

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=£0.75 (2017: \$1=£0.78, 2016: \$1=£0.74). In the case of the euro, the translation rate is \$1=€0.85 (2017: \$1=€0.89, 2016: \$1=€0.90).

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=£0.78 (2017: \$1=£0.74, 2016: \$1=£0.81). In the case of the euro, the translation rate is \$1=€0.87 (2017: \$1=€0.83, 2016: \$1=€0.95).

2. Segmental information

With effect from 1 January 2018, an internal reorganisation resulted in the formation of a new operating segment, Europe, Middle East, Asia and Africa (EMEAA), bringing together the former segments of Europe and Asia, Middle East and Africa (AMEA). By bringing together two strong, established regions, there will be an increased focus on growth through increased agility and effectiveness.

Following this reorganisation, the management of the Group's operations, excluding Central functions, is organised within three geographical regions:

- Americas;
- EMEAA; and
- Greater China.

These, together with Central functions, comprise the Group's four reportable segments. Each of the geographical regions is led by its own Chief Executive Officer who reports to the Group Chief Executive Officer. No operating segments have been aggregated to form these reportable segments.

Central functions include costs of global functions including technology, sales and marketing, finance, human resources and corporate services; Central revenue arises principally from technology fee income.

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. The System Fund is not viewed as being part of the Group's core operations as IHG is unable to profit from its activities. As such, its results are not regularly reviewed by the Chief Operating Decision Maker (CODM) and it does not constitute an operating segment under IFRS 8. Similarly, reimbursements of costs are not reported to the CODM and so are not included within the reportable segments.

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 System Fund and exceptional items. Group financing activities and income taxes are managed on a Group basis and are not allocated to reportable segments.

Comparatives have been restated for IFRS 15 and presentational changes (see pages 109 to 114) to show segmental information on a consistent basis.

Revenue

Year ended 31 December	2018 \$m	2017 Restated \$m	2016 Restated \$m
Americas	1,051	999	969
EMEAA	569	457	439
Greater China	143	117	112
Central	170	157	147
Revenue from reportable segments	1,933	1,730	1,667
System Fund revenues	1,233	1,242	1,199
Reimbursement of costs	1,171	1,103	1,046
Total revenue	4,337	4,075	3,912

2. Segmental information continued

Profit

Year ended 31 December	2018 \$m	2017 Restated \$m	2016 Restated \$m
Americas	662	637	626
EMEA	202	171	157
Greater China	69	52	46
Central	(117)	(102)	(123)
Operating profit from reportable segments	816	758	706
System Fund	(146)	(34)	35
Exceptional items (note 6)	(104)	4	(29)
Operating profit	566	728	712
Net finance costs	(81)	(72)	(80)
Profit before tax	485	656	632
Tax	(133)	(115)	(173)
Profit for the year	352	541	459

All items above relate to continuing operations.

Assets

31 December	2018 \$m	2017 Restated \$m
Americas	1,568	1,500
EMEA	666	504
Greater China	110	105
Central	579	541
Segment assets	2,923	2,650
Unallocated assets:		
Derivative financial instruments	8	-
Tax receivable	58	117
Deferred tax assets	60	75
Cash and cash equivalents	704	168
Total assets	3,753	3,010

Liabilities

31 December	2018 \$m	2017 Restated \$m
Americas	(676)	(620)
EMEA	(241)	(232)
Greater China	(61)	(64)
Segment liabilities	(978)	(916)
Unallocated liabilities:		
Loyalty and co-brand deferred revenue and other payables	(1,291)	(1,186)
Loans and other borrowings	(2,249)	(2,019)
Tax payable	(50)	(89)
Deferred tax liabilities	(131)	(101)
Deferred and contingent purchase consideration	(131)	-
Total liabilities	(4,830)	(4,311)

Notes to the Group Financial Statements continued

2. Segmental information continued

Other segmental information

	Americas \$m	EMEAA \$m	Greater China \$m	Central \$m	Group \$m
Year ended 31 December 2018					
Capital expenditure (page 119)	74	33	2	134	243
Non-cash items:					
Depreciation and amortisation ^a	27	8	3	42	80
Share-based payments cost	8	4	3	12	27
Share of losses/(gains) of associates and joint ventures	6	(5)	-	-	1
Year ended 31 December 2017 (Restated)					
Capital expenditure (page 119)	120	26	2	188	336
Non-cash items:					
Depreciation and amortisation ^a	23	7	1	47	78
Share-based payments cost	6	4	3	8	21
Share of losses/(gains) of associates and joint ventures	1	(4)	-	-	(3)
Impairment charges	18	-	-	-	18
Year ended 31 December 2016 (Restated)					
Capital expenditure	67	22	1	148	238
Non-cash items:					
Depreciation and amortisation ^a	21	7	1	46	75
Share-based payments cost	6	4	3	4	17
Share of losses/(gains) of associates and joint ventures	7	(5)	-	-	2
Impairment charges	16	-	-	-	16

