	UK		US and other	
	2013	2012	2013	2012
	$m	$m	$m	$m
Investments quoted in active markets				
Investment funds:				
Global equities		62	33	60
Corporate bonds		97	107	72
Property		17	4	6
Hedge funds		31		
Swap funds		71		

Cash funds		170		
Government bonds		135		
Unquoted investments				
Qualifying insurance policy	**577**		**10**	9
Property		18		
Cash and other	**5**	94	**5**	2
	582	695	**159**	149

In accordance with accounting standards, the fair value of a qualifying insurance policy is deemed to be the present value of the pension obligations secured by that policy.

	Pension plans							
	UK		US and other		Post-employment benefits		Total	
	2013	2012 (restated[1])	**2013**	2012 (restated[1])	**2013**	2012	**2013**	2012 (restated[1])
Movement in asset restriction	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Balance at 1 January	**91**	63					**91**	63
Interest expense	**3**	3					**3**	3
Re-measurement (losses)/gains	**(89)**	23					**(89)**	23
Exchange adjustments	**(3)**	2					**(3)**	2
Balance at 31 December	**2**	91					**2**	91

[1] Restated for the adoption of IAS 19R Employee Benefits (see page 111).

The asset restriction relates to tax that would be deducted at source in respect of a refund of a surplus taking into account amounts payable under funding commitments. As a result of the buy-in transaction, substantially all of the asset restriction has been released through other comprehensive income during the year.

	Pension plans							
	UK		US and other		Post-employment benefits		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Estimated future benefit payments	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Within one year	**19**	15	**14**	14	**1**	1	**34**	30
Between one and five years	**84**	65	**57**	57	**5**	5	**146**	127
After five years	**123**	93	**76**	74	**7**	7	**206**	174
	226	173	**147**	145	**13**	13	**386**	331
Average duration of obligation (years)	**21.6**	21.5	**11.8**	12.0	**11.3**	11.5		

Table of Contents

Notes to the Group Financial Statements continued

27. Deferred tax

	Property, plant and equipment $m	Deferred gains on loan notes $m	Losses $m	Employee benefits $m	Intangible assets $m	Undistributed earnings of subsidiaries $m	Other short-term temporary differences[2] $m	Total $m
At 1 January 2012	221	137	(133)	(59)	38		(153)	51
Income statement (restated[1])	12	(26)	(74)	5	(6)		(1)	(90)
Statement of comprehensive income (restated[1])				(5)			1	(4)
Statement of changes in equity				(4)			(1)	(5)
Exchange and other adjustments	3	3	(8)		1		(1)	(2)
At 31 December 2012	236	114	(215)	(63)	33		(155)	(50)
Income statement	**1**	**(8)**	**20**	**2**	**2**	**63**	**8**	**88**
Statement of comprehensive income				**24**				**24**
Statement of changes in equity							**4**	**4**
Exchange and other adjustments	**3**	**1**	**9**		**(1)**	**3**	**(14)**	**1**
At 31 December 2013	**240**	**107**	**(186)**	**(37)**	**34**	**66**	**(157)**	**67**

1 Restated for the adoption of IAS 19R Employee Benefits (see page 111).
2 Primarily relates to provisions, accruals, amortisation and share-based payments.

	2013 $m	2012 $m
Analysed as:		
Deferred tax assets	**(108)**	(204)
Deferred tax liabilities	**175**	93
Liabilities held for sale		61
	67	(50)

Deferred gains on loan notes includes $55m (2012 $55m) which is expected to fall due for payment in 2016.

The deferred tax asset recognised in respect of losses of $186m (2012 $215m) includes $53m (2012 $78m) in respect of capital losses available to be utilised against the realisation of capital gains which are recognised as a deferred tax liability and $133m (2012 $137m) in respect of revenue tax losses. Deferred tax assets of $17m (2012 $22m) are

recognised in relation to legal entities which suffered a tax loss in the current or preceding period. These assets are recognised based upon future taxable profit forecasts for the entities concerned. A deferred tax provision was made during the year in respect of current and prior year earnings which are expected to be repatriated within the foreseeable future, consequent upon the disposal of the InterContinental London Park Lane hotel as the proceeds are not expected to be reinvested by the relevant subsidiaries.

The Group has unrecognised deferred tax assets as follows:

	2013	2012
	$m	$m
Revenue losses	**127**	132
Capital losses	**85**	140
Total losses[1]	**212**	272
Employee benefits	**16**	32
Foreign tax credits		34
Other[2]	**55**	53
Total	**283**	391

[1] These may be carried forward indefinitely other than $12m which expires after three years, $1m which expires after seven years, $1m which expires after eight years and $9m which expires after nine years (2012 $11m which expires after four years and $1m which expires after eight years).

[2] Primarily relates to provisions, accruals, amortisation and share-based payments.

These assets have not been recognised as the Group does not currently anticipate being able to offset these against future profits or gains in order to realise any economic benefit in the foreseeable future. However, future benefits may arise as a result of resolving tax uncertainties, or as a consequence of case law and legislative developments which make the value of the assets more certain.

The Group has provided deferred tax in relation to temporary differences associated with post-acquisition undistributed earnings of subsidiaries only to the extent that it is either probable that it will reverse in the foreseeable future or where the Group cannot control the timing of the reversal. The remaining unprovided liability that would arise on the reversal of these temporary differences is not expected to exceed $10m (2012 $20m).

Table of Contents

28. Share-based payments

Annual Performance Plan

The IHG Annual Performance Plan (APP), formerly the Annual Bonus Plan (ABP) enables eligible employees (including Executive Directors) to receive all or part of their bonus in the form of deferred shares. The deferred shares are released on the third anniversary of the award date. Under the terms of the current plan, a fixed percentage of the bonus is awarded in the form of shares with no voluntary deferral and no matching shares. The awards in all of the plans are conditional on the participants remaining in the employment of a participating company or leaving for a qualifying reason as per the plan rules. Participation in 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 bonus 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 plan during the year and conditional rights over 318,911 (2012 340,924, 2011 528,213) shares were awarded to participants.

Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) allows Executive Directors and eligible employees to receive share awards, subject to the achievement of performance conditions, set by the Remuneration Committee, which are normally measured over a three-year period. Awards are normally made annually and, except in exceptional circumstances, will not exceed three times salary for Executive Directors and four times salary in the case of other eligible employees. During the year, conditional rights over 2,227,293 (2012 2,698,714, 2011 3,257,364) shares were awarded to employees under the plan. The plan provides for the grant of nil cost options to participants as an alternative to conditional share awards.

Executive Share Option Plan

For options granted, the option price is not less than the market value of an ordinary share, or the nominal value if higher. The market value is the quoted price on the business day preceding the date of grant, or the average of the middle market quoted prices on the three consecutive dealing days immediately preceding the date of grant. A performance condition has to be met before options can be exercised. The performance condition is set by the Remuneration Committee. The plan was not operated during 2013 and no options were granted in the year under the plan. The latest date that any options may be exercised is 4 April 2015.

Sharesave Plan

The Sharesave Plan is a savings plan whereby employees contract to save a fixed amount each month with a savings institution for three or five years. At the end of the savings term, employees are given the option to purchase shares at a price set before savings began. The Sharesave Plan, when operational, is available to all UK employees (including

Executive Directors) employed by participating Group companies provided that they have been employed for at least one year. The plan provides for the grant of options to subscribe for ordinary shares at the higher of nominal value and not less than 80% of the middle market quotations of the ordinary shares on the three dealing days immediately preceding the invitation date. The plan was not operated during 2013 and no options were granted in the year under the plan.

US Employee Stock Purchase Plan

The US Employee Stock Purchase Plan will allow eligible employees resident in the US an opportunity to acquire Company American Depositary Shares (ADSs) on advantageous terms. The option to purchase ADSs may be offered only to employees of designated subsidiary companies. The option price may not be less than the lesser of either 85% of the fair market value of an ADS on the date of grant or 85% of the fair market value of an ADS on the date of exercise. Options granted under the plan must generally be exercised within 27 months from the date of grant. The plan was not operated during 2013 and at 31 December 2013 no options had been granted under the plan.

Former Six Continents Share Schemes

Under the terms of the separation of Six Continents PLC in 2003, holders of options under the Six Continents Executive Share Option Schemes were given the opportunity to exchange their Six Continents PLC options for equivalent value new options over IHG shares. As a result of this exchange, 23,195,482 shares were put under option at prices ranging from 308.5p to 593.3p. The exchanged options were immediately exercisable and are not subject to performance conditions. During 2012, 352,115 such options were exercised and 106,699 lapsed, leaving no such options outstanding at 31 December 2012.

Table of Contents

Notes to the Group Financial Statements continued

28. Share-based payments continued

The Group recognised a cost of $22m (2012 $22m, 2011 $25m) in operating profit and $nil (2012 $1m, 2011 $nil) within exceptional administrative expenses 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 $5m (2012 $10m, 2011 $8m).

The following table sets forth awards and options granted during 2013. No awards were granted under the Executive Share Option Plan, Sharesave Plan or US Employee Stock Purchase Plan during the year.

	APP	LTIP
Number of shares awarded in 2013	318,911	2,227,293

The Group uses separate option pricing models and assumptions depending on the plan. The following tables set out information about awards granted in 2013, 2012 and 2011:

2013	**APP**	**LTIP**
Valuation model	Binomial	Monte Carlo Simulation and Binomial
Weighted average share price	1,928.0p	1,913.0p
Expected dividend yield	2.63%	2.59%
Risk-free interest rate		0.27%
Volatility[1]		28%
Term (years)	3.0	3.0

2012	ABP	LTIP
Valuation model	Binomial	Monte Carlo Simulation and Binomial
Weighted average share price	1,440.0p	1,440.0p

Expected dividend yield	2.95%	2.99%
Risk-free interest rate		0.59%
Volatility[1]		31%
Term (years)	3.0	3.0

2011	ABP	LTIP
Valuation model	Binomial	Monte Carlo Simulation and Binomial
Weighted average share price	1,415.0p	1,281.0p
Expected dividend yield	2.14%	2.78%
Risk-free interest rate		1.88%
Volatility[1]		39%
Term (years)	3.0	3.0

[1] The expected volatility was determined by calculating the historical volatility of the Company s share price corresponding to the expected life of the share award.

