Group Financial Statements

Group income statement

For the year ended 31 December 2021	Note	2021 $m	2020 $m	2019 $m
Revenue from fee business	3	**1,153**	823	1,510
Revenue from owned, leased and managed lease hotels	3	**237**	169	573
System Fund revenues		**928**	765	1,373
Reimbursement of costs		**589**	637	1,171
Total revenue	2	**2,907**	2,394	4,627
Cost of sales		**(486)**	(354)	(782)
System Fund expenses		**(939)**	(867)	(1,422)
Reimbursed costs		**(589)**	(637)	(1,171)
Administrative expenses		**(300)**	(267)	(385)
Share of losses of associates and joint ventures	2	**(8)**	(14)	(3)
Other operating income		**11**	16	21
Depreciation and amortisation	2	**(98)**	(110)	(116)
Impairment loss on financial assets		**–**	(88)	(8)
Other impairment charges	6	**(4)**	(226)	(131)
Operating profit/(loss)	2	**494**	(153)	630
Operating profit/(loss) analysed as:				
Operating profit before System Fund and exceptional items		**534**	219	865
System Fund		**(11)**	(102)	(49)
Operating exceptional items	6	**(29)**	(270)	(186)
		494	(153)	630
Financial income	7	**8**	4	6
Financial expenses	7	**(147)**	(144)	(121)
Fair value gains on contingent purchase consideration	25	**6**	13	27
Profit/(loss) before tax		**361**	(280)	542
Tax	8	**(96)**	20	(156)
Profit/(loss) for the year from continuing operations		**265**	(260)	386
Attributable to:				
Equity holders of the parent		**266**	(260)	385
Non-controlling interest		**(1)**	–	1
		265	(260)	386
Earnings/(loss) per ordinary share:	10			
Basic		**145.4¢**	(142.9)¢	210.4¢
Diluted		**144.6¢**	(142.9)¢	209.2¢

Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group statement of comprehensive income

For the year ended 31 December 2021	2021 $m	2020 $m	2019 $m
Profit/(loss) for the year	**265**	(260)	386
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Losses on cash flow hedges, including related tax charge of $7m (2020: $4m credit, 2019: $nil)	**(69)**	3	(34)
Costs of hedging	**2**	(6)	(6)
Hedging losses/(gains) reclassified to financial expenses	**96**	(13)	38
Exchange gains/(losses) on retranslation of foreign operations, net of related tax charge of $4m (2020: $4m credit, 2019: $3m credit)	**18**	(85)	(39)
	47	(101)	(41)
Items that will not be reclassified to profit or loss:			
Gains/(losses) on equity instruments classified as fair value through other comprehensive income, net of related tax charge of $1m (2020: $4m credit, 2019: $2m charge)	**14**	(43)	10
Re-measurement gains/(losses) on defined benefit plans, including related tax credit of $nil (2020: $1m credit, 2019: $1m credit)	**7**	(7)	(6)
Tax related to pension contributions	**1**	1	–
	22	(49)	4
Total other comprehensive income/(loss) for the year	**69**	(150)	(37)
Total comprehensive income/(loss) for the year	**334**	(410)	349
Attributable to:			
Equity holders of the parent	**335**	(410)	348
Non-controlling interest	**(1)**	–	1
	334	(410)	349

Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group Financial Statements continued

Group statement of changes in equity

	Equity share capital $m	Capital redemption reserve $m	Shares held by employee share trusts $m	Other reserves $m	Fair value reserve $m	Cash flow hedge reserves $m	Currency translation reserve $m	Retained earnings $m	IHG shareholders' equity $m	Non-controlling interest $m	Total equity $m
At 1 January 2021	156	10	(1)	(2,875)	11	(24)	298	568	(1,857)	8	(1,849)
Profit for the year	–	–	–	–	–	–	–	266	266	(1)	265
Other comprehensive income											
Items that may be subsequently reclassified to profit or loss:											
Losses on cash flow hedges	–	–	–	–	–	(69)	–	–	(69)	–	(69)
Costs of hedging	–	–	–	–	–	2	–	–	2	–	2
Hedging losses reclassified to financial expenses	–	–	–	–	–	96	–	–	96	–	96
Exchange gains on retranslation of foreign operations	–	–	–	–	–	–	18	–	18	–	18
	–	–	–	–	–	29	18	–	47	–	47
Items that will not be reclassified to profit or loss:											
Gains on equity instruments classified as fair value through other comprehensive income	–	–	–	–	14	–	–	–	14	–	14
Re-measurement gains on defined benefit plans	–	–	–	–	–	–	–	7	7	–	7
Tax related to pension contributions	–	–	–	–	–	–	–	1	1	–	1
	–	–	–	–	14	–	–	8	22	–	22
Total other comprehensive income for the year	–	–	–	–	14	29	18	8	69	–	69
Total comprehensive income for the year	–	–	–	–	14	29	18	274	335	(1)	334
Transfer of treasury shares to employee share trusts	–	–	(34)	–	–	–	–	34	–	–	–
Release of own shares by employee share trusts	–	–	13	–	–	–	–	(13)	–	–	–
Equity-settled share-based cost	–	–	–	–	–	–	–	39	39	–	39
Tax related to share schemes	–	–	–	–	–	–	–	2	2	–	2
Exchange adjustments	(2)	–	–	2	–	–	–	–	–	–	–
At 31 December 2021	154	10	(22)	(2,873)	25	5	316	904	(1,481)	7	(1,474)

All items within total comprehensive income are shown net of tax.

Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

	Equity share capital $m	Capital redemption reserve $m	Shares held by employee share trusts $m	Other reserves $m	Fair value reserve $m	Cash flow hedge reserves $m	Currency translation reserve $m	Retained earnings $m	IHG share-holders' equity $m	Non-controlling interest $m	Total equity $m
At 1 January 2020	151	10	(5)	(2,870)	57	(6)	381	809	(1,473)	8	(1,465)
Loss for the year	–	–	–	–	–	–	–	(260)	(260)	–	(260)
Other comprehensive income											
Items that may be subsequently reclassified to profit or loss:											
Losses on cash flow hedges	–	–	–	–	–	3	–	–	3	–	3
Costs of hedging	–	–	–	–	–	(6)	–	–	(6)	–	(6)
Hedging gains reclassified to financial expenses	–	–	–	–	–	(13)	–	–	(13)	–	(13)
Exchange losses on retranslation of foreign operations	–	–	–	–	–	(2)	(83)	–	(85)	–	(85)
	–	–	–	–	–	(18)	(83)	–	(101)	–	(101)
Items that will not be reclassified to profit or loss:											
Losses on equity instruments classified as fair value through other comprehensive income	–	–	–	–	(43)	–	–	–	(43)	–	(43)
Gains on equity instruments transferred to retained earnings on disposal	–	–	–	–	(3)	–	–	3	–	–	–
Re-measurement losses on defined benefit plans	–	–	–	–	–	–	–	(7)	(7)	–	(7)
Tax related to pension contributions	–	–	–	–	–	–	–	1	1	–	1
	–	–	–	–	(46)	–	–	(3)	(49)	–	(49)
Total other comprehensive loss for the year	–	–	–	–	(46)	(18)	(83)	(3)	(150)	–	(150)
Total comprehensive loss for the year	–	–	–	–	(46)	(18)	(83)	(263)	(410)	–	(410)
Transfer of treasury shares to employee share trusts	–	–	(14)	–	–	–	–	14	–	–	–
Release of own shares by employee share trusts	–	–	18	–	–	–	–	(18)	–	–	–
Equity-settled share-based cost, net of $3m reclassification to cash-settled awards	–	–	–	–	–	–	–	27	27	–	27
Tax related to share schemes	–	–	–	–	–	–	–	(1)	(1)	–	(1)
Exchange adjustments	5	–	–	(5)	–	–	–	–	–	–	–
At 31 December 2020	156	10	(1)	(2,875)	11	(24)	298	568	(1,857)	8	(1,849)

All items within total comprehensive loss are shown net of tax.

Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group Financial Statements continued

Group statement of changes in equity continued

	Equity share capital $m	Capital redemption reserve $m	Shares held by employee share trusts $m	Other reserves $m	Fair value reserve $m	Cash flow hedge reserves $m	Currency translation reserve $m	Retained earnings $m	IHG share-holders' equity $m	Non-controlling interest $m	Total equity $m
At 1 January 2019	146	10	(4)	(2,865)	47	(4)	420	1,111	(1,139)	8	(1,131)
Profit for the year	–	–	–	–	–	–	–	385	385	1	386
Other comprehensive income											
Items that may be subsequently reclassified to profit or loss:											
Losses on cash flow hedges	–	–	–	–	–	(34)	–	–	(34)	–	(34)
Costs of hedging	–	–	–	–	–	(6)	–	–	(6)	–	(6)
Hedging losses reclassified to financial expenses	–	–	–	–	–	38	–	–	38	–	38
Exchange losses on retranslation of foreign operations	–	–	–	–	–	–	(39)	–	(39)	–	(39)
	–	–	–	–	–	(2)	(39)	–	(41)	–	(41)
Items that will not be reclassified to profit or loss:											
Gains on equity instruments classified as fair value through other comprehensive income	–	–	–	–	10	–	–	–	10	–	10
Re-measurement losses on defined benefit plans	–	–	–	–	–	–	–	(6)	(6)	–	(6)
	–	–	–	–	10	–	–	(6)	4	–	4
Total other comprehensive income/(loss) for the year	–	–	–	–	10	(2)	(39)	(6)	(37)	–	(37)
Total comprehensive income for the year	–	–	–	–	10	(2)	(39)	379	348	1	349
Transfer of treasury shares to employee share trusts	–	–	(19)	–	–	–	–	19	–	–	–
Purchase of own shares by employee share trusts	–	–	(5)	–	–	–	–	–	(5)	–	(5)
Release of own shares by employee share trusts	–	–	23	–	–	–	–	(23)	–	–	–
Equity-settled share-based cost	–	–	–	–	–	–	–	41	41	–	41
Tax related to share schemes	–	–	–	–	–	–	–	4	4	–	4
Equity dividends paid	–	–	–	–	–	–	–	(721)	(721)	(1)	(722)
Transaction costs relating to shareholder returns	–	–	–	–	–	–	–	(1)	(1)	–	(1)
Exchange adjustments	5	–	–	(5)	–	–	–	–	–	–	–
At 31 December 2019	151	10	(5)	(2,870)	57	(6)	381	809	(1,473)	8	(1,465)

All items within total comprehensive income are shown net of tax.

Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group statement of financial position

31 December 2021	Note	2021 $m	2020 $m
ASSETS			
Goodwill and other intangible assets	13	**1,195**	1,293
Property, plant and equipment	14	**137**	201
Right-of-use assets	15	**274**	303
Investment in associates and joint ventures	16	**77**	81
Retirement benefit assets	27	**2**	–
Other financial assets	17	**173**	168
Derivative financial instruments	24	**–**	5
Deferred compensation plan investments		**256**	236
Non-current tax receivable		**1**	15
Deferred tax assets	8	**147**	113
Contract costs	3	**72**	70
Contract assets	3	**316**	311
Total non-current assets		**2,650**	2,796
Inventories		**4**	5
Trade and other receivables	18	**574**	514
Current tax receivable		**1**	18
Other financial assets	17	**2**	1
Cash and cash equivalents	19	**1,450**	1,675
Contract costs	3	**5**	5
Contract assets	3	**30**	25
Total current assets		**2,066**	2,243
Total assets		**4,716**	5,039
LIABILITIES			
Loans and other borrowings	22	**(292)**	(869)
Lease liabilities	15	**(35)**	(34)
Trade and other payables	20	**(579)**	(466)
Deferred revenue	3	**(617)**	(452)
Provisions	21	**(49)**	(16)
Current tax payable		**(52)**	(30)
Total current liabilities		**(1,624)**	(1,867)
Loans and other borrowings	22	**(2,553)**	(2,898)
Lease liabilities	15	**(384)**	(416)
Derivative financial instruments	24	**(62)**	(18)
Retirement benefit obligations	27	**(92)**	(103)
Deferred compensation plan liabilities		**(256)**	(236)
Trade and other payables	20	**(89)**	(94)
Deferred revenue	3	**(996)**	(1,117)
Provisions	21	**(41)**	(44)
Deferred tax liabilities	8	**(93)**	(95)
Total non-current liabilities		**(4,566)**	(5,021)
Total liabilities		**(6,190)**	(6,888)
Net liabilities		**(1,474)**	(1,849)
EQUITY			
IHG shareholders' equity		**(1,481)**	(1,857)
Non-controlling interest		**7**	8
Total equity		**(1,474)**	(1,849)

