

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=£0.78 (2018: \$1=£0.75, 2017: \$1=£0.78). In the case of the euro, the translation rate is \$1=€0.89 (2018: \$1=€0.85, 2017: \$1=€0.89).

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=£0.76 (2018: \$1=£0.78, 2017: \$1=£0.74). In the case of the euro, the translation rate is \$1=€0.89 (2018: \$1=€0.87, 2017: \$1=€0.83).

2. Segmental information

The Group has four reportable segments reflecting its geographical regions and its Central functions:

- Americas;
- EMEAA;
- Greater China; and
- Central.

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

No operating segments have been aggregated to form these reportable segments.

Management monitors the operating results of these reportable segments for the purpose of making decisions about resource allocation and performance assessment. Each of the geographical regions is led by its own Chief Executive Officer who reports to the Group Chief Executive Officer.

The System Fund is not viewed as being part of the Group's core operations as it is not managed to generate a profit or loss for IHG over the longer term. 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 Group Financial Statements, excluding System Fund and exceptional items. Group financing activities, fair value gains/(losses) on contingent purchase consideration and income taxes are managed on a Group basis and are not allocated to reportable segments.

Revenue

Year ended 31 December	2019 \$m	2018 \$m	2017 \$m
Americas	1,040	1,051	999
EMEAA	723	569	457
Greater China	135	143	117
Central	185	170	157
Revenue from reportable segments	2,083	1,933	1,730
System Fund revenues	1,373	1,233	1,242
Reimbursement of costs	1,171	1,171	1,103
Total revenue	4,627	4,337	4,075

Profit

Year ended 31 December	2019 \$m	2018 Restated \$m	2017 Restated \$m
Americas (see below)	700	673	648
EMEAA	217	206	175
Greater China	73	70	53
Central	(125)	(117)	(102)
Operating profit from reportable segments	865	832	774
System Fund	(49)	(146)	(34)
Operating exceptional items (note 6)	(186)	(104)	4
Operating profit	630	582	744
Net finance costs	(115)	(96)	(91)
Fair value gains/(losses) on contingent purchase consideration	27	(4)	-
Profit before tax	542	482	653
Tax	(156)	(132)	(118)
Profit for the year	386	350	535

All items above relate to continuing operations.

Operating profit from reportable segments includes business interruption insurance proceeds of \$10m in 2019, relating to the Americas region, which is included in 'other operating income' in the Group income statement.

2. Segmental information continued

Assets

31 December	2019 \$m	2018 Restated \$m
Americas	1,784	1,656
EMEA ^a	978	738
Greater China	136	110
Central	772	755
Segment assets	3,670	3,259
Unallocated assets:		
Derivative financial instruments	1	8
Tax receivable	44	58
Deferred tax assets	66	63
Cash and cash equivalents	195	704
Total assets	3,976	4,092

^a Includes assets classified as held for sale of \$19m (2018: \$nil).

Liabilities

31 December	2019 \$m	2018 Restated \$m
Americas	(971)	(995)
EMEA ^a	(398)	(386)
Greater China	(80)	(61)
Central	(206)	(225)
Segment liabilities	(1,655)	(1,667)
Unallocated liabilities:		
Loyalty and co-brand deferred revenue and other payables	(1,339)	(1,291)
Loans and other borrowings	(2,165)	(2,014)
Derivative financial instruments	(20)	-
Tax payable	(50)	(50)
Deferred tax liabilities	(118)	(124)
Deferred and contingent purchase consideration ^b	(94)	(77)
Total liabilities	(5,441)	(5,223)

^a Includes liabilities classified as held for sale of \$22m (2018: \$nil).

^b Excludes UK portfolio which is included in EMEA. 2018 has been restated accordingly.