Table of Contents

28. Share-based payments continued

Movements in the awards and options outstanding under the schemes are as follows:

	APP Number of shares thousands	LTIP Number of shares thousands
Outstanding at 1 January 2011	1,274	11,342
Granted	528	3,257
Vested	(702)	(3,454)
Lapsed or cancelled	(150)	(2,115)
Outstanding at 31 December 2011	950	9,030
Granted	341	2,699
Vested	(643)	(2,621)
Share capital consolidation	(18)	
Lapsed or cancelled	(8)	(1,948)
Outstanding at 31 December 2012	622	7,160
Granted	**319**	**2,227**
Vested	**(72)**	**(2,206)**
Lapsed or cancelled	**(29)**	**(406)**
Outstanding at 31 December 2013	**840**	**6,775**
Fair value of awards granted during the year		
2013	**2,873.4¢**	**1,127.9¢**
2012	2,199.8¢	792.5¢
2011	2,141.1¢	819.7¢
Weighted average remaining contract life (years)		
At 31 December 2013	**1.1**	**1.1**
At 31 December 2012	1.6	1.2
At 31 December 2011	0.9	1.0

The above awards do not vest until the performance and service conditions have been met.

	Number of shares thousands	Range of option prices pence	Weighted average option price pence

Executive Share Option Plan			
Outstanding at 1 January 2011	3,291	308.5-619.8	489.3
Exercised	(1,075)	308.5-619.8	476.5
Lapsed or cancelled	(46)	422.8	422.8
Outstanding at 31 December 2011	2,170	308.5-619.8	497.0
Exercised	(1,365)	308.5-619.8	492.8
Lapsed or cancelled	(107)	434.2	434.2
Outstanding at 31 December 2012	698	438.0-619.8	514.8
Exercised	**(638)**	**438.0-619.8**	**512.3**
Outstanding at 31 December 2013	**60**	**494.2-619.8**	**541.3**
Options exercisable			
At 31 December 2013	**60**	**494.2 619.8**	**541.3**
At 31 December 2012	698	438.0 619.8	514.8
At 31 December 2011	2,170	308.5 619.8	497.0

Included within the options outstanding under the Executive Share Option Plan are options over nil (2012 nil, 2011 458,814) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options, relating to former Six Continents share schemes, have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

The weighted average share price at the date of exercise for share options vested during the year was 1,934.9p. The closing share price on 31 December 2013 was 2,013.0p and the range during the year was 1,737.0p to 2,039.0p per share.

Table of Contents

Notes to the Group Financial Statements continued

28. Share-based payments continued

Summarised information about options outstanding at 31 December 2013 under the share option schemes is as follows:

	Options outstanding and exercisable		
Range of exercise prices (pence)	**Number outstanding thousands**	**Weighted average remaining contract life years**	**Weighted average option price pence**
Executive Share Option Plan			
494.2	**37**	**0.3**	**494.2**
619.8	**23**	**1.3**	**619.8**
	60	**0.6**	**541.3**

29. 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 2011 (ordinary shares of $13^{29}/_{47}$p each)	289	61	94	155
Issued on exercise of share options	1		8	8
Exchange adjustments			(1)	(1)
At 31 December 2011 (ordinary shares of $13^{29}/_{47}$p each)	290	61	101	162
Share capital consolidation	(19)			
Issued on exercise of share options	1	1	9	10
Repurchased and cancelled under repurchase programme	(4)	(1)		(1)
Exchange adjustments		2	6	8
At 31 December 2012 (ordinary shares of $14^{194}/_{329}$p each)	268	63	116	179
Issued on exercise of share options	**1**		**5**	**5**
Exchange adjustments		**2**	**3**	**5**
At 31 December 2013 (ordinary shares of $14^{194}/_{329}$p each)	**269**	**65**	**124**	**189**

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. On

24 March 2005 Hackremco (No. 2154) Limited changed its name to New InterContinental Hotels Group Limited. 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. On 27 June 2005 New InterContinental Hotels Group PLC changed its name to InterContinental Hotels Group PLC.

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 $14^{194}/_{329}$p each for every 15 existing ordinary shares of $13^{29}/_{47}$p 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 held on 8 October 2012, the share repurchase programme commenced in November 2012 resulting in the repurchase of 4,143,960 shares in the period to 31 December 2012 for a total consideration of $107m. Under the same programme, a further 9,773,912 shares were purchased in the year to 31 December 2013 for a total consideration of $283m. Shares repurchased in the year to 31 December 2013 are held as treasury shares whereas those shares repurchased in the year to 31 December 2012 were cancelled. No shares were repurchased in 2011.

The authority given to the Company at the Annual General Meeting (AGM) held on 24 May 2013 to purchase its own shares was still valid at 31 December 2013. A resolution to renew the authority will be put to shareholders at the AGM on 2 May 2014.

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.

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 $14^{194}/_{329}$p shares. The share premium reserve represents the amount of proceeds received for shares in excess of their nominal value.

The Company no longer has an authorised share capital.

29. Equity continued

The nature and purpose of the other reserves shown in the Group statement of changes in equity on pages 106 to 108 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 $37.6m (2012 $48.0m, 2011 $26.5m) in respect of 1.2m (2012 1.8m, 2011 1.5m) InterContinental Hotels Group PLC ordinary shares held by employee share trusts, with a market value at 31 December 2013 of $39.8m (2012 $50m, 2011 $26m).

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 (see page 111 to 112), this reserve also includes exchange differences arising on the 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 2013 was a $10m net liability (2012 $17m, 2011 $36m).

Treasury shares

At 31 December 2013, 9.8m shares (2012 nil, 2011 nil) with a nominal value of $2.4m (2012 $nil, 2011 $nil) were held as treasury shares at cost and deducted from retained earnings.

Non-controlling interest

A non-controlling interest is equity in a subsidary of the Group not attributable, directly or indirectly, to the Group. Non-controlling interests are not material to the Group.

30. Operating leases

During the year ended 31 December 2013, $67m (2012 $64m, 2011 $64m) 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 $24m (2012 $19m, 2011 $18m).

Future minimum lease payments under non-cancellable operating leases are as follows:

	2013	2012
	$m	$m
Due within one year	**42**	47
One to two years	**33**	34
Two to three years	**29**	25
Three to four years	**23**	22
Four to five years	**23**	22
More than five years	**202**	237
	352	387

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 18 years (2012 19 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 $10m (2012 $10m).

Notes to the Group Financial Statements continued

31. Capital and other commitments

	2013 $m	2012 $m
Contracts placed for expenditure not provided for in the Group Financial Statements:		
Property, plant and equipment	70	66
Intangible assets	13	15
	83	81

The Group has also committed to invest up to $61m in three investments accounted for under the equity method of which $41m had been spent at 31 December 2013.

32. Contingencies

	2013 $m	2012 $m
Contingent liabilities not provided for in the Group Financial Statements		1[1]

[1] On Form 20-F for the year ended 31 December 2012, this number was disclosed as $25m due to an arbitral award in Greater China on 21 March 2013.

In limited cases, the Group may provide performance guarantees to third-party hotel owners to secure management contracts. At 31 December 2013, the amount provided in the Financial Statements was $6m (2012 $6m) and the maximum unprovided exposure under such guarantees was $48m (2012 $50m).

At 31 December 2013, the Group had outstanding letters of credit of $41m (2012 $38m, 2011 $51m) 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 and also a management contract. At 31 December 2013, there were guarantees of $20m in place (2012 $nil, 2011 $nil).

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 a claim by Pan American Life Insurance Company and class action law suits in the US (see 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.

33. Related party disclosures

	2013 $m	2012 $m	2011 $m
Total compensation of key management personnel			
Short-term employment benefits	20.7	20.0	18.8
Post-employment benefits	0.8	0.8	0.8
Termination benefits		0.6	1.4
Equity compensation benefits	8.1	8.6	8.1
	29.6	30.0	29.1

There were no other transactions with key management personnel during the years ended 31 December 2013, 2012 or 2011.

Related party disclosures for associates and joint ventures are included in note 14.

Key management personnel comprises the Board and Executive Committee.

Table of Contents

34. System Fund

The Group operates a System Fund (the Fund) to collect and administer assessments and contributions from hotel owners for specific use in marketing, the IHG Rewards Club loyalty programme and the global reservation system. The Fund and loyalty programme are accounted for in accordance with the accounting policies set out on pages 115 and 116 of the Financial Statements.

The following information is relevant to the operation of the Fund:

	2013	2012	2011
	$m	$m	$m
Income[1]:			
Assessment fees and contributions received from hotels	1,154	1,106	1,025
Proceeds from sale of IHG Rewards Club points	153	144	128
Key elements of expenditure[1]:			
Marketing	245	250	203
IHG Rewards Club	219	250	232
Payroll costs	239	221	182
Net surplus for the year[1]	35	12	19
Interest payable to the Fund	2	2	1

[1] Not included in the Group income statement in accordance with the Group s accounting policies.

The payroll costs above relate to 4,615 (2012 4,431, 2011 3,885) employees whose costs are borne by the Fund.

The following liabilities relating to the Fund are included in the Group statement of financial position:

	2013	2012	2011
	$m	$m	$m
Cumulative short-term net surplus	86	51	39
Loyalty programme liability	649	623	578
	735	674	617

The net change in the loyalty programme liability and Fund surplus contributed an inflow of $61m (2012 $57m, 2011 $66m) to the Group s cash flow from operations.

35. Events after the reporting period

In February 2014, the Group signed an agreement to sell the InterContinental Mark Hopkins San Francisco for $120m in cash and enter into a long term management contract on the hotel. The hotel had a net book value of $90m at 31 December 2013.

36. Principal operating subsidiary undertakings

InterContinental Hotels Group PLC was the beneficial owner of all of the equity share capital, indirectly through subsidiary undertakings, of the following companies during the year:

Six Continents Limited[1]

IHG Hotels Limited[1]

Six Continents Hotels, Inc.[2]

Inter-Continental Hotels Corporation[2]

111 East 48th Street Holdings, LLC[2]

InterContinental Hotels Group Resources, Inc.[2]

InterContinental Hong Kong Limited[3]

Société Nouvelle du Grand Hotel SA[4]

The companies listed above include those which principally affect the amount of profit and assets of the Group.

1 Incorporated in Great Britain and registered in England and Wales.
2 Incorporated in the US.
3 Incorporated in Hong Kong.
4 Incorporated in France.