Signed on behalf of the Board,
Paul Edgecliffe-Johnson
21 February 2022

Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group Financial Statements continued

Group statement of cash flows

For the year ended 31 December 2021	Note	2021 $m	2020 $m	2019 $m
Profit/(loss) for the year		**265**	(260)	386
Adjustments reconciling profit/(loss) for the year to cash flow from operations	26	**583**	568	521
Cash flow from operations		**848**	308	907
Interest paid		**(134)**	(132)	(110)
Interest received		**8**	2	3
Contingent purchase consideration paid		**–**	–	(6)
Tax paid	8	**(86)**	(41)	(141)
Net cash from operating activities		**636**	137	653
Cash flow from investing activities				
Purchase of property, plant and equipment		**(17)**	(26)	(75)
Purchase of intangible assets		**(35)**	(50)	(104)
Investment in associates		**–**	(2)	(10)
Investment in other financial assets		**(5)**	(5)	(9)
Acquisition of businesses, net of cash acquired	11	**–**	–	(292)
Deferred and contingent purchase consideration paid	25	**(13)**	–	(2)
Capitalised interest paid	7	**–**	(1)	(5)
Distributions from associates and joint ventures		**–**	5	–
Disposal of hotel assets, net of costs and cash disposed	12	**44**	1	–
Repayments of other financial assets		**14**	13	4
Disposal of equity securities		**–**	4	–
Net cash from investing activities		**(12)**	(61)	(493)
Cash flow from financing activities				
Purchase of own shares by employee share trusts		**–**	–	(5)
Dividends paid to shareholders	9	**–**	–	(721)
Dividend paid to non-controlling interest		**–**	–	(1)
Transaction costs relating to shareholder returns		**–**	–	(1)
Issue of long-term bonds, including effect of currency swaps	23	**–**	1,093	–
(Repayment)/issue of commercial paper	23	**(828)**	738	–
Repayment of long-term bonds	23	**–**	(290)	–
Principal element of lease payments	23	**(32)**	(65)	(59)
(Decrease)/increase in other borrowings	23	**–**	(125)	127
Proceeds from currency swaps	23	**–**	3	–
Net cash from financing activities		**(860)**	1,354	(660)
Net movement in cash and cash equivalents in the year		**(236)**	1,430	(500)
Cash and cash equivalents at beginning of the year	19	**1,624**	108	600
Exchange rate effects		**3**	86	8
Cash and cash equivalents at end of the year	19	**1,391**	1,624	108

Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Accounting policies

General information

This document constitutes the Annual Report and Financial Statements in accordance with UK Listing Rules requirements and the Annual Report on Form 20-F in accordance with the US Securities Exchange Act of 1934.

The Consolidated Financial Statements of InterContinental Hotels Group PLC (the 'Group' or 'IHG') for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 21 February 2022. InterContinental Hotels Group PLC (the 'Company') is incorporated and registered in England and Wales.

Basis of preparation

The Consolidated Financial Statements of IHG have been prepared on a going concern basis (see below) and under the historical cost convention, except for assets and liabilities measured at fair value under relevant accounting standards. The Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards and with applicable law and regulations and with International Financial Reporting Standards ('IFRSs') as issued by the IASB. On 31 December 2020, IFRSs as adopted by the European Union at that date were brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or change in accounting policies from the transition. UK-adopted international accounting standards differ in certain respects from IFRSs as issued by the IASB. However, the differences have no impact on the Consolidated Financial Statements for the years presented.

Going concern

The resilience of the Group's fee-based model, wide geographic spread and strong cash management means that the Group has been able to generate $636m of net cash from operating activities in a year when trading has still been substantially impacted by the global pandemic. Trading has recovered significantly during 2021, with RevPAR up 46% on 2020 and returning to 70% of 2019's pre-pandemic levels.

As at 31 December 2021 the Group had total liquidity of $2,655m, comprising $1,350m of undrawn bank facilities and $1,305m of cash and cash equivalents (net of overdrafts and restricted cash). In March 2021 the Group used cash reserves to repay £600m commercial paper under the UK's Covid Corporate Financing Facility ('CCFF').

In 2020, the Group agreed amendments of existing covenants on its syndicated and bilateral revolving credit facilities (the 'bank facilities') until December 2022 as set out in note 24.

A period of 18 months has been used, from 1 January 2022 to 30 June 2023, to complete the going concern assessment. There are a wide range of possible planning scenarios over the going concern period. In adopting the going concern basis for preparing these financial statements the Directors have considered a scenario (the 'Base Case') which is based on continued improvement in demand as travel restrictions are reduced, with RevPAR assumed to reach greater than 90% of 2019 levels in 2023. The only debt maturity in the period under consideration is the £173m 3.875% November 2022 bond which is assumed to be repaid with cash on maturity. Under this scenario, the bank facilities remain undrawn.

The principal risks and uncertainties which could be applicable have been considered and are able to be absorbed within the $400m liquidity covenant and amended covenant requirements. A large number of the Group's principal risks, for example macro external factors or preferred brands and loyalty, would result in an impact on RevPAR which is one of the sensitivities assessed against the headroom available in the Base Case.

Climate risks are not considered to have a significant impact over the 18-month period of assessment. Other principal risks that could result in a large one-off incident that has a material impact on cash flow have also been considered, for example a cybersecurity event. The assumptions applied in the Base Case scenario are consistent with those used for Group planning purposes, for impairment testing and for assessing recoverability of deferred tax assets.

The Directors have also reviewed a 'Downside Case' which is based on current external market downside forecasts with RevPAR growth reduced by 8% in 2022 in comparison to the Base Case followed by similar growth rates to the Base Case in 2023. The Directors have also reviewed a 'Severe Downside Case' which is based on a severe but plausible scenario. This assumes that the performance during 2022 continues without further recovery on 2021 levels with RevPAR remaining at 70% of 2019 levels, and then with recovery in 2023. The assumptions used in the going concern assessment are consistent with those used in the viability assessment. Under the Downside Case and Severe Downside Case, the bank facilities remain undrawn.

