Parent Company Financial Statements

Kimpton Fitzroy London, United Kingdom

Parent Company Financial Statements
Parent Company statement of financial position

31 December 2018	Note	2018 £m	2017 £m
Fixed assets			
Investments	3	**3,072**	3,042
Current assets			
Debtors: due after more than one year	4	**7**	–
Debtors: due within one year	4	**369**	13
Creditors: amounts falling due within one year	6	**(1)**	(898)
Net current assets/(liabilities)		**375**	(885)
Total assets less current liabilities		**3,447**	2,157
Creditors: amounts falling due after one year	7	**(1,496)**	(1,049)
Net assets		**1,951**	1,108
Capital and reserves			
Called up share capital	9	**39**	39
Share premium account		**75**	75
Capital redemption reserve		**7**	7
Share-based payment reserve		**305**	275
Cash flow hedging reserve		**(2)**	–
Profit and loss account		**1,527**	712
Total equity		**1,951**	1,108

Signed on behalf of the Board,

Paul Edgecliffe-Johnson
18 February 2019

The profit on ordinary activities after taxation amounts to £964m (2017: £460m).

Parent Company statement of changes in equity

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share-based payment reserve £m	Cash flow hedging reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2017	39	75	7	252	–	706	1,079
Profit for the year	–	–	–	–	–	460	460
Total comprehensive income for the year	–	–	–	–	–	460	460
Share-based payments capital contribution	–	–	–	23	–	–	23
Equity dividends paid	–	–	–	–	–	(454)	(454)
At 31 December 2017	39	75	7	275	–	712	1,108
Profit for the year	**–**	**–**	**–**	**–**	**–**	**964**	**964**
Other comprehensive income items that may be subsequently reclassified to profit or loss:							
Gains on cash flow hedges	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Costs of hedging	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Hedging gains reclassified to financial expenses	**–**	**–**	**–**	**–**	**(6)**	**–**	**(6)**
Total other comprehensive loss for the year	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(2)**	**964**	**962**
Share-based payments capital contribution	**–**	**–**	**–**	**30**	**–**	**–**	**30**
Equity dividends paid	**–**	**–**	**–**	**–**	**–**	**(149)**	**(149)**
At 31 December 2018	**39**	**75**	**7**	**305**	**(2)**	**1,527**	**1,951**

Notes on pages 165 to 169 form an integral part of these Financial Statements.

Notes to the Parent Company Financial Statements

1. Accounting policies

Authorisation of Financial Statements and statement of compliance with FRS 101

The Parent Company Financial Statements of InterContinental Hotels Group PLC (the Company) for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 18 February 2019 and the statement of financial position was signed on the Board's behalf by Paul Edgecliffe-Johnson. The Company is a public limited company incorporated and domiciled in the UK. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The Directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly, they continue to adopt the going concern basis in preparing the Parent Company Financial Statements.

For further consideration of the going concern position of the Group see page 181 of the Directors' Report.

The Parent Company Financial Statements are presented in sterling and all values are rounded to the nearest million pounds (£m) except when otherwise indicated.

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

No income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006.

The audit fee of £0.02m (2017: £0.02m) was borne by a subsidiary undertaking in both years.

Basis of preparation

The Parent Company Financial Statements have been prepared in accordance with FRS 101, as applied in accordance with the provisions of the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of IFRS as adopted by the EU.

FRS 101 sets out amendments to IFRS as adopted by the EU that are necessary to achieve compliance with the Companies Act and related Regulations.

The following disclosures have not been provided as permitted by FRS 101:

- A cash flow statement and related notes as required by IAS 7 'Statement of Cash Flows';
- A comparative period reconciliation for share capital as required by IAS 1 'Presentation of Financial Statements';
- Disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- Disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- Disclosures in respect of the compensation of key management personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

Where the Consolidated Financial Statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' in respect of group settled share-based payments; and
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out herein have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Foreign currency

Transactions in foreign currencies are translated to the Company's 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. Where dividends have been proposed in US dollars, the supplementary information included in note 10 to the Financial Statements details the exchange rates which will be used to calculate the sterling dividend payable.