Table of Contents

Table of Contents

Parent Company

Financial Statements

156 Parent company balance sheet
157 Notes to the Parent Company Financial Statements
161 Independent Auditor s Report

Table of Contents

Parent Company Financial Statements

Parent company balance sheet

31 December 2013	Note	**2013 £m**	2012 £m
Fixed assets			
Investments	3	**2,968**	2,951
Current assets			
Debtors	4	**28**	16
Creditors: amounts falling due within one year	5	**(484)**	(1,440)
Net current liabilities		**(456)**	(1,424)
Total assets less current liabilities		**2,512**	1,527
Creditors: amounts falling due after one year	5	**(645)**	(644)
Net assets		**1,867**	883
Capital and reserves			
Called up share capital	6	**39**	39
Share premium account	7	**75**	72
Capital redemption reserve	7	**7**	7
Share-based payment reserve	7	**201**	184
Profit and loss account	7	**1,545**	581
Equity shareholders funds		**1,867**	883

Signed on behalf of the Board

Paul Edgecliffe-Johnson

17 February 2014

No profit and loss account is presented for InterContinental Hotels Group PLC as permitted by Section 408 of the Companies Act 2006. Profit on ordinary activities after taxation amounts to £1,487m (2012 £610m).

Notes on pages 157 to 160 form an integral part of these Financial Statements.

Table of Contents

Notes to the Parent Company Financial Statements

1. Accounting policies

Basis of accounting

The Financial Statements are prepared under the historical cost convention and on a going concern basis. They have been drawn up to comply with applicable accounting standards in the United Kingdom (UK GAAP). These accounts are for the Company and are not consolidated financial statements.

Fixed asset investments

Fixed asset investments are stated at cost plus deemed capital contributions arising from share-based payment transactions less any provision for impairment. The Company records an increase in its investments in subsidiaries equal to the share-based payments charge recognised by its subsidiaries with a corresponding credit to equity. Details of the Group s share-based payments are set out in note 28 of the Group Financial Statements on pages 147 to 150.

Borrowings

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 charged to the profit and loss account using the effective interest rate method.

Borrowings are classified as due after more than one year when the repayment date is more than 12 months from the balance sheet date.

Financial risk management policies

Financial risk management policies are set out in note 21 of the Group Financial Statements on pages 135 and 137.

Capital risk management

The Group s capital risk management policy is set out in note 21 of the Group Financial Statements on page 136.

Related party transactions

The Company takes advantage of the exemption under FRS 8 and does not disclose transactions with wholly owned subsidiaries.

Treasury shares

Own shares repurchased by the Company and not cancelled (treasury shares) are recognised at cost and deducted from retained earnings. If reissued, any excess of consideration over carrying amount is recognised in the share premium reserve.

Parent Company Financial Statements 157

Table of Contents

Notes to the Parent Company Financial Statements continued

2. Directors

	2013	2012
Number of Directors	13	11

	2013 £m	2012 £m
Directors emoluments		
Base salaries, fees, performance payments and benefits	5.5	6.1
Pension benefits under defined contribution plan	0.2	0.1

Detailed information on the emoluments, pensions, option holdings and shareholdings for each Director is shown in the Directors Remuneration Report on pages 74 to 97.

3. Investments

	£m
At 1 January 2013	2,951
Share-based payments capital contribution	17
At 31 December 2013	**2,968**

The Company is the beneficial owner of all of the equity share capital of InterContinental Hotels Limited. The principal operating subsidiary undertakings of that company are listed in note 36 of the Group Financial Statements.

4. Debtors

	2013 £m	2012 £m
Amounts due from subsidiary undertakings	14	5
Corporate taxation	14	11
	28	16

5. Creditors

	2013 £m	2012 £m
Amounts falling due within one year		
Amounts due to subsidiary undertakings	484	1,440
Amounts falling due after more than one year		
£250m 6% bonds 2016	250	249
£400m 3.875% bonds 2022	395	395
	645	644

The 6% fixed interest sterling bonds were issued on 9 December 2009 and are repayable in full on 9 December 2016. Interest is payable annually on 9 December in each year commencing 9 December 2010 to the maturity date. The bonds were initially priced at 99.465% of face value and are unsecured. The 3.875% fixed interest sterling bonds were issued on 28 November 2012 and are repayable on 28 November 2022. Interest is payable annually on 28 November in each year commencing 28 November 2013 to the maturity date. The bonds were initially priced at 98.787% of face value and are unsecured.

Table of Contents

6. Share capital

	Number of shares millions	£m
Allotted, called up and fully paid		
At 1 January 2013 (ordinary shares of $14^{194}/_{329}$p each)	268	39
Issued on exercise of share options	1	
At 31 December 2013 (ordinary shares of $14^{194}/_{329}$p each)	**269**	**39**

Under the authority granted by shareholders at the General Meeting (GM) held on 8 October 2012, the share repurchase programme commenced in November 2012. 9,773,912 shares were repurchased in the year to 31 December 2013 for a total consideration of £181m.

The authority given to the Company at the Annual General Meeting (AGM) held on 24 May 2013 to purchase its own shares was still valid at 31 December 2013. A resolution to renew the authority will be put to shareholders at the AGM on 2 May 2014.

The Company no longer has an authorised share capital.

The aggregate consideration in respect of ordinary shares issued under option schemes during the year was £3m (2012 £7m).

	Thousands
Options to subscribe for ordinary shares	
At 1 January 2013	698
Exercised[1]	(638)
At 31 December 2013	**60**
Option exercise price per ordinary share (pence)	494.2-619.8
Final exercise date	4 April 2015

[1] The weighted average option price was 512.3p for shares exercised under the Executive Share Option Plan.

7. Movements in reserves

Share premium	Capital redemption	Share-based payments	Profit and

	account £m	reserve £m	reserve £m	loss account £m
At 1 January 2013	72	7	184	581
Premium on allotment of ordinary shares	3			
Repurchase of shares				(181)
Profit after tax				1,487
Share-based payments capital contribution			17	
Dividends				(342)
At 31 December 2013	75	7	201	1,545

At 31 December 2013, 9,773,912 shares with a nominal value of £1,425,981 were held as treasury shares at cost.

Table of Contents

Notes to the Parent Company Financial Statements continued

8. Reconciliation of movements in shareholders funds

	2013 £m	2012 £m
Earnings available for shareholders	**1,487**	610
Dividends	**(342)**	(426)
	1,145	184
Issue of ordinary shares	**3**	7
Repurchase of shares	**(181)**	(67)
Transaction costs relating to shareholder returns		(1)
Share-based payments capital contribution	**17**	17
Net movement in shareholders funds	**984**	140
Shareholders funds at 1 January	**883**	743
Shareholders funds at 31 December	**1,867**	883

9. Profit and dividends

Profit on ordinary activities after tax amounts to £1,487m (2012 £610m).

A final dividend, declared in the previous year, of 27.7p (2012 24.7p) per share was paid during the year, amounting to £74m (2012 £72m). An interim dividend of 15.1p (2012 13.5p) per share was paid during the year, amounting to £40m (2012 £39m). A special interim dividend of 87.1p (2012 108.4p) per share was paid during the year, amounting to £228m (2012 £315m). A final dividend of 28.1p (2012 27.7p) per share, amounting to £72m (2012 £74m), is proposed for approval at the AGM. The proposed final dividend is payable on shares in issue at 21 March 2014.

The audit fee of £0.02m (2012 £0.02m) was borne by a subsidiary undertaking in both years.

Independent Auditor s Report to the members

of InterContinental Hotels Group PLC

We have audited the Parent Company Financial Statements of InterContinental Hotels Group PLC for the year ended 31 December 2013 which comprise the parent company balance sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors responsibilities set out on page 100, the Directors are responsible for the preparation of the Parent Company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Parent Company Financial Statements:

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

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors Report for the financial year for which the Financial Statements are prepared is consistent with the Parent Company Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group Financial Statements of InterContinental Hotels Group PLC for the year ended 31 December 2013.

Alison Duncan (Senior statutory auditor) for and on behalf of Ernst & Young LLP, Statutory Auditor London
17 February 2014

Notes:

1. The maintenance and integrity of the InterContinental Hotels Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Parent Company Financial Statement 161

Table of Contents

EVEN Hotels

Launched in February 2012, after more than 24 months of consumer insights research, EVEN Hotels offer a fresh perspective on travel to wellness-minded travellers, and stakes a claim for IHG in the wellness space. The first two EVEN hotels will open in 2014.

5 hotels in the pipeline

HUALUXE® Hotels & Resorts

Launched in March 2012, the brand is the world s first international hotel brand designed specifically for the needs and preferences of Chinese guests. The hotels and resorts focus on the unique Chinese aspects of etiquette, rejuvenation in nature, status recognition, and providing spaces enabling social interactions. The first HUALUXE hotel will open in 2014.

21 hotels in the pipeline

Additional

Information

IHG® Rewards Club

Originally launched as Priority Club® Rewards in 1983, our loyalty programme is the oldest and largest in the industry, with 77.4 million members worldwide. In July 2013, during our 10th year as a standalone hotel company, we renamed the programme to IHG® Rewards Club.

Group information

164 History and developments
164 Risk Factors
167 Executive Committee members shareholdings
168 Description of securities other than equity securities
169 Articles of Association
170 Working Time Regulations 1998
170 Material contracts
172 Legal proceedings
172 Exchange controls

Shareholder information

173 Taxation
175 Disclosure controls and procedures
175 Summary of significant corporate governance differences from NYSE listing standards
176 Selected five-year consolidated financial information
178 Dividend history
178 Return of funds
179 Purchases of equity securities by the Company and affiliated purchasers
179 Share price information
180 Shareholder profiles
181 Investor information
182 Financial calendar
182 Contacts
183 **Exhibits**
184 **Form 20-F cross-reference guide**
186 **Glossary**
188 **Forward-looking statements**

Additional Information 163

Table of Contents

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 holding company of the Group.

The Group, formerly known as Bass and, more recently, Six Continents, was historically a conglomerate operating as, among other things, a brewer, soft drinks manufacturer, hotelier, leisure operator and restaurant, pub and bar owner. In the last several years, the Group has undergone a major transformation in its operations and organisation, as a result of the separation (as discussed below) and a number of significant disposals during this period, which has narrowed the scope of its business.

On 15 April 2003, following shareholder and regulatory approval, Six Continents PLC (as it then was) separated into two new listed groups, InterContinental Hotels Group PLC (as it then was) comprising the hotels and soft drinks businesses and Mitchells & Butlers plc comprising a retail and standard commercial property developments business.

The Group disposed of its interests in the soft drinks business by way of an initial public offering of Britvic (Britannia Soft Drinks Limited for the period up to 18 November 2005, and thereafter, Britannia SD Holdings Limited (renamed Britvic plc on 21 November 2005), which became the holding company of the Britvic Group on 18 November 2005), a manufacturer and distributor of soft drinks in the UK, in December 2005.