Under the Severe Downside scenario, there is limited headroom to the covenants at 30 June 2023 to absorb additional risks. However, based on experience in 2020, the Directors reviewed a number of actions, such as reductions in bonuses and other discretionary spend, creating substantial additional headroom. After these actions are taken, the principal risks and uncertainties which could be applicable can be absorbed within the amended covenant requirements.

In the Severe Downside Case, the Group has substantial levels of existing cash reserves available (approximately $1bn at 30 June 2023) and is not expected to draw on the bank facilities. These cash reserves would increase after the additional actions are taken as described above. The Directors reviewed a reverse stress test scenario to determine how much additional RevPAR downside could be absorbed before utilisation of the bank facilities would be required. The Directors concluded that the outcome of this reverse stress test showed that it was very unlikely the bank facilities would need to be drawn.

The leverage and interest cover covenant tests at 30 June 2022, 31 December 2022 and 30 June 2023 (the last day of the assessment period), have been considered as part of the Base Case, Downside Case and Severe Downside Case scenarios. However, as the bank facilities are unlikely to be drawn even in a scenario significantly worse than the Severe Downside scenario, the Group does not need to rely on the additional liquidity provided by the bank facilities to remain a going concern. In the event that a further covenant amendment was required, the Directors believe it is reasonable to expect that such an amendment could be obtained based on prior experience in negotiating the 2020 amendments, however the going concern conclusion is not dependent on this expectation. The bank facilities mature in September 2023, outside the period considered by the going concern assessment and it has been assumed that these bank facilities are renewed as they mature. However, as explained above, the going concern conclusion is not dependent on the bank facilities. The Group also has alternative options to manage this risk including raising additional funding in the capital markets.

Having reviewed these scenarios, the Directors have a reasonable expectation that the Group has sufficient resources to continue operating until at least 30 June 2023 and there are no material uncertainties that may cast doubt on the Group's going concern status. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Accounting policies continued

Presentational currency

The Consolidated Financial Statements are presented in millions of US dollars reflecting the profile of the Group's revenue and operating profit which are primarily generated in US dollars or US dollar-linked currencies.

In the Consolidated Financial Statements, equity share capital, the capital redemption reserve and shares held by employee share trusts are translated into US dollars at the relevant rate of exchange on the last day of the period; the resultant exchange differences are recorded in other reserves.

The functional currency of the Parent Company is sterling since this is a non-trading holding company located in the United Kingdom that has sterling denominated share capital and whose primary activity is the payment and receipt of sterling dividends and of interest on sterling denominated external borrowings and intercompany balances.

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 at the date of the Consolidated Financial Statements, or the reported amounts of revenues and expenses during the reporting period, or could do so within the next financial year.

Judgements

System Fund

The Group operates a System Fund (the 'Fund') to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the Guest Reservation System and hotel loyalty programme. Assessments are generally levied as a percentage of hotel revenues.

The Fund is not managed to generate a profit or loss for IHG over the longer term, but is managed for the benefit of the IHG System with the objective of driving revenues for the hotels in the System.

In relation to marketing and reservation services, the Group's performance obligation under IFRS 15 'Revenue from Contracts with Customers' is determined to be the continuous performance of the services rather than the spending of the assessments received. Accordingly, assessment fees are recognised as hotel revenues occur, Fund expenses are charged to the Group income statement as incurred and no constructive obligation is deemed to exist under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Accordingly, no liability is recognised relating to the balance of unspent funds.

No other critical judgements have been made in applying the Group's accounting policies.

Estimates

Management consider that significant estimates and assumptions are used in the areas described below. Estimates and assumptions are evaluated by management using historical experience and other factors believed to be reasonable based on current circumstances.

In prior years, impairment of non-current assets was disclosed as a significant estimate. In the current year no estimates were applied which are considered to result in significant risk of a material adjustment to the carrying amounts of those assets in the next financial year.

Loyalty programme

The hotel loyalty programme, IHG Rewards, enables members to earn points, funded through hotel assessments, during each qualifying stay at an IHG branded hotel and consume points at a later date for free or reduced accommodation or other benefits. The Group recognises deferred revenue in an amount that reflects IHG's unsatisfied performance obligations, valued at the stand-alone selling price of the future benefit to the member. The amount of revenue recognised and deferred is impacted by 'breakage'. On an annual basis the Group engages an external actuary who uses statistical formulae to assist in the estimate of the number of points that will never be consumed ('breakage').

Significant estimation uncertainty exists in projecting members' future consumption activity and how this may be impacted by Covid-19. The Group has extended its policies for points expiration and elite status in response to Covid-19 which is expected to limit breakage increases in the short term. Management's expectation is that member behaviour will return to pre-pandemic levels over the longer term. In 2021, the breakage estimate was formed using pre-Covid behaviour patterns as a base, but giving some weight to activity during the pandemic and incorporating the impact of planned programme changes. However, if member behaviour deviates significantly from expectations during the recovery period, future breakage estimates could increase or decrease. At 31 December 2021, deferred revenue relating to the loyalty programme was $1,292m (2020: $1,245m, 2019: $1,233m). Based on the conditions existing at the balance sheet date, a one percentage point decrease/increase in the breakage estimate relating to earned points would increase/reduce this liability by $55m.

Actuarial gains and losses would correspondingly adjust the amount of System Fund revenues recognised and deferred revenue in the Group statement of financial position.

Expected credit losses

Although cash collection from owners has improved since 2020, the proportion of older debt is higher than in periods prior to the pandemic. There also remains a risk of reduced owner liquidity. These factors, taken together with the continued uncertainties on the pace and scale of market recovery, result in expected credit losses continuing to be a significant estimate.

The provision equates to 25% of gross debt, with each one percentage point change resulting in a $5m change to the provision. If historical evidence was applied to all owner groups (rather than by reference to other sources of data, see page 155), the provision would reduce by $16m; alternatively a 10% collection rate of amounts over 270 days would reduce the provision by $9m.

Significant accounting policies

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.