Notes to the Parent Company Financial Statements continued

1. Accounting policies continued

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, amounts due from and amounts due to Group undertakings and loans and other borrowings.

Investments in equity securities

Investments in subsidiaries are carried at cost plus deemed capital contributions arising from share-based payment transactions less any provision for impairment. The carrying amount is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Amounts due from and amounts due to Group undertakings

Amounts due from and amounts due to Group undertakings are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The carrying value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Loans and other borrowings

Loans 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 due after more than one year 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 which have either not been designated as hedging instruments or relate to the ineffective portion of hedges are recognised immediately in the income statement.

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

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

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.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises, in the Parent Company Financial Statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its Consolidated Financial Statements with the corresponding credit being recognised directly in equity.

2. Directors' remuneration

The average number of Directors employed by the Company during the year, analysed by category, was as follows:

	2018	2017
Non-Executive Directors	8	8
Executive Directors	3	2
	11	10

	2018 £m	2017 £m
Directors' emoluments		
Base salaries, fees, performance payments and benefits	5.3	3.8

More detailed information on the emoluments, pensions, share awards and shareholdings for each Director is shown in the Directors' Remuneration Report on pages 72 to 85.

	Number of Directors	
	2018	2017
The number of Directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes	3	3

3. Investments

	£m
Cost and net book value	
At 1 January 2018	3,042
Share-based payments capital contribution	30
At 31 December 2018	3,072

The Company is the beneficial owner of all the equity share capital of InterContinental Hotels Limited, a company registered in England and Wales.

A full list of subsidiary and other related undertakings is given in note 34 of the Group Financial Statements on pages 159 to 161.

4. Debtors

	2018 £m	2017 £m
Due after more than one year		
Derivative financial assets (note 5)	7	–
Due within one year		
Amounts owed by Group undertakings	358	1
Corporate taxation	11	12
	369	13

Notes to the Parent Company Financial Statements continued

5. Derivative financial assets and hedging

At 31 December 2018, the Company held a currency swap with a principal of £436m. This swap was transacted at the same time as the €500m 2.125% bonds were issued in November 2018 in order to swap the bonds' proceeds and interest flows into sterling. Under the terms of the swap, £436m was borrowed and €500m deposited for eight and a half years at a fixed exchange rate of £1 = €1.15. The fair value of this derivative was £7m asset at 31 December 2018. The currency swaps are designated as hedging instruments in cash flow hedges of the exposure to foreign exchange risk on the €500m 2.125% bonds. The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period was £7m.

The cash flow hedging reserve is analysed as follows:

	Cash flow hedging reserve		
	Value of currency swap £m	Cost of hedging £m	Total £m
At 1 January 2018	–	–	–
Costs of hedging deferred and recognised in other comprehensive income	–	(1)	(1)
Change in fair value of currency swap recognised in other comprehensive income	5	–	5
Reclassified from other comprehensive income to profit or loss – included in financial expenses	(6)	–	(6)
At 31 December 2018	(1)	(1)	(2)

6. Creditors: amounts falling due within one year

	2018 £m	2017 £m
Amounts due to Group undertakings	1	898

7. Creditors: amounts falling due after more than one year

	2018 £m	2017 £m
Loans and other borrowings		
£400m 3.875% bonds 2022	399	398
£300m 3.75% bonds 2025	301	301
£350m 2.125% bonds 2026	350	350
€500m 2.125% bonds 2027	446	–
	1,496	1,049

The 3.875% fixed interest sterling bonds were issued on 28 November 2012 and are repayable in full on 28 November 2022. Interest is payable annually on 28 November. The bonds were initially priced at 98.787% of face value and are unsecured.

The 3.75% fixed interest sterling bonds were issued on 14 August 2015 and are repayable in full on 14 August 2025. Interest is payable annually on 14 August. The bonds were initially priced at 99.014% of face value and are unsecured.