Following separation, the Group has undertaken an asset-disposal programme, realising, by the end of 2013, proceeds of $6 billion from the sale of 186 hotels. Of these 186 hotels, 167 remained in the IHG System through either franchise or management agreements. The asset-disposal programme has significantly reduced the capital requirements of the Group whilst largely retaining the hotels in the IHG System.

A small number of hotels have been sold since the end of 2012, the most significant of which are set out below.

Recent acquisitions and divestitures

The Group agreed to dispose of the InterContinental Mark Hopkins San Francisco for $120 million in cash in February 2014;

the Group announced its agreement to dispose of 80 per cent of its interest in the InterContinental New York Barclay for $240 million on 19 December 2013. The Group will continue to hold the remaining 20 per cent interest by way of a joint venture;

the Group disposed of the InterContinental London Park Lane on 1 May 2013 for £301.5 million ($469 million);

the Group also divested a number of investments for total proceeds of $41 million in 2013; and

the Group acquired three existing hotels, which are being converted to EVEN Hotels.

Capital expenditure

Capital expenditure in 2013 totalled $269 million compared with $133 million in 2012 and $194 million in 2011;

at 31 December 2013 capital committed, being contracts placed for expenditure on property, plant and equipment and intangible assets not provided for in the Group Financial Statements, totalled $83 million; and

the Group has also committed to invest up to $61 million in three joint venture arrangements, of which $41 million had been spent at 31 December 2013.

Risk Factors

The Group is subject to a variety of inherent risks which may have an adverse impact on the business operations, financial condition, turnover, profits, brands and reputation. The following 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 Company and some that the Company does not currently believe to be material could later turn out to be material.

The risk factors below are listed in accordance with the strategic, tactical and operational risks to ensure we ve thought holistically about the possible risks that could impact the Group. These should 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 contained on page 188.

Strategic risks

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 current outlook for 2014 may worsen due to escalating impacts of the US national debt, slowing pace of growth and political stability in China, uncertainty in some eurozone countries and unrest in the Middle East. The interconnected nature of economies suggests any of these or other events could trigger a recession which reduces leisure and business travel to and from affected countries and adversely affects room rates and/or occupancy levels and other income-generating activities. This may result in deterioration of results of operations and potentially reduce the value of properties in affected economies. The owners or potential owners of hotels franchised or managed by the Group face similar risks which could adversely impact their solvency and the Group s ability to retain and secure franchise or management agreements. Specifically, the Group is most exposed to the US market and, accordingly, is particularly susceptible to adverse changes in the US economy as well as the US dollar. 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 health of the pipeline.

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, travel-related accidents, travel-related industrial action, increased transportation and fuel costs and natural disasters, resulting in reduced worldwide travel or other local factors impacting individual hotels. 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 preparation, contingency planning or recovery capability in relation to a major incident or crisis may impact life safety, prevent operational continuity 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. Reductions in room rates and occupancy levels would adversely impact the results of Group operations.

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 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 dependent upon a wide range of external stakeholders and business partners

The Group is dependent upon 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, agents, third-party intermediaries and other business partners. Further, the number and complexity of interdependencies with stakeholders is evolving. Breakdown in relationships, poor vendor performance, insolvency, stakeholder behaviours or adverse reputations could impact on the Group s performance and competitiveness, delivery of projects, guest experiences or the reputation of the Group or its brands.

Tactical risks

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 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 all 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

The Group is reliant upon certain technologies, systems and platforms for the running of its business, particularly those which are highly integrated with business operational processes. Some of these are dependent upon the products and services of third-party technology providers. The failure of any such third-party provider to provide products and/or perform services could materially adversely impact the Group s business. The Group may also have to make substantial additional investments in new technologies or systems to remain competitive. Failing to keep pace with developments in technologies or systems may put the Group at a competitive disadvantage. The technologies or systems that the Group chooses may not be commercially successful or the technology or system strategy employed may not be sufficiently aligned with the needs of the business or responsive to changes in business strategy. As a result, the Group could adversely affect guest experiences, lose customers, fail to attract new customers, incur substantial costs or face other losses.

Operational risks

The Group is reliant on the reputation of its brands and the protection of its intellectual property rights

Any event that materially damages the reputation of one or more of the Group s existing or new brands and/or fails to sustain the appeal of the Group s existing or new 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, where the Group is unable to enforce adherence to its safety or operating and quality standards, or the significant regulations applicable to hotel operations, pursuant to its franchise and management contracts, there may be further adverse impact upon brand reputation or customer perception and therefore the value of the Group s brands.

Group information continued

In addition, the value of the Group s brands is influenced by a number of other factors, some of which may be outside the Group s control, including commoditisation (whereby price and/or quality becomes relatively more important than brand identifications due, in part, to the increased prevalence of travel comparison websites and online travel agents), consumer preference and perception, or other factors affecting consumers willingness to purchase goods and services provided by the Group. The Group companies own a substantial number of service brands upon which it is dependent and the Group believes that its significant trademarks are protected in all material respects in the markets in which its brands currently operate.

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 change of 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 its proprietary reservations system and is exposed to the risk of failures in the system and increased competition in reservations infrastructure

The value of the Group s brands is partly derived from the ability to drive reservations through its proprietary HolidexPlus reservations system, a central repository of the Group s hotel room inventories linked electronically to multiple sales channels including the Company s own websites, call centres and hotels, third-party intermediaries and travel agents.

Lack of resilience and operational availability and/or the failure of a third-party technology provider could lead to prolonged service disruption and may result in significant business interruption, impact the guest booking experience and subsequently impact on revenues.

Lack of investment in these systems may also result in reduced capability, stability and ability to compete. Additionally, failure to maintain an appropriate technology strategy and select the right technology partners could erode the Group s long-term competitiveness.

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 can lead to revenue losses, fines, penalties and other additional costs, including legal fees.

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, 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 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 a 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 required to comply with existing and changing regulations across numerous countries, territories and jurisdictions

Governmental 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 customer 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.

Table of Contents

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 from 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 risks related to corporate responsibility

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 the communities in which the Group operates. The social and environmental impacts of business are under increasing scrutiny, and the Group is exposed to the risk of damage to its reputation if it fails to demonstrate sufficiently responsible practices, ethical behaviour, or fails to comply with relevant regulatory requirements.

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 hotel network through activities that do not involve significant amounts of its own capital, the Group does require capital to fund some development opportunities 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 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 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, and could leave the Group responsible for guarantees, debt or other financial obligations related to such properties.

Executive Committee members shareholdings

Shares held by Executive Committee members (excluding the Executive Directors) as at 31 December 2013

Executive	Number of shares held outright	APP deferred share awards	LTIP share awards (unvested)	Total number of shares held

Committee **Member**								
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Keith Barr	**24,399**	24,399	**27,695**	18,001	**111,079**	116,600	**163,173**	159,000
Angela Brav	**19,286**	27,135	**22,501**	14,200	**99,650**	104,254	**141,437**	145,589
Kenneth Macpherson	**1,797**	n/a	**8,421**	n/a	**41,654**	n/a	**51,872**	n/a
Eric Pearson	**65,293**	101,914	**22,356**	11,548	**103,553**	107,738	**191,202**	221,200
Jan Smits	**106,350**	106,350	**28,738**	19,581	**116,234**	117,826	**251,322**	243,757
George Turner	**3,277**	3,277	**35,893**	26,653	**106,100**	121,057	**145,270**	150,987

Details of the shares held by the Executive Directors can be found on page 94.

For further details on the APP deferred share award and for the LTIP share award see pages 78, 79 and 82.

Table of Contents

Group information continued

Description of securities other than equity securities

Fees and charges payable to a depositary

Category (as defined by SEC)	Depositary actions	Associated fee
(a) Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of shares, including deposits and issuances in respect of:	$5 for each 100 ADSs (or portion thereof)
	share distributions, stock split, rights, merger; and	
	exchange of securities or any other transactions or event or other distribution affecting the ADSs or the Deposited Securities	
(b) 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)
(c) 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 deposit of such securities	$5.00 for each 100 ADSs (or portion thereof)

(d) Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	$5.00 for each 100 ADSs (or portion thereof)
(e) Transferring, splitting or grouping receipts	Transfers, combining or grouping of depositary receipts	$1.50 per ADS
(f) 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)[1] 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.
(g) 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 law, rule or regulation; 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 payable at the sole discretion of the Depositary by billing ADR holders or by deducting charges from one or more cash dividends or other cash distributions are $20 per transaction.

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.

[1] These fees are not currently being charged by the ADR Depositary.

Fees and charges payable by a depositary

Direct payments

JPMorgan Chase Bank N.A. (JPMorgan or the ADR Depositary) is the depositary for IHG s ADS programme. The ADR Depositary s principal executive office is at: 1 Chase Manhattan Plaza, Floor 58, New York, NY 10005-1401, United States of America. 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 2013, the Company received $486,293.28 from the ADR Depositary in respect of legal, accounting and other fees incurred in connection with preparation of the Annual Report and Financial Statements and Annual Report on Form 20-F, ongoing SEC compliance and listing requirements, investor relations programmes and advertising and public relations expenditure.

Indirect payments

As part of its service to the Company, the ADR Depositary has agreed to waive fees for the standard costs associated with the administration of the ADR Programme, associated operating expenses and investor relations advice. In the year ended 31 December 2013, the ADR Depositary agreed to waive fees and expenses amounting to $20,000.

Table of Contents

Articles of Association

The Company s articles of association (Articles) were adopted at the AGM held on 28 May 2010. 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 which does not comprise a Permitted Interest must be authorised by the Board in accordance with the procedure and requirements contained in the Articles, including 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 percent 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 is 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 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 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 moneys 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.

Additional Information 169

Table of Contents

Group information continued

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.

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 authorised 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. Subject to law, 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 2014 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-fourths 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:

- 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,

is to be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them. 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. At 31 December 2013, the minimum wage for individuals between 18 and under the age of 21 was £5.03 per hour and £6.31 per hour for individuals age 21 and above (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.

Less than five per cent 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.

Material contracts

The following contracts have been entered into otherwise than in the course of ordinary business by members of the Group either: (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) which contain provisions under which any Group member has any obligation or entitlement which 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.