Foreign currencies
Within the Group's subsidiaries, transactions in foreign currencies are translated to the subsidiary'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 subsidiary's functional currency at the relevant rates of exchange ruling on the last day of the period. On consolidation:

- The assets and liabilities of foreign operations, including goodwill, of the Group's subsidiaries with a functional currency other than US dollars are translated into US dollars at the relevant rates of exchange ruling on the last day of the period. The revenues and expenses of foreign operations are translated into US dollars at average rates of exchange for the period. The exchange differences arising on retranslation are taken to the currency translation reserve; and
- Exchange differences arising from the translation of borrowings that are designated as a hedge against a net investment in a foreign operation are taken to the currency translation reserve. The Group treats specific intercompany loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. 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.

Revenue recognition
Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

Fee business revenue
Under franchise agreements, the Group's performance obligation is to provide a licence to use IHG's trademarks and other intellectual property. Franchise royalty fees are typically charged as a percentage of hotel gross rooms revenues and are treated as variable consideration, recognised as the underlying hotel revenues occur.

Under management agreements, the Group's performance obligation is to provide hotel management services and a licence to use IHG's trademarks and other intellectual property. Base and incentive management fees are typically charged. Base management fees are typically a percentage of total hotel revenues and incentive management fees are generally based on the hotel's profitability or cash flows. Both are treated as variable consideration. Like franchise fees, base management fees are recognised as the underlying hotel revenues occur. Incentive management fees are recognised over time when it is considered highly probable that the related performance criteria for each annual period will be met, provided there is no expectation of a subsequent reversal of the revenue.

Application and re-licensing fees are not considered to be distinct from the franchise performance obligation and are recognised over the life of the related contract.

Franchise and management agreements also contain a promise to provide technology support and network services to hotels. A monthly technology fee, based on either gross rooms revenues or the number of rooms in the hotel, is charged and recognised over time as these services are delivered. Technology fee income is included in Central revenue.

Technical service fees are received in relation to design and engineering support provided prior to opening of certain hotel properties. These services are a distinct performance obligation and the fees are recognised as revenue over the pre-opening period in line with the Group's assessment of the stage of completion of the project, based on the latest expectation of hotel opening date and its knowledge and experience of the pattern of work performed on comparable projects.

IHG's global insurance programme provides coverage to managed hotels for risks such as US workers' compensation, employee and general liability. Premiums are payable by the hotels to the third-party insurance provider. As some of the risk is reinsured by the Group's captive insurance company (the 'Captive'), SCH Insurance Company, premiums paid from the third-party insurance provider to the Captive are recognised within Central revenue as earned. This insurance revenue is outside the scope of IFRS 15.

Deferred revenue
Deferred revenue is recognised when payment is received before the related performance obligation is satisfied.

Contract assets
Amounts paid to hotel owners to secure management and franchise agreements ('key money') are treated as consideration payable to a customer. A contract asset is recorded which is recognised as a deduction to revenue over the initial term of the contract. Where loans are provided to an owner the difference, if any, between the face and market value of the loan on inception is recognised as a contract asset.

Typically, contract assets are not financial assets as they represent amounts paid by the Group at the beginning of a contract, and so are tested for impairment based on value in use rather than with reference to expected credit losses. Contract assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If carrying values exceed the recoverable amount, determined by reference to estimated future cash flows discounted to their present value using a pre-tax discount rate, the contract assets are written down to the recoverable amount.

In limited cases, the Group may provide performance guarantees to third-party hotel owners to secure management agreements. The expected value of payments under performance guarantees reduces the overall transaction price and is recognised as a deduction to revenue over the term of the contract.

Contract costs
Certain costs incurred to secure management and franchise agreements, typically developer commissions, are capitalised and amortised as an expense over the initial term of the related contract. These costs are presented as contract costs in the Group statement of financial position.

Contract costs are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If carrying values exceed the recoverable amount determined by reference to estimated future cash flows discounted to their present value using a pre-tax discount rate, the contract costs are written down to the recoverable amount.

Revenue from owned, leased and managed lease hotels
At its owned, leased and managed lease hotels, the Group's performance obligation is to provide accommodation and other goods and services to guests. Revenue includes rooms revenue and food and beverage sales, which are recognised when the rooms are occupied and food and beverages are sold. Guest deposits received in advance of hotel stays are recorded as deferred revenue on the balance sheet. They are recognised as revenue along with any balancing payment from the guest when the associated stay occurs, or are returned to the customer in the event of a cancellation.

Cost reimbursements
In a managed property, the Group typically acts as employer of the general manager and, in some cases, other employees at the hotel and is entitled to reimbursement of these costs. The performance obligation is satisfied over time as the employees perform their duties, consistent with when reimbursement is received. Reimbursements for these services are shown as revenue with an equal matching employee cost, with no profit impact.

Accounting policies continued

Certain other costs relating to both managed and franchised hotels are also contractually reimbursable to IHG and, where IHG is deemed to be acting as principal in the provision of the related services, the revenue and cost are shown on a gross basis.

System Fund and other co-brand revenues

The Group operates a System Fund (the 'Fund') to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the Guest Reservation System and hotel loyalty programme. The Fund also benefits from proceeds from the sale of loyalty points under third-party co-branding arrangements. The Fund is not managed to generate a profit or loss for IHG over the longer term, but is managed for the benefit of the IHG System with the objective of driving revenues for the hotels in the System.

Under both franchise and management agreements, the Group is required to provide marketing and reservations services, as well as other centrally managed programmes. These services are provided by the Fund and are funded by assessment fees. Costs are incurred and allocated to the Fund in accordance with the principles agreed with the IHG Owners Association. The Group acts as principal in the provision of the services as the related expenses primarily comprise payroll and marketing expenses under contracts entered into by the Group. The assessment fees from hotel owners are generally levied as a percentage of hotel revenues and are recognised as those hotel revenues occur.

Certain travel agency commission revenues within the Fund are recognised on a net basis, where it has been determined that IHG is acting as agent.

In respect of the loyalty programme, IHG Rewards, the related performance obligation is to arrange for the provision of future benefits to members on consumption of previously earned reward points. Members have a choice of benefits: reward nights at an IHG hotel or other goods or services provided by third parties. Under its franchise and management agreements, IHG receives assessment fees based on total qualifying hotel revenue from IHG Rewards members' hotel stays.

The Group's performance obligation is not satisfied in full until the member has consumed the points at a participating hotel or selected a reward from a third-party. Accordingly, loyalty assessments are deferred in an amount that reflects the stand-alone selling price of the future benefit to the member. Revenue is impacted by a 'breakage' estimate of the number of points that will never be consumed. On an annual basis, the Group engages an external actuary who uses statistical formulae to assist in formulating this estimate, which is adjusted to reflect actual experience up to the reporting date.