The 2.125% fixed interest sterling bonds were issued on 24 August 2016 and are repayable in full on 24 August 2026. Interest is payable annually on 24 August. The bonds were initially priced at 99.45% of face value and are unsecured.

The 2.125% fixed interest euro bonds were issued on 15 November 2018 and are repayable in full on 15 May 2027. Interest is payable annually on 15 May. The bonds were initially priced at 99.53% of face value and are unsecured. A currency swap was transacted at the same time the bonds were issued in order to swap the proceeds and interest flows into sterling.

8. Employee benefits

Share-based payments

The Company operates the Annual Performance Plan and Long Term Incentive Plan (performance-related awards and restricted stock units).

More detailed information on the plans is shown in note 26 of the Group Financial Statements on pages 153 to 154.

The weighted average share price at the date of exercise for share awards vested during the year was 4,583.8p (2017: 3,804.7p).

The share awards outstanding at the year end have a weighted average contractual life of 1.0 years (2017: 1.2 years) for the Annual Performance Plan, 0.8 years (2017: 0.6 years) for performance-related awards and 1.2 years (2017: 1.7 years) for restricted stock units.

9. Capital and reserves

	Number of shares millions	Equity share capital £m
Allotted, called up and fully paid		
At 1 January 2017 (ordinary shares of $18^{318}/_{329}$p each)	206	39
Share capital consolidation	(9)	–
At 31 December 2018 and 31 December 2017 (ordinary shares of $19^{17}/_{21}$p each)	**197**	**39**

The authority given to the Company at the Annual General Meeting (AGM) held on 4 May 2018 to purchase its own shares was still valid at 31 December 2018. A resolution to renew the authority will be put to shareholders at the AGM on 3 May 2019.

The Company no longer has an authorised share capital.

At 31 December 2018, 6,827,020 (2017: 7,607,430) shares with a nominal value of £1,352,400 (2017: £1,506,996) were held as treasury shares at cost.

The share premium reserve represents the amount of proceeds received for shares in excess of their nominal value.

10. Dividends and shareholder returns

	2018 pence per share	2017 pence per share	2018 £m	2017 £m
Paid during the year:				
Final (declared for previous year)	**50.2**	49.4	**96**	98
Interim	**27.7**	24.4	**53**	46
Special	**–**	156.4	**–**	310
	77.9	230.2	**149**	454

On 21 February 2017, the Group announced a $400m return of funds to shareholders by way of a special dividend and share consolidation. On 5 May 2017, shareholders approved the share consolidation on the basis of 45 new ordinary shares of $19^{17}/_{21}$p per share for every 47 existing ordinary shares of $18^{318}/_{329}$p, which became effective on 8 May 2017. The special dividend was paid to shareholders on 22 May 2017.

The final dividend of 78.1¢ per ordinary share (amounting to $141m) is proposed for approval at the AGM on 3 May 2019 and is payable on shares in issue at 29 March 2019. The final dividend will be paid at a rate per share calculated using the average of the daily exchange rates from 23 April 2019 to 25 April 2019 inclusive, and will be announced on 26 April 2019.

11. Contingencies

Contingent liabilities of £nil (2017: £196m) in respect of the guarantees of the liabilities of subsidiaries have not been provided for in these Financial Statements.

12. Post balance sheet events

On 19 October 2018, the Company announced a $500m return of funds to shareholders by way of a special dividend of $2.621 per ordinary share, together with a share consolidation.

On 11 January 2019, shareholders approved the share consolidation on the basis of 19 new ordinary shares of $20^{340}/_{399}$ p per share for every 20 existing ordinary shares of $19^{17}/_{21}$ p, which became effective on 14 January 2019 and resulted in the consolidation of 10m shares.

The special dividend, was paid on 29 January 2019 amounting to 203.8p ($2.621) per existing ordinary share at a total cost of £388m.