Disposal of 80 per cent interest in the InterContinental New York Barclay

On 19 December 2013, Constellation Barclay Holding US, LLC, which is an affiliate of Constellation Hotels Holding Limited, agreed, pursuant to a contribution agreement, to acquire an 80 per cent interest in a joint venture with IHG to own and refurbish the InterContinental New York Barclay hotel. The 80 per cent interest will be acquired for gross cash proceeds of $240 million. IHG will hold the remaining 20 per cent interest.

IHG has also secured a 30-year management contract on the hotel, commencing in 2014, with two 10-year extension rights at IHG s discretion, giving an expected contract length of 50 years.

Constellation Barclay Holding US, LLC and IHG have agreed to invest through the joint venture in a significant refurbishment, repositioning and extension of the hotel. This is expected to commence in 2014 and will take place over a period of approximately 18 months. The transaction is expected to complete in the first quarter of 2014, subject to the satisfaction of certain standard conditions.

Under the contribution agreement, IHG gave certain customary warranties and indemnities to Constellation Barclay Holding US, LLC.

Sale of interest in the InterContinental London Park Lane

On 27 March 2013, an asset sale and purchase agreement (APA) was entered into between Hotel Inter-Continental London Limited, Six Continents Limited and Constellation Hotel (Opco) UK S.A., which is an affiliate of Constellation Hotels Holding Limited. Under the APA, Hotel Inter-Continental London Limited agreed to sell its leasehold interest in InterContinental London Park Lane to Constellation Hotel (Opco) UK S.A. The sale was completed on 1 May 2013. In connection with the sale, IHG secured a 30-year management contract on the hotel, with three 10-year extension rights at IHG s discretion, giving an expected contract length of 60 years.

Under the APA, Hotel Inter-Continental London Limited gave certain customary warranties and indemnities to the purchaser.

IHG s share of the sale proceeds (before transaction costs) were £301.5 million in cash, £61 million of which was used to provide security over UK pension liabilities which were previously secured against the hotel.

£750 Million Euro Medium Term Note Programme

In 2012, the Group updated its Euro Medium Term Note programme (Programme) and issued a tranche of £400 million 3.875% notes due 28 November 2022.

On 9 November 2012, 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 29 November 2009, as supplemented by the first supplemental trust deed dated 7 July 2011 between the same parties relating to the Programme, was 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 £750 million (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 9 November

2012 (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 the previous base prospectus dated 27 November 2009) on 9 December 2009 in respect of the issue of a Tranche of £250 million 6% Notes due 9 December 2016 (2009 Issuance).

Final Terms were issued pursuant to the Base Prospectus on 26 November 2012 in respect of the issue of a Tranche of £400 million 3.875% Notes due 28 November 2022 (2012 Issuance).

The Final Terms issued under each of the 2009 Issuance and the 2012 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 7 December 2009 relating to the 2009 Issuance and the Final Terms dated 26 November 2012 relating to the 2012 Issuance) on the Company s website at www.ihgplc.com. The Notes issued pursuant to the 2009 Issuance and the Notes issued pursuant to the 2012 Issuance are referred to as £250 million 6% bonds and the £400 million 3.875% bonds respectively in the Group Financial Statements.

On 27 November 2009, the Issuer and the Guarantors entered into an 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. There was no change to the Agency Agreement in 2011 or 2012.

On 9 November 2012, the Issuer and the Guarantors entered into a dealer agreement (Dealer Agreement) with HSBC Bank plc as arranger and Citigroup Global Markets Limited, HSBC Bank plc, Lloyds TSB Bank plc, Merrill Lynch International, Mitsubishi UFJ Securities International 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.

Syndicated Facility

On 7 November 2011, the Company signed a five-year $1.07 billion bank facility agreement with The Royal Bank of Scotland plc, NB International Finance B.V., Citigroup Global Markets Limited, HSBC Bank plc, Lloyds TSB Bank plc and The Bank of Tokyo-Mitsubishi UFJ, Ltd., all acting as mandated lead arrangers and Banc of America Securities Limited as facility agent (Syndicated Facility).

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 + 0.90% and LIBOR + 1.70% depending on the level of the ratio. The facility was undrawn at 31 December 2013.

Additional Information 171

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 at 17 February 2014, 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 Inter-Continental Hotels Corporation (IHC). The claimant identified eight causes of action: breach of contract; breach of partnership, fiduciary duties and good faith obligations; fraud; civil conspiracy; conversion; unfair trade practices; unjust enrichment; and alter ego. As at 17 February 2014, 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.

On 20 August 2012, two claimants filed a class-action claim in California against several online travel companies and hotel companies, including a Group company, InterContinental Hotels Group Resources, Inc., in connection with alleged anti-competitive practices. Several similar claims were filed across the US by other claimants alleging similar complaints. All of these cases were consolidated in a multidistrict litigation proceeding in the U.S. District Court for the Northern District of Texas for the purpose of pre-trial proceedings (with the exception of cases which were voluntarily dismissed). On 1 May 2013, claimants filed a Consolidated Amended Complaint alleging federal and state antitrust and unfair trade practices associated with online hotel-room booking. On 1 July 2013, the defendants moved to dismiss the Consolidated Amended Complaint. The motion to dismiss is fully briefed and argued, and the parties are awaiting a decision. The Court has stayed all discovery in the action pending a ruling on the motion to dismiss. It is not possible to determine whether any loss is probable or to estimate the amount of any loss. The Group intends to defend against these claims vigorously. As at 17 February 2014, the outcome of these matters could not be reasonably determined.

On 10 August 2012, Shanghai Yaoda Real Estate Development Co., Ltd. (Yaoda), the owner of the InterContinental Shanghai Puxi hotel filed an arbitration petition with the Shanghai International Economic and Trade Arbitration Commission (SIETAC), which was formerly known as China International Economic and Trade Arbitration Commission Shanghai Sub Commission, containing numerous allegations relating to IHC s alleged mismanagement of the hotel and the de-flagging of the hotel, which took place on 31 August 2012. Yaoda sought approximately $46 million relating to the alleged loss of value of the hotel, costs of compliance with the brand standards, lost revenue at the hotel, costs and general damages. Pursuant to the dispute mechanism specified under the management contract, IHC filed a counterclaim with the China International Economic and Trade Arbitration Commission in Beijing (CIETAC Beijing).

On 21 March 2013, SIETAC issued an arbitral award (the Award) ordering IHC to pay Yaoda an aggregate amount of RMB 150,379,000 (approximately $25 million). On 15 May 2013, IHC filed a motion to cancel the Award with the Shanghai 2nd Intermediate People s Court. On 27 July 2013, IHC and Yaoda settled their respective claims, pursuant to a settlement agreement, and entered into a new hotel support management contract.

On 31 July 2012, the UK s Office of Fair Trading (OFT) issued a Statement of Objections alleging that the Company (together with Booking.com B.V. and Expedia, Inc.) had infringed competition law in relation to the online supply of

room-only hotel accommodation by online travel agents.

The Company has co-operated fully with the investigation. On 31 January 2014, the OFT announced its decision to accept a series of commitments and to conclude its investigation without any finding of infringement or wrongdoing, or the imposition of any fine.

A class-action claim was filed on 3 July 2012 by two claimants alleging that InterContinental Hotels of San Francisco, Inc. and InterContinental Hotels Group Resources, Inc. violated California Penal Code 632.7, based upon the alleged improper recording of cellular phone calls originating from California to IHG customer care and reservations centres. The claimants subsequently amended the claim to include Six Continents Hotels, Inc. The Group intends to vigorously defend against these claims. As at 17 February 2014, 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.

On 20 April 2012, Sanya Huayu Tourism Co., Ltd. (Sanya), the owner of the former Crowne Plaza Sanya hotel, filed an arbitration petition against Holiday Inns (China) Limited (HICL) with CIETAC Beijing seeking compensation for its alleged losses in the amount of RMB 33,867,766.63 (approximately $5.2 million). The claims related to HICL s alleged mismanagement of the hotel. Sanya filed additional damages claims on 20 November 2012, which increased the total alleged losses to RMB 43,225,523.53 (approximately $6.9 million). On 4 June 2012, and then by further amendment on 29 September 2012, HICL filed a statement of counterclaim seeking numerous categories of counterclaims from Sanya totalling approximately $7.25 million.

On 9 September 2013, HICL and Sanya settled their respective claims, pursuant to a settlement agreement, and on 17 September 2013, CIETAC Beijing issued a ruling approving both parties requests to withdraw all claims against each other.

Exchange controls

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 the capital or the payment of dividends on the ordinary shares or the ADSs, from time to time English law imposes 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 (each of the foregoing, a Prohibited Person).

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. However, under current English law, ordinary shares or ADSs may not be owned by a Prohibited Person. 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 license or franchise from any US governmental agency held by Six Continents Hotels, Inc. or any subsidiary thereof.

Table of Contents

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 the provisions of the Internal Revenue Code of 1986, as amended (IR Code), known as the Medicare Contribution tax, or the tax consequences to holders subject to other 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 or any political subdivision thereof; (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 Depositary 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 ADRs are pre-released 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 ADRs are pre-released.

The following discussion assumes that the Company is not, and will not become, a passive foreign investment company (PFIC), as described below.

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 shares or ADSs in their particular circumstances.

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 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, the Company expects 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.

Shareholder information 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 holder has a holding period greater than one year. 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

The Company believes that it was not a PFIC for US federal income tax purposes for its 2013 taxable year. However, this conclusion is an annual factual determination and thus may be subject to change. If the Company were to be treated as a PFIC, 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 exchange 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 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 received by certain non-corporate US holders 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 to be treated as a PFIC in any taxable year in which a US holder held ordinary shares or ADSs, a US holder may be required to file annual reports with the IRS containing such information as the Treasury Department may require.

Additional tax considerations

UK inheritance tax

An individual who is neither domiciled nor deemed domiciled in the UK (under certain UK rules relating to previous domicile or long residence) 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 are likely to 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 (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 depositary will typically be charged to the party to whom ADSs are delivered against such deposits.

Table of Contents

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 depositary 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 depositary receipt system unless they are an integral part of an issue of share capital. 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 other proceeds with respect to ADSs and ordinary shares may be reported to the 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.

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.

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 by the Financial Reporting Council in the UK (Code) is set out on page 56.

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 17 February 2014, the Board consisted of the Chairman, independent at the time of his appointment, four Executive Directors and eight 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 judgment 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 17 February 2014 and throughout 2013, 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 both 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 Committee 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 of the Board, candidates for appointment to the Board, though it also assists in developing the role of the Senior Independent Director. The Company s Nomination Committee consists of the Chairman of the Company and all the independent Non-Executive Directors.