As materially all of the points will be either consumed at IHG managed or franchised hotels owned by third parties, or exchanged for awards provided by third parties, IHG is deemed to be acting as agent on consumption and therefore recognises the related revenue net of the cost of reimbursing the hotel or third-party that is providing the benefit.

Performance obligations under the Group's co-brand credit card agreements comprise:

a) Arranging for the provision of future benefits to members who have earned points or free night certificates;
b) Marketing services; and
c) Providing the co-brand partner with the right to access the loyalty programme.

Revenue from a) and b) are reported within System Fund revenues. Prior to 1 January 2020, revenue from co-brand credit card agreements relating to the right to access the loyalty programme was recorded within the Fund. From 1 January 2020, this revenue is recorded within fee business revenue (see note 3).

Fees from these agreements comprise fixed amounts normally payable at the beginning of the contract, and variable amounts paid on a monthly basis. Variable amounts are typically based on the number of points and free night certificates issued to members and the marketing services performed by the Group. Total fees are allocated to the performance obligations based on their estimated stand-alone selling prices. Revenue allocated to marketing and licensing obligations is recognised on a monthly basis as the obligation is satisfied. Revenue relating to points and free night certificates is recognised when the member has consumed the points or certificates at a participating hotel or has selected a reward from a third party, net of the cost of reimbursing the hotel or third party that is providing the benefit.

Judgement is required in estimating the stand-alone selling prices which are based upon generally accepted valuation methodologies regarding the value of the licence provided and the number of points and certificates expected to be issued. However, the value of revenue recognised and the deferred revenue balance at the end of the year is not materially sensitive to changes in these assumptions.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Government grants relating to costs are recognised on a systematic basis within the Group income statement as an offset to the costs which the grants are intended to compensate. Government grants which are unrelated to costs are presented within other operating income.

Financial income and expenses
Financial income and expenses comprise income and charges on the Group's financial assets and liabilities and related hedging instruments.

Finance charges relating to bank and other borrowings, including transaction costs and any discount or premium on issue, are recognised in the Group income statement using the effective interest rate method.

In the statement of cash flows, interest paid and received is presented within cash from operating activities, including any fees and discounts on issuance or settlement of borrowings.

Borrowing costs attributable to the acquisition or development of assets that necessarily take a substantial period of time to prepare for their intended use are capitalised as part of the asset cost.

Capitalised interest paid is presented within investing activities in the Group statement of cash flows.

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 their size, nature, or incidence so as to facilitate comparison with prior periods and to assess underlying trends in the financial performance of the Group and its reportable segments; the tax effect of exceptional items is also presented as exceptional. In determining whether an event or transaction is exceptional, management considers quantitative as well as qualitative factors. All exceptional items are subject to review by the Audit Committee.

Examples of exceptional items that meet this definition and which have been presented as exceptional items in prior years include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, the costs of individually significant legal cases or commercial disputes and reorganisation costs.

Earnings per share

Basic earnings or loss per ordinary share is calculated by dividing the profit or loss 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 or loss per ordinary share is calculated by adjusting basic earnings or loss per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year.

Business combinations and goodwill

On the acquisition of a business, identifiable assets acquired and liabilities assumed are measured at their fair value. Contingent liabilities assumed are measured at fair value unless this cannot be measured reliably, in which case they are not recognised but are disclosed in the same manner as other contingent liabilities.

The measurement of deferred tax assets and liabilities arising on acquisition is as described in the general principles detailed within the 'Taxes' accounting policy note on page 156 with the exception that no deferred tax is provided on taxable temporary differences in connection with the initial recognition of goodwill.

The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred. Contingent purchase consideration is measured at fair value on the date of acquisition and is re-measured at fair value at each reporting date with changes in fair value recognised on the face of the Group income statement below operating profit. Deferred purchase consideration is measured at amortised cost and the effect of unwinding the discount is recorded in financial expenses.

Payments of contingent and deferred purchase consideration reduce the respective balance sheet liability. In respect of contingent purchase consideration, the portion of each payment relating to its original estimate of fair value on acquisition is reported within cash flow from investing activities in the Group statement of cash flows and the portion of each payment relating to the increase or decrease in the liability since the acquisition date is reported within cash flow from operating activities. In respect of deferred purchase consideration, the cash paid in excess of the initial fair value is reported within interest paid, and the remainder is reported within cash flows from investing activities.

Goodwill is recorded at cost, being the difference between the fair value of the consideration and the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

Transaction costs are expensed and are not included in the cost of acquisition.

Intangible assets

Brands

Externally acquired brands are initially recorded at cost if separately acquired or fair value if acquired as part of a business combination, provided the brands are controlled through contractual or other legal rights, or are separable from the rest of the business. Brands are tested for impairment at least annually if determined to have indefinite lives.

The costs of developing internally generated brands are expensed as incurred.

Management agreements

Management agreements acquired as part of a business combination are initially recorded at the fair value attributed to those contracts on acquisition.

The value of management agreements is amortised on a straight-line basis over the contract lives, including any extension periods at the Group's option.

Software

Acquired and internally developed software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Following initial recognition, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Costs are generally amortised over estimated useful lives of three to five years on a straight-line basis with the exception of the Guest Reservation System which is amortised over eight to 10 years (see page 176).

Internally generated development costs are capitalised and amortised over the estimated useful life of the asset when all of the following can be demonstrated:

- The ability and intention to complete the project;
- That the completed software will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the project; and
- The ability to measure the expenditure.

Substantially all software is internally generated; amounts capitalised include internal and third-party labour and consultancy costs.

Costs incurred in the research phase before the above criteria are met are expensed.

Configuration and customisation costs relating to cloud computing arrangements that do not result in recognition of an intangible asset are expensed.

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 – over a maximum of 50 years; and
- Fixtures, fittings and equipment – three to 25 years.

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

Leases

On inception of a contract, the Group assesses whether it contains a lease. A contract contains a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to use the asset and the obligation under the lease to make payments are recognised in the Group statement of financial position as a right-of-use asset and a lease liability.