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 2019					
Capital expenditure (page 153)	57	71	-	137	265
Non-cash items:					
Depreciation and amortisation ^a	44	25	5	42	116
Share-based payments cost	9	4	2	13	28
Share of losses/(gains) of associates and joint ventures	9	(6)	-	-	3
Impairment charges	50	81	-	-	131
	Americas Restated \$m	EMEAA Restated \$m	Greater China Restated \$m	Central Restated \$m	Group Restated \$m
Year ended 31 December 2018					
Capital expenditure (page 153)	74	33	2	142	251
Non-cash items:					
Depreciation and amortisation ^a	46	17	7	45	115
Share-based payments cost	8	4	3	12	27
Share of losses/(gains) of associates and joint ventures	6	(5)	-	-	1
	Americas Restated \$m	EMEAA Restated \$m	Greater China Restated \$m	Central Restated \$m	Group Restated \$m
Year ended 31 December 2017					
Capital expenditure	120	26	2	202	350
Non-cash items:					
Depreciation and amortisation ^a	42	15	5	50	112
Share-based payments cost	6	4	3	8	21
Share of losses/(gains) of associates and joint ventures	1	(4)	-	-	(3)
Impairment charge	18	-	-	-	18

^a Included in the \$116m (2018: \$115m, 2017: \$112m) of depreciation and amortisation is \$82m (2018: \$86m, 2017: \$78m) relating to administrative expenses and \$34m (2018: \$29m, 2017: \$34m) relating to cost of sales. A further \$54m (2018: \$49m, 2017: \$41m) of depreciation and amortisation was recorded within System Fund expenses.

2. Segmental information continued

Reconciliation of capital expenditure

Year ended 31 December 2019	Americas \$m	EMEA \$m	Greater China \$m	Central \$m	Group \$m
Capital expenditure per management reporting	57	71	-	137	265
Goodwill	-	4	-	-	4
Contract acquisition costs	(27)	(35)	-	-	(62)
Timing differences and other adjustments	4	1	-	(4)	1
Additions per the Group Financial Statements	34	41	-	133	208
Comprising additions to:					
Goodwill and other intangible assets	-	4	-	104	108
Property, plant and equipment	19	29	-	29	77
Investment in associates and joint ventures	14	-	-	-	14
Other financial assets	1	8	-	-	9
	34	41	-	133	208
Year ended 31 December 2018	Americas Restated \$m	EMEA Restated \$m	Greater China Restated \$m	Central Restated \$m	Group Restated \$m
Capital expenditure per management reporting	74	33	2	142	251
Contract acquisition costs	(32)	(26)	-	-	(58)
Timing differences and other adjustments	1	-	-	-	1
Additions per the Group Financial Statements	43	7	2	142	194
Comprising additions to:					
Intangible assets	-	-	-	112	112
Property, plant and equipment	13	2	2	30	47
Investment in associates and joint ventures	3	-	-	-	3
Other financial assets	27	5	-	-	32
	43	7	2	142	194

Geographical information

Year ended 31 December	2019 \$m	2018 \$m	2017 \$m
Revenue			
United Kingdom	265	151	74
United States	1,957	1,950	1,845
China	214	222	201
Rest of World	818	781	713
	3,254	3,104	2,833
System Fund (note 33)	1,373	1,233	1,242
	4,627	4,337	4,075

For the purposes of the above table, hotel and reimbursable revenues are 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	2019 \$m	2018 Restated \$m
Non-current assets		
United Kingdom	184	205
United States	1,632	1,643
Rest of World	847	510
	2,663	2,358

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

Disaggregation of revenue

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

Year ended 31 December 2019	Americas \$m	EMEAA \$m	Greater China \$m	Central \$m	Group \$m
Franchise and base management fees	840	247	87	-	1,174
Incentive management fees	13	90	48	-	151
Central revenue	-	-	-	185	185
Revenue from fee business	853	337	135	185	1,510
Revenue from owned, leased and managed lease hotels	187	386	-	-	573
	1,040	723	135	185	2,083
System Fund revenues (note 33)					1,373
Reimbursement of costs					1,171
Total revenue					4,627
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 33)					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 33)					1,242
Reimbursement of costs					1,103
Total revenue					4,075