^a Included in the \$80m (2017: \$78m, 2016: \$75m) of depreciation and amortisation is \$61m (2017: \$53m, 2016: \$54m) relating to administrative expenses and \$19m (2017: \$25m, 2016: \$21m) relating to cost of sales. A further \$45m of depreciation and amortisation was recorded within System Fund expenses (2017: \$36m, 2016: \$31m).

2. Segmental information continued

Reconciliation of capital expenditure

	Americas \$m	EMEA \$m	Greater China \$m	Central \$m	Group \$m
Year ended 31 December 2018					
Capital expenditure per management reporting	74	33	2	134	243
Contract acquisition costs	(32)	(26)	-	-	(58)
Landlord contributions to property, plant and equipment	-	-	-	8	8
Timing differences and other adjustments	1	-	-	-	1
Additions per the Financial Statements	43	7	2	142	194
Comprising additions to:					
Property, plant and equipment	13	2	2	30	47
Intangible assets	-	-	-	112	112
Investment in associates and joint ventures	3	-	-	-	3
Other financial assets	27	5	-	-	32
	43	7	2	142	194
Year ended 31 December 2017 (Restated)					
Capital expenditure per management reporting	120	26	2	188	336
Contract acquisition costs	(36)	(21)	-	-	(57)
Landlord contributions to property, plant and equipment	-	-	-	14	14
Timing differences and other adjustments	(12)	-	-	(1)	(13)
Additions per the Financial Statements	72	5	2	201	280
Comprising additions to:					
Property, plant and equipment	10	-	2	32	44
Intangible assets	3	-	-	169	172
Investment in associates and joint ventures	47	-	-	-	47
Other financial assets	12	5	-	-	17
	72	5	2	201	280

Geographical information

Year ended 31 December	2018 \$m	2017 Restated \$m	2016 Restated \$m
Revenue			
United Kingdom	151	74	72
United States	1,950	1,845	1,750
China	222	201	192
Rest of World	781	713	699
	3,104	2,833	2,713
System Fund (note 32)	1,233	1,242	1,199
	4,337	4,075	3,912

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. System Fund revenues are not included in the geographical analysis as the Group does not monitor the Fund's revenue by location of the hotel, or in the case of the loyalty programme, according to the location where members consume their rewards.

Notes to the Group Financial Statements continued

2. Segmental information continued

31 December	2018 \$m	2017 Restated \$m
Non-current assets		
United Kingdom	148	52
United States	1,510	1,476
Rest of World	361	297
	2,019	1,825

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

3. Revenue

A description of the Group's contracts with customers and its performance obligations under those contracts is contained on pages 106-107 and 109-110.

Disaggregation of revenue

The following table presents Group revenue disaggregated by type of revenue stream and by reportable segment:

	Americas \$m	EMEAA \$m	Greater China \$m	Central \$m	Group \$m
Year ended 31 December 2018					
Franchise and base management fees	835	227	94	-	1,156
Incentive management fees	18	93	49	-	160
Central revenue	-	-	-	170	170
Revenue from fee business	853	320	143	170	1,486
Revenue from owned, leased and managed lease hotels	198	249	-	-	447
	1,051	569	143	170	1,933
System Fund revenues (note 32)					1,233
Reimbursement of costs					1,171
Total revenue					4,337
Year ended 31 December 2017					
Franchise and base management fees	795	204	73	-	1,072
Incentive management fees	16	90	44	-	150
Central revenue	-	-	-	157	157
Revenue from fee business	811	294	117	157	1,379
Revenue from owned, leased and managed lease hotels	188	163	-	-	351
	999	457	117	157	1,730
System Fund revenues (note 32)					1,242
Reimbursement of costs					1,103
Total revenue					4,075
Year ended 31 December 2016					
Franchise and base management fees	781	194	71	-	1,046
Incentive management fees	15	80	41	-	136
Central revenue	-	-	-	147	147
Revenue from fee business	796	274	112	147	1,329
Revenue from owned, leased and managed lease hotels	173	165	-	-	338
	969	439	112	147	1,667
System Fund revenues (note 32)					1,199
Reimbursement of costs					1,046
Total revenue					3,912