Lease contracts may contain both lease and non-lease components. The Group allocates payments in the contract to the lease and non-lease components based on their relative stand-alone prices and applies the lease accounting model only to lease components.

The right-of-use asset recognised at lease commencement includes the amount of lease liability recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated to a residual value over the shorter of the asset's estimated useful life and the lease term. Right-of-use assets are also adjusted for any re-measurement of lease liabilities and are subject to impairment testing. Residual value is reassessed annually.

Accounting policies continued

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including 'in-substance fixed' payments) and variable lease payments that depend on an index or a rate (initially measured using the index or rate at commencement), less any lease incentives receivable. 'In-substance fixed' payments are payments that may, in form, contain variability but that, in substance, are unavoidable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease term includes periods subject to extension options which the Group is reasonably certain to exercise and excludes the effect of early termination options where the Group is reasonably certain that it will not exercise the option. Minimum lease payments include the cost of a purchase option if the Group is reasonably certain it will purchase the underlying asset after the lease term.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the 'in-substance fixed' lease payments or as a result of a rent review or change in the relevant index or rate.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period over which the event or condition that triggers the payment occurs.

The Group has opted not to apply the lease accounting model to intangible assets, leases of low-value assets or leases which have a term of less than 12 months. Costs associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Lease payments are presented as follows in the Group statement of cash flows:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities;
- Payments for the interest element of recognised lease liabilities are included in interest paid within cash flows from operating activities; and
- Payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities.

Subleases of the Group's assets are classified as operating leases when the risks and rewards of ownership are not substantially transferred to the sub-lessee. Rental income arising is accounted for on a straight-line basis in the Group income statement. All of the Group's sublease arrangements are classified as operating leases.

Associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control over those policies. A joint venture exists when two or more parties have joint control over, and rights to the net assets of, the venture. Joint control is the contractually agreed sharing of control which only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In determining the extent of power or significant influence, consideration is given to other agreements between the Group, the investee entity, and the investing partners, including any related management or franchise agreements and the existence of any performance guarantees.

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, applying consistent accounting policies. When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to $nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

If there is objective evidence that an associate or joint venture is impaired, an impairment charge is recognised if the carrying amount of the investment exceeds its recoverable amount.

Upon loss of significant influence over an associate or joint control of a joint venture, any retained investment is measured at fair value with any difference to carrying value recognised in the Group income statement.

Impairment of non-financial assets
Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and, in the case of goodwill and brands with indefinite lives, at least annually. Assets that do not generate independent cash flows are allocated to the cash-generating unit ('CGU'), or group of CGUs, to which they belong. If carrying values exceed their estimated recoverable amount, the assets or CGUs are written down to the recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses, and any subsequent reversals, are recognised in the Group income statement.

With the exception of goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. A previously recognised impairment loss is reversed only if there has been a significant change in the assumptions used to determine the asset's recoverable amount since the impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

Financial assets
On initial recognition, the Group classifies its financial assets as being subsequently measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL').

Financial assets which are held to collect contractual cash flows and give rise to cash flows that are solely payments of principal and interest are subsequently measured at amortised cost. Interest on these assets is calculated using the effective interest rate method and is recognised in the Group income statement as financial income. The Group recognises a provision for expected credit losses for financial assets held at amortised cost. Where there has not been a significant increase in credit risk since initial recognition, provision is made for defaults that are possible within the next 12 months. Where there has been a significant increase in credit risk since initial recognition, provision is made for credit losses expected over the remaining life of the asset.

The Group has elected to irrevocably designate equity investments as FVOCI as they mainly comprise strategic investments in entities that own hotels which the Group manages. Changes in the value of equity investments classified as FVOCI are recognised within gains or losses on equity instruments classified as fair value through other comprehensive income in the Group statement of comprehensive income and are never recycled to the Group income statement. On disposal of equity investments, any related balance within the fair value reserve is reclassified to retained earnings. Dividends from equity investments classified as FVOCI are recognised in the Group income statement as other operating income when the dividend has been declared, when receipt of the funds is probable and when the dividend is not a return of invested capital. Equity instruments classified as FVOCI are not subject to impairment assessment.

Financial assets measured at FVTPL include money market funds and other financial assets which do not have a fixed date of repayment.

Trade receivables
A trade receivable is recorded when the Group has an unconditional right to receive payment. In respect of franchise fees, base and incentive management fees, Central revenue and revenues from owned, leased and managed lease hotels, the invoice is typically issued as the related performance obligations are satisfied, as described on page 151. Trade receivables are non-interest-bearing and are generally on payment terms of up to 30 days.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. A provision for impairment is made for lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience by region and number of days past due. Where the historical experience is not relevant to defined owner groups, for example those with payment plans, the expected lifetime losses are calculated by reference to other sources of data.

Trade receivables are written off once determined to be uncollectable.

Cash and cash equivalents
Cash comprises cash in hand and demand deposits.

Cash and cash equivalents comprise short-term deposits, money market funds and repurchase agreements that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. They generally have an original maturity of three months or less.

Cash and cash equivalents may include amounts which are subject to regulatory or other contractual restrictions and not available for general use by the Group.

Cash balances are classified as other financial assets when subject to a specific charge or contractually ring-fenced for a specific purpose, such that the Group does not control the circumstances or timing of its release.

Money market funds
Money market funds are held at FVTPL, with distributions recognised in financial income.

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.

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 measured at fair value. The subsequent accounting treatment 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 within financial income or expenses in the Group income statement.

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

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

Interest paid as presented within the Group statement of cash flows includes interest paid on the Group's bonds and the related derivative financial instruments.

Cash flow hedges
Financial instruments are designated as cash flow hedges when they hedge exposure to variability in cash flows that are attributable to either a highly probable forecast transaction or a particular risk associated with a recognised asset or liability.

Changes in the fair value are recorded in other comprehensive income and cash flow hedge reserves 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 Group income statement, within financial expenses.

Net investment hedges
Financial instruments are designated as net investment hedges when they hedge the Group's net investment in foreign operations.

Changes in the fair value 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 the relevant foreign operation is sold, at which point they are reclassified to the Group income statement as part of the gain or loss on disposal.

Deferred compensation plan
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 within a dedicated trust. The related assets and liabilities are recognised on the balance sheet. The Group's obligation to employees under the plan is limited to the fair value of assets held by the plan and so the assets and liabilities are valued at the same amount, with no net impact on profit or loss.