The Chairman of the Company is not a member of either of the Remuneration or the Audit Committees. As set out on page 66, 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 criteria under US rules for an audit committee financial expert .

Additional Information 175

Table of Contents

Shareholder information continued

Non-Executive Director meetings

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 without Executive Directors being present, and intend to continue this practice, before 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 73, 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.

Selected five-year consolidated financial information

The selected consolidated financial data set forth in the table on the next page for the years ended 31 December 2009, 2010, 2011, 2012 and 2013 has 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 s Financial Statements for the years presented. The selected consolidated financial data set forth on the next page 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

For the year ended 31 December	2013	2012 (restated[2])	2011 (restated[2])	2010 (restated[2])	2009 (restated[2])
		($m, except earnings per ordinary share)			
Revenue[1]	1,903	1,835	1,768	1,628	1,538
Total operating profit before exceptional operating items	668	605	548	438	359
Exceptional operating items[1]	5	(4)	57	(7)	(373)
Total operating profit/(loss)[1]	673	601	605	431	(14)
Financial income	5	3	2	2	3
Financial expenses	(78)	(57)	(64)	(64)	(57)
Profit/(loss) before tax	600	547	543	369	(68)
Tax:					
On profit before exceptional items	(175)	(151)	(117)	(96)	(14)
On exceptional operating items	(6)	1	(4)	1	112
Exceptional tax	(45)	141	43		175
	(226)	(9)	(78)	(95)	273
Profit after tax:	374	538	465	274	205
Gain on disposal of discontinued operations, net of tax				2	6
Profit for the year	374	538	465	276	211
Attributable to:					
Equity holders of the parent	372	537	465	276	210
Non-controlling interest	2	1			1
Profit for the year	374	538	465	276	211
Earnings per ordinary share:					
Continuing operations:					
Basic	140.9¢	187.1¢	160.9¢	95.1¢	71.6¢
Diluted	139.3¢	183.9¢	157.1¢	92.6¢	69.2¢
Total operations:					
Basic	140.9¢	187.1¢	160.9¢	95.8¢	73.7¢
Diluted	139.3¢	183.9¢	157.1¢	93.2¢	71.2¢

[1] Relates to continuing operations.

[2] Restated for the adoption of IAS I9R Employee Benefits (see page 111).

Group statement of financial position data

31 December	**2013**	2012	2011	2010	2009
		($m, except number of shares)			
Goodwill and intangible assets	**518**	447	400	358	356
Property, plant and equipment	**1,169**	1,056	1,362	1,690	1,836
Investments and other financial assets	**321**	239	243	178	175
Retirement benefit assets	**7**	99	21	5	12
Non-current tax receivable	**16**	24	41		
Deferred tax assets	**108**	204	106	88	95
Current assets	**586**	660	578	466	419
Non-current assets classified as held for sale	**228**	534	217		
Total assets	**2,953**	3,263	2,968	2,785	2,893
Current liabilities	**814**	780	860	943	1,040
Long-term debt	**1,269**	1,242	670	776	1,016
Net (liabilities) / assets	**(74)**	317	555	278	156
Equity share capital	**189**	179	162	155	142
IHG shareholders equity	**(82)**	308	547	271	149
Number of shares in issue at end of the year (millions)	**269**	268	290	289	287

Table of Contents

Shareholder information continued

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.

Ordinary dividend	Interim dividend		Final dividend		Total dividend		**Special dividend**	
	pence	cents	pence	cents	pence	cents	pence	cents
2013	**15**	**23**	**28.1**	**47**	**43.2**	**70**	**87.1**	**133**
2012	13.5	21	28	43	41	64	108.4[2]	172
2011	9.8	16	25	39	35	55		
2010	8	13	22	35	30	48		
2009	7.3	12	19	29	26	41		
2008[1]	6.4	12	20	29	27	41		
2007	5.7	12	15	29	21	41	200[2]	
2006	5.1	9.6	13	26	18	36	118[2]	
2005	4.6	8.1	11	19	15	27		
2004	4.3	7.7	10	19	14	27	72.0[2]	
2003	4.05	6.8	9.5	17	14	24		

[1] IHG changed the reporting currency of its Group accounts 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 immediately before announcement.

[2] Accompanied by a share consolidation.

Return of funds

Since March 2004, the Group has returned over £4.3 billion of funds to shareholders by way of special dividends, capital returns and share repurchase programmes by share consolidation.

On 7 August 2012, the Company announced a $1 billion return of funds to shareholders, split between a $500 million special dividend with share consolidation and a $500 million share buyback programme. The special dividend was paid on 22 October 2012 and as at 17 February 2014 $390 million (£248 million) of shares had been repurchased at an average price per share of 1,778 pence. Purchases are made under the existing authority from shareholders, which will be presented for renewal at the Company s AGM to be held on 2 May 2014. Any shares repurchased may be cancelled or held as treasury shares.

On 6 August 2013, the Company announced a $350 million return of funds to shareholders via a special dividend without share consolidation. The special dividend was paid on 4 October 2013.

Return of funds programme	**Timing**	**Total return**	**Returned to date**
£501 million special dividend[1]	Paid in December 2004	£501m	£501m

First £250 million share buyback	Completed in 2004	£250m	£250m
£996 million capital return[1]	Paid in July 2005	£996m	£996m
Second £250 million share buyback	Completed in 2006	£250m	£250m
£497 million share buyback	Paid in June 2006	£497m	£497m
Third £250 million share buyback	Completed in 2007	£250m	£250m
£709 million special dividend[1]	Paid in June 2007	£709m	£709m
£150 million share buyback	n/a[3]	£150m	£120m
$500 million special dividend[1,2]	Paid in October 2012	£315m[4] ($500m)	£315m ($505m)[6]
$500 million share buyback	Ongoing	£315m[4] ($500m)	£248m ($390m)[7,9]
$350 million special dividend	Paid in October 2013	£229m[5] ($350m)	£228m ($355m)[8]
Total		£4,462m	£4,319m

[1] Accompanied by a share consolidation.
[2] IHG changed the reporting currency of its Group accounts from sterling to US dollars effective from the Half-Year Results as at 30 June 2008.
[3] This programme was superseded by the share buyback programme announced on 7 August 2012.
[4] 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.
[5] The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate of $1=£0.655, as announced in Half-Year Results to 30 June 2013.
[6] Sterling divided translated at $1=£0.624.
[7] Translated into US dollars at the average rates of exchange for the relevant years (2013 $1=£0.64; 2012 $1=£0.63).
[8] Sterling divided translated at $1=£0.644.
[9] At 17 February 2014.

Table of Contents

Purchases of equity securities by the Company and affiliated purchasers

The Group s current $500 million share repurchase programme was announced on 7 August 2012. By 31 December 2013, 11,484,351 shares had been repurchased at an average price of 1,865.5301 pence per share (approximately £214 million).

Period of financial year	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programmes	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programmes
Month 1 (no purchases this month)	nil	nil	nil	23,073,341[1]
Month 2	1,160,688	1,948.9099	100,000	21,912,653[1]
Month 3 (no purchases this month)	nil	nil	nil	21,912,653[1]
Month 4	1,369,415	1,895.7360	1,369,415	20,543,238[1]
Month 5 (pre-AGM)	323,758	1,924.0195	323,758	20,219,480[1]
Month 5 (post-AGM)	370,872	1,918.4721	370,872	26,464,875[2]
Month 6	2,613,459	1,811.3233	2,613,459	23,851,416[2]
Month 7 (no purchases this month)	nil	nil	nil	23,851,416[2]
Month 8	1,263,366	1,876.4824	1,263,366	22,588,050[2]
Month 9	1,732,537	1,849.5455	1,732,537	20,855,513[2]
Month 10	1,308,941	1,808.6041	1,308,941	19,546,572[2]
Month 11	691,564	1,810.6577	691,564	18,855,008[2]
Month 12	649,751	2,006.0014	nil	18,855,008[2]

[1] Reflects the resolution passed at the Company s General Meeting held on 8 October 2012.

[2] Reflects the resolution passed at the Company s AGM held on 24 May 2013.

During the financial year ended 31 December 2013, 1,196,061 ordinary shares were purchased by the Company s Employee Share Ownership Trust at prices ranging from 1,939 pence to 2,028 pence per share, for the purpose of satisfying future share awards to employees.

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 Depositary. 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[1]	
Year ended 31 December	high	low	high	low
2009	9.04	4.46	14.67	6.04
2010	12.66	8.87	20.04	13.84
2011	14.35	9.55	23.28	15.27
2012	17.25	11.57	27.82	17.99
2013	20.39	17.07	33.54	26.90
Quarters in the year ended 31 December				
2012				
First quarter	14.97	11.57	23.67	17.99
Second quarter	15.73	13.95	24.70	21.84
Third quarter	17.25	15.02	27.02	23.16
Fourth quarter	17.10	15.24	27.82	24.50
2013				
First quarter	20.22	17.07	30.64	27.82
Second quarter	20.39	17.37	30.61	26.90
Third quarter	20.30	17.88	31.08	27.77
Fourth quarter	20.25	17.63	33.54	28.27
2014				
First quarter (through to 14 February 2014)	2,038	1,942	34.08	31.69
Month ended				
August 2013	20.30	17.88	31.08	27.77
September 2013	19.16	18.02	30.26	28.09
October 2013	18.65	17.63	30.39	28.27
November 2013	19.08	17.94	31.22	28.74
December 2013	20.25	18.82	33.54	30.90
January 2014	20.38	19.66	34.08	32.44
February 2014 (through to 14 February 2014)	2,003	1,942	33.78	31.69

[1] 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.

Table of Contents

Shareholder information continued

Shareholder profiles

Shareholder profile by type as at 31 December 2013

Category of shareholdings	Number of shareholders	Percentage total of shareholders	Number of ordinary shares	Percentage of issued share capital See chart®
¢ Private individuals	45,248	93.41	15,517,490	5.99
¢ Nominee companies	1,512	3.12	234,757,478	90.59
¢ Limited and public limited companies	1,501	3.10	2,595,009	1.00
¢ Other corporate bodies	167	0.34	5,862,369	2.26
¢ Pension funds, insurance companies and banks	12	0.02	422,959	0.16
Total	48,440	100	259,155,305	100

Shareholder profile by size as at 31 December 2013

Range of shareholdings	Number of shareholders	Percentage total of shareholders	Number of ordinary shares	Percentage of issued share capital See chart®
¢ 1 199	30,577	63.12	1,954,825	0.75
¢ 200 499	9,269	19.14	2,968,040	1.15
¢ 500 999	4,488	9.27	3,130,129	1.21
¢ 1,000 4,999	3,192	6.59	5,951,430	2.30
¢ 5,000 9,999	248	0.51	1,730,546	0.67
¢ 10,000 49,999	324	0.67	7,556,191	2.92
¢ 50,000 99,999	103	0.21	7,601,747	2.93
¢ 100,000 499,999	157	0.32	35,582,279	13.73
¢ 500,000 999,999	31	0.06	21,340,235	8.23
¢ 1,000,000 and above	51	0.11	171,339,883	66.11
Total	48,440	100	259,155,305	100

Shareholder profile by geographical location as at 31 December 2013

Country/ Jurisdiction	Percentage of issued share capital[1] See chart®
¢ UK	53.3
¢ Rest of Europe	12.4
¢ US (including ADRs)	29.0
¢ Rest of World	5.3
Total	100

[1] 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 88.9% of total issued share capital. Therefore, the known percentage distributions have been multiplied by 100/88.9 (1.125) to achieve the figures shown in the table above.

As of 14 February 2014, 16,302,058 ADSs equivalent to 16,302,058 ordinary shares, or approximately 6 per cent of the total issued share capital, were outstanding and were held by 762 holders. Since certain ordinary shares are registered in the names of nominees, the number of shareholders of record may not be representative of the number of beneficial owners.

As of 14 February 2014, there were a total of 48,255 record holders of ordinary shares, of whom 252 had registered addresses in the US and held a total of 685,165 ordinary shares (0.25 per cent of the total issued share capital).

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 2013 has been made available to shareholders through our website at www.ihgplc.com/investors under financial library.

Shareholders may electronically appoint a proxy to vote on their behalf at the 2014 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 Secretariat department (see page 182).

Corporate Responsibility Report

IHG updates its online Corporate Responsibility Report regularly, covering progress on a range of environmental, social and community issues. This can be viewed at www.ihgplc.com/responsibility.

IHG Shelter in a Storm Programme

The IHG Shelter in a Storm Programme enables IHG to support our hotels and local communities, employees and guests when a disaster occurs, by providing immediate and vital assistance.

If you would like to make a donation to the programme, you can do so online via a secure payment page at www.ihgshelterinastorm.com.

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 0871 384 2132[1,2] (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 0871 384 2268[1,2]. A DRIP application form and information booklet are available at www.shareview.co.uk/products/pages/applyforadrip.aspx.

Bank mandate

We encourage shareholders to have their dividends paid directly into their UK bank or building society account, to ensure efficient payment and clearance of funds on the payment date. For further information, please contact our Registrar (see page 182).

Overseas payment service

It is also possible for shareholders to have their dividends paid direct to their bank account in a local currency. Charges are payable for this service. Further information is available at www.shareview.co.uk/shareholders/pages/overseaspayments.aspx.

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 182).

Individual Savings Account (ISA)

Equiniti offers a Stocks and Shares ISA where IHG shares can be invested. For further information, please contact Equiniti on 0871 384 2244[1,2].

Share dealing services

Equiniti offers the following share dealing facilities:

Postal dealing

For more information call 0871 384 2248[1,2]

Telephone dealing

For more information call 0845 603 7037[1,3]

Internet dealing

For more information visit www.shareview.co.uk.

Changes to the base cost of IHG shares

Details of all the changes to the base cost of IHG shares held since April 2003 to December 2013, for UK Capital Gains Tax purposes, may be found on our website at www.ihgplc.com/investors under shareholder centre/tax information.

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. For further details please contact ProSearch on 01732 741 411 or email info@prosearchassets.com.

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 on the Financial Conduct Authority website at www.fca.org.uk/consumers/scams. 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 182).

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.

[1] Calls cost 8p per minute plus network extras.
[2] Lines are open from 08.30 to 17.30 Monday to Friday, excluding UK public holidays.
[3] Lines are open from 08.00 to 16.30 Monday to Friday, excluding UK public holidays.

Table of Contents

Additional information continued

Financial calendar

		2013
Interim dividend of 15.1p per share (23.0¢ per ADR):	Payment date	4 October
Special dividend of 87.1p per share (133.0¢ per ADR):	Payment date	4 October
Financial year end		31 December
		2014
Preliminary announcement of annual results		18 February
Final dividend of 28.1p per share (47.0¢ per ADR):	Ex-dividend date	19 March
	Record date	21 March
Announcement of first quarter interim management statements		2 May
Annual General Meeting		2 May
Final dividend of 28.1p per share (47.0¢ per ADR):	Payment date	9 May
Announcement of half-year results		5 August
Interim dividend:	Payment date	October
Announcement of third quarter interim management statements		21 October
Financial year end		31 December
		2015
Preliminary announcement of annual results		February

Contacts

Registered office

Broadwater Park

Denham

Buckinghamshire

UB9 5HR

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 Secretariat department at the above address.

Registrar

Equiniti

Aspect House

Spencer Road

Lancing

West Sussex

BN99 6DA

Telephone 0871 384 2132[1,2]

(UK calls)

+44 (0) 121 415 7034

(non-UK calls)

www.shareview.co.uk

[1] For those with hearing difficulties a text phone is available on 0871 384 2255[2] for UK callers with compatible equipment.

[2] Calls cost 8p per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday, excluding UK public holidays.

ADR Depositary

JPMorgan Chase Bank N.A.

PO Box 64504

St. Paul

MN 55120-0854

USA

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[3] (Europe)

+1 888 211 9874[4] (US and Canada)

+1 800 272 9273[4] (Mexico)

+1 801 975 3063[5] (English)

(Central and South America)

+1 801 975 3013[5] (Spanish)

(Central and South America)

+971 4 429 0530[5] (Middle East and Africa)

+02 9935 8362[5] (Australia)

+86 21 2033 4848[5] (Mandarin and

Cantonese) (China and Hong Kong)

+81 3 5767 9325[5] (Japan)

+63 2 857 8778[5] (Korea)

+63 2 857 8788[5] (all other countries in

Asia Pacific)

[3] Telephone calls to this number are charged at 10p per minute. Standard network rates apply. Calls from mobiles will be higher.
[4] Toll-free.
[5] Toll charges apply.

Exhibits

The following exhibits are filed as part of this Annual Report on Form 20-F with the SEC:

Exhibit 1[1]	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)[1]	Contribution agreement relating to the InterContinental New York Barclay between Barclay Operating Corp., InterContinental Hotels Group Resources, Inc., Constellation Barclay Holding US, LLC, and 111 East 48th Street Holdings, LLC dated 19 December 2013 (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 2014)
Exhibit 4(a)(ii)[1]	Asset sale and purchase agreement relating to the Intercontinental Hotel, Park Lane, London between Hotel Inter-Continental London Limited, Constellation Hotel (Opco) UK S.A., and Six Continents Limited dated 27 March 2013 (incorporated by reference to Exhibit 4(a)(ii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2014)
Exhibit 4(a)(iii)[1]	Five-year $1,070 million bank facility agreement dated 7 November 2011, among The Royal Bank of Scotland plc, NB International Finance B.V., Citigroup Global Markets Limited, HSBC Bank plc, Lloyds TSB Bank plc and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (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 29 March 2012)
Exhibit 4(a)(iv)[1]	First supplemental trust deed dated 7 July 2011 modifying and restating the Euro Medium Term Note programme governed by a trust deed dated 29 November 2009 (incorporated by reference to Exhibit 4(a)(ii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 29 March 2012)
Exhibit 4(a)(v)[1]	Amended and restated trust deed dated 9 November 2012 relating to a £750 million Euro Medium Term Note Programme, among InterContinental Hotels Group PLC, Six Continents Limited, InterContinental Hotels Limited and HSBC Corporate Trustee Company (UK) Limited (incorporated by reference to Exhibit 4(a)(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 March 2013)

Exhibit 4(c)(i)[1]	Employment Agreement between Six Continents Limited and Paul Edgecliffe-Johnson s 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)[1]	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)[1]	Tom Singer s service contract dated 26 July 2011 (incorporated by reference to Exhibit 4(c)(ii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 29 March 2012)
Exhibit 4(c)(iv)[1]	Kirk Kinsell s service contract commencing on 1 August 2010, as amended by a letter dated 5 July 2010 (incorporated by reference to Exhibit 4(c)(ii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 11 April 2011)
Exhibit 4(c)(v)[1]	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)(vi)[1]	Rules of the InterContinental Hotels Group Long Term Incentive Plan as amended on 26 September 2012 (incorporated by reference to Exhibit 4(c)(v) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 March 2013)
Exhibit 4(c)(vii)[1]	Rules of the InterContinental Hotels Group Annual Bonus Plan as amended on 26 September 2012 (incorporated by reference to Exhibit 4(c)(vi) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 March 2013)
Exhibit 8[1]	List of subsidiaries as at 31 December 2013 (incorporated by reference to Exhibit 8 of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2014)
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

[1] Incorporated by reference.

Table of Contents

Form 20-F cross-reference guide

Item	Form 20-F caption	Location in this document	Page
1	**Identity of directors, senior management and advisors**	Not applicable	
2	**Offer statistics and expected timetable**	Not applicable	
3	**Key information:**		
	3A Selected financial data	Shareholder Information: Selected five-year consolidated financial information	176-177
		Shareholder Information: Dividend history	178
	3B Capitalisation and indebtedness	Not applicable	
	3C Reason for the offer and use of proceeds	Not applicable	
	3D Risk factors	Group Information: Risk Factors	164-167
4	**Information on the Company**		
	4A History & development of the company	Group Information: History and developments	164
		Shareholder Information: Return of funds	178
		Contact details	182
	4B Business overview	Strategic Report	10-53
		Group Information: Working Time Regulations 1998	170
	4C Organisational structure	Group Financial Statements: Note 36 Principal operating subsidiary undertakings	153
	4D Property, plant & equipment	Strategic Report: Disciplined Execution Commitment to responsible business practices: Global greenhouse gas emissions	33
		Group Financial Statements: Note 10 Property, plant and equipment	128
4A	**Unresolved staff comments**	None	
5	**Operating and financial review & prospects**		
	5A Operating results	Strategic Report: Performance	40-53
		Group Financial Statements: Accounting policies	111-116
	5B Liquidity and capital resources	Strategic Report: Performance Liquidity and capital resources	52-53
		Group Financial Statements: Note 18 Cash and cash equivalents	134
		Group Financial Statements: Note 21 Financial risk management	135-137
		Group Financial Statements: Note 22 Loans and other borrowings	138
		Group Financial Statements: Note 23 Derivative financial statements	139
		Group Financial Statements: Note 24 Fair value measurement	140-141
		Not applicable	

	5C Research and development; intellectual property		
	5D Trend information	Not applicable	
	5E Off-balance sheet arrangements	Strategic Report: Performance Liquidity and capital resources	53
	5F Tabular disclosure of contractual obligations	Strategic Report: Performance Liquidity and capital resources	53
	5G Safe harbour	Additional Information: Forward-looking statements	188
6	**Directors, senior management and employees**		
	6A Director and senior management	Corporate Governance: Board of Directors	57-60
		and Executive Committee biographies	
	6B Compensation	Directors Remuneration Report	74-97
		Group Financial Statements: Note 26 Retirement benefits	142-145
		Group Financial Statements: Note 28 Share-based payments	147-150
	6C Board practices	Corporate Governance	61-72
	6D Employees	Strategic Report: Winning Model Preferred brands delivered through our people	20-23
		Group Financial Statements: Note 3 Staff costs and Directors emoluments	123
		Group Information: Working Time Regulations 1998	170
	6E Share ownership	Corporate Governance: Relations with shareholders	70-72
		Directors Remuneration Report	90-96
		Additional Information: Executive Committee members shareholdings	167
		Group Financial Statements: Note 28 Share-based payments	147-150
7	**Major shareholders and related party transactions**		
	7A Major shareholders; Host country shareholders	Directors Report	72-73
		Shareholder Information: Shareholder profiles	180
	7B Related party transactions	Group Financial Statements: Note 14 Investment in associates and joint ventures	132
		Group Financial Statements: Note 33 Related party disclosures	152
	7C Interests of experts & counsel	Not applicable	
8	**Financial Information**		
	8A Consolidated statements and other financial information	Statement of Directors Responsibilities	100
		Independent Auditor s US Report	103
		Group Financial Statements	99-153
		Shareholder Information: Legal proceedings	172
	8B Significant changes	None	

Table of Contents

Item	Form 20-F caption	Location in this document	Page
9	**The offer and listing**		
	9A Offer and listing details	Shareholder Information: Share price information	179
	9B Plan of distribution	Not applicable	
	9C Markets	Shareholder Information: Share price information	179
	9D Selling shareholders	Not applicable	
	9E Dilution	Not applicable	
	9F Expenses of the issue	Not applicable	
10	**Additional information**		
	10A Share capital	Not applicable	
	10B Memorandum and articles of association	Group Information: Articles of Association	170
	10C Material contracts	Group Information: Material contracts	170-171
	10D Exchange controls	Group Information: Exchange controls	172
	10E Taxation	Shareholder Information: Taxation	173
	10F Dividends and paying agents	Not applicable	
	10G Statement by experts	Not applicable	
	10H Documents on display	Shareholder Information: Investor Information Documents on display	181
	10I Subsidiary information	Not applicable	
11	**Quantitative & qualitative disclosures about market risk**	Strategic Report: Performance Market risk disclosures Group Financial Statements: Note 21 Financial risk management	53 135-137
12	**Description of securities other than equity securities**		
	12A Debt securities	Not applicable	
	12B Warrants and rights	Not applicable	
	12C Other securities	Not applicable	
	12D American depositary shares	Group Information: Description of securities other than equity securities	168
13	**Defaults, dividend arrearages and delinquencies**	Not applicable	
14	**Material modifications to the rights of security holders and use of proceeds**	Not applicable	
15	**Controls and Procedures**		
	15A Controls and Procedures	Shareholder information: Disclosure controls and procedures	175
	15B Management s annual report on internal control over financial reporting	Statement of Directors Responsibilities: Management s report on internal control over financial reporting	100
	15C Attestation report	Independent Auditor s US Report	103
	15D Changes in internal controls over financial reporting	Statement of Directors Responsibilities: Management s report on internal control over financial reporting	100
16	**16A Audit committee financial expert**	Corporate Governance: Audit Committee Report	66
	16B Code of ethics	Strategic Report: Disciplined Execution Commitment to responsible business practices	31

		Shareholder Information: Summary of significant corporate governance differences from NYSE listing standards Code of Conduct	175-176
	16C Principal accountant fees and services	Group Financial Statements: Note 4 Auditor s remuneration paid to Ernst & Young LLP	123
	16D Exemptions from the listing standards for audit committees	Not applicable	
	16E Purchase of equity securities by the issuer and affiliated purchasers	Shareholder Information: Purchases of equity securities by the Company and affiliated purchasers	179
	16F Change in registrant s certifying accountant	Not applicable	
	16G Corporate governance	Shareholder Information: Summary of significant corporate governance differences from NYSE listing standards	175-176
	16H Mine safety disclosure	Not applicable	
17	**Financial statements**	Not applicable	
18	**Financial statements**	Group Financial Statements[1]	100-153
19	**Exhibits**	Additional Information: Exhibits	183

[1] The Parent Company Financial Statements and the Audit Report and Notes thereto, on pages 156 to 161 should not be considered to form part of IHG s Annual Report on Form 20-F.

Table of Contents

Glossary

adjusted

excluding the effect of exceptional items and any relevant tax.

ADR

an American Depositary Receipt, being a receipt evidencing title to an American Depositary Share (ADS).

ADR Depositary (JPMorgan)

JPMorgan Chase Bank N.A.

ADS

an American Depositary Share as evidenced by an American Depositary Receipt, being a registered negotiable security, listed on the New York Stock Exchange, representing one ordinary share of $14^{194}/_{329}$ pence each of the Company.

AGM

Annual General Meeting.

AMEA

Asia, Middle East and Africa.

APP

Annual Performance Plan.

Articles

the articles of association of the Company for the time being in force.

average daily rate or average room 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.

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 2012 by the Financial Reporting Council in the UK.

Companies Act

the Companies Act 2006, as amended from time to time.

Company

InterContinental Hotels Group PLC.

comparable RevPAR

a comparison for a grouping of hotels that have traded in all months in both 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.

derivatives

a financial instrument used to reduce risk, the price of which is derived from an underlying asset, index or rate.

discontinued operations

hotels or operations sold or those classified as held for sale when the results relate to a separate line of business, geographical area of operations, or where there is a co-ordinated plan to dispose of a separate line of business or geographical area of operations.

Employee Engagement survey

twice a year, we ask our employees and those who work in our managed hotels (excluding our joint venture hotels) to participate in an Employee Engagement survey, to measure employee engagement.

EU

the European Union.

euro or

the currency of the European Economic and Monetary Union.

exceptional items

items which 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, Candlewood Suites).

fee margin

operating profit as a percentage of revenue, excluding revenue and operating profit from owned and leased hotels, managed leases and significant liquidated damages.

fee revenue

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

franchisee

operator who uses a brand under licence from the brand owner, IHG.

franchisor

brand owner, IHG, who licenses brands for use by operators.

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 Heartbeat

IHG s guest satisfaction measurement tool to measure brand preference and guest satisfaction.

hedging

the reduction of risk, normally in relation to foreign currency or interest rate movements, by making offsetting commitments.

IASB

International Accounting Standards Board.

ICETUS

InterContinental Executive Top-up Scheme.

Table of Contents

IC Plan

InterContinental Hotels UK Pension Plan.

IFRS

International Financial Reporting Standards as adopted by the EU and issued by the IASB.

IHG System

Hotels operating under franchise and management agreements together with IHG owned and leased hotels.

IHG System size

the number of hotels/rooms franchised, managed, owned or leased by IHG.

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 management and franchise contracts, where applicable.

LTIP

Long Term Incentive Plan.

managed leases

properties structured for legal reasons 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 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 4 June 2007 until 8 October 2012, the ordinary shares of $13^{29}/_{47}$ pence each in the Company; and following 9 October 2012, the ordinary shares of $14^{194}/_{329}$ pence each in the Company.

owner

the ultimate owner of the 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.

RevPAR or revenue per available room

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.

royalty revenues

rooms revenue that a franchisee pays to the brand owner for use of the brand name.

SCETUS

Six Continents Executive Top-Up Scheme.

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 undertaking

a company over which the Group exercises control.

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 for the specific use of marketing, the IHG Rewards Club loyalty programme and the global reservations system.

technology income

income received from hotels under franchise and management agreements for the use of IHG s proprietary reservations system.

total gross revenue

total rooms revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels.

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 gross 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.

UK DB Plan

the defined benefit section of the IC Plan.

UK DC Plan

the defined contribution section of the IC Plan.

US

the United States of America.

US 401(k) Plan

the Defined Contribution 401(k) plan.

US Deferred Compensation Plan

the Defined Contribution Deferred Compensation 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.

Table of Contents

Forward-looking statements

The Annual Report and Form 20-F 2013 contain 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 Officers 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 r 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 the effect 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 is subject to competitive and changing industry; the Group s dependency on a wide range of external stakeholders and business partners; 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 the protection of its intellectual property rights; the risks involved in the Group s reliance upon its proprietary reservations system and the risk of its failure and increased competition in reservations infrastructure; the risks related to information security and data privacy; 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; compliance with existing and changing regulations across numerous countries, territories and jurisdictions; the risk of litigation; the risks related to corporate responsibility; the risks associated with the Group s financial stability and its ability to borrow and satisfy debt covenants; and the risks associated with the Group s ability to maintain adequate insurance.

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 2013.

Holiday Inn received the highest numerical score among mid-scale full service hotels in the proprietary J.D. Power 2011-2013 North America Hotel Guest Satisfaction Index Study(SM). 2013 study based on responses from 68,787 guests measuring 4 mid-scale full service hotels and measures opinions of guests who stayed in a hotel June 2012-May 2013. Proprietary study results are based on experiences and perceptions

Designed and produced

by **Addison Group**

www.addison-group.net

Managed by **RR Donnelley**

of consumers surveyed July 2012-May 2013. Your experiences may vary. Visit jdpower.com.

This Report is printed on Satimatt Green which is manufactured using 75% post-consumer recycled fibre and 25% FSC® certified virgin fibre. Both the manufacturing mills and printer are ISO 14001 and FSC® certified.

Table of Contents

InterContinental Hotels Group PLC

Broadwater Park, Denham,

Buckinghamshire UB9 5HR

United Kingdom

Tel +44 (0) 1895 512 000

Fax +44 (0) 1895 512 101

Web www.ihgplc.com

Make a booking at www.ihg.com

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A 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: February 25, 2015