Fair value measurement
The Group measures each of the following at fair value on a recurring basis:

- Financial assets and liabilities at FVTPL;
- Financial assets measured at FVOCI; and
- Derivative financial instruments.

Other assets are measured at fair value when impaired or re-measured on classification as held for sale by reference to fair value less costs of disposal.

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.

Accounting policies continued

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.

For assets and liabilities measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Further disclosures on the particular valuation techniques used by the Group are provided in note 25.

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

Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the Group statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. To meet these criteria, the right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances: the normal course of business; the event of default; and the event of insolvency or bankruptcy of the Group and all of the counterparties.

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. 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 property, plant and equipment, intangible assets, application fees, contract costs, unrelieved tax losses, associates, gains rolled over into replacement assets, deferred compensation and other short-term temporary differences.

Judgement is used when assessing the extent to which deferred tax assets, particularly in respect of tax losses, should be recognised. Deferred tax assets are therefore recognised to the extent that it is regarded as probable that there will be sufficient and suitable taxable profits (including the future release of deferred tax liabilities) in the relevant legal entity or tax group against which such assets can be utilised in the future. For this purpose, forecasts of future taxable profits are considered by assessing the Group's forecast revenue and profit models, taking into account future growth predictions and operating cost assumptions.

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

Where deferred tax assets and liabilities arise in the same entity, or group of entities, and there would be a legal right to offset the assets and liabilities were they to reverse, the assets and liabilities are also offset on the Group statement of financial position. Otherwise, the assets and liabilities are not offset.

Retirement benefits
Defined contribution plans
Payments to defined contribution schemes are charged to the Group income statement as they fall due.

Defined benefit plans
Plan assets are measured at fair value and plan liabilities are measured on an actuarial basis using the projected unit credit method, discounted 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 Group statement of financial position as an asset or liability. An asset is recognised when the employer has an unconditional right to use the surplus at some point during the life of the plan or on its wind-up.

The service cost of providing pension benefits to employees, together with the net interest expense or income for the year, is charged to the Group income statement within administrative expenses. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability, after any asset restriction. Past service costs and gains, which are the change in the present value of the defined benefit obligation for employee service in prior periods resulting from plan amendments, are recognised immediately when the plan amendment occurs. Settlement gains and losses, being the difference between the settlement cost and the present value of the defined benefit obligations being settled, are recognised when the settlement occurs.

Re-measurements comprise actuarial gains and losses, the return on plan assets and changes in the amount of any asset restrictions. Actuarial gains and losses may result from differences between the actuarial assumptions underlying the plan liabilities and actual experience during the year or changes in the actuarial assumptions used in the valuation of the plan liabilities. Re-measurement gains and losses, and taxation thereon, are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are carried out on a regular basis and are updated for material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the end of the reporting period.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a payment will be made and a reliable estimate of the amount payable can be made. If the effect of the time value of money is material, the provision is discounted using a current pre-tax discount rate that reflects the risks specific to the liability.

In respect of litigation, a provision is made when management consider it probable that payment may occur and the amount can be reliably estimated even though the defence of the related claim may still be ongoing through the court process.

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

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

Depreciation and amortisation is not charged against assets classified as held for sale.

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.

Equity share capital and reserves

Equity share capital

Equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital. Share premium represents the amount of proceeds received for shares in excess of their nominal value.

Capital redemption reserve

The capital redemption 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

Shares held by employee share trusts comprise ordinary shares held by employee share trusts.

Other reserves

Other reserves comprise 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. The revaluation reserve relates to the previous revaluations of property, plant and equipment which were included at deemed cost on adoption of IFRS. Following the change in presentational currency to US dollars in 2008, this reserve also includes exchange differences arising on retranslation to period-end exchange rates of equity share capital, the capital redemption reserve and shares held by employee share trusts.

Fair value reserve

The fair value reserve comprises movements in the value of financial assets measured at fair value through other comprehensive income.

Cash flow hedge reserves

The cash flow hedge reserves comprise:

- Cash flow hedge reserve: the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss; and
- Cost of hedging reserve: the gain or loss which is excluded from the designated hedging instrument relating to the foreign currency basis spread of currency swaps.

Currency translation reserve

The currency translation reserve comprises the movement in exchange differences arising from the translation of foreign operations and exchange differences on foreign currency borrowings and derivative financial instruments that provide a hedge against net investments in foreign operations. On adoption of IFRS, cumulative exchange differences were deemed to be $nil.

Non-controlling interest

A non-controlling interest is equity in a subsidiary of the Group not attributable, directly or indirectly, to the Group.

Share-based payments

The cost of equity-settled share-based payment 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 share-based payment 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.

New accounting standards

Adoption of new accounting standards

The Group has applied the requirements of Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide additional guidance on the impact of new interest rate benchmarks on certain hedge relationships and on the measurement of certain financial assets and financial liabilities. The contractual cash flows of the Group's derivatives are unchanged and there is no change in the Group's risk management strategy or defined hedge accounting relationships. Valuing the Group's derivatives within hedge relationships (see note 24) using overnight index swap ('OIS') rates instead of interbank rates does not have a material impact on the carrying amount of derivative financial liabilities or amounts recognised in the cash flow hedge reserve at 31 December 2021.

In addition, the Group has applied the amendments to IFRS 16 – Covid-19 Related Rent Concessions beyond 30 June 2021. There was no material impact on the Group's reported financial performance or position.

New standards issued but not yet effective

From 1 January 2022, the Group will apply the amendments to:

- IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract;
- IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use; and
- Other existing standards arising from the Annual Improvements to IFRSs 2018 – 2020 cycle.

From 1 January 2023, the Group will apply the amendments to:

- IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies;
- IAS 8 – Definition of Accounting Estimates; and
- IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

There is no anticipated material impact from these amendments on the Group's reported financial performance or position.

The effective date for the amendment to IAS 1 – Classification of Liabilities as Current or Non-Current has been deferred to 1 January 2023. There is no anticipated material impact from these amendments on the Group's reported financial performance or position.

The effective date for IFRS 17 'Insurance Contracts' has been deferred to 1 January 2023. The Group has not yet determined the impact of this standard on the Group's reported financial performance or position.

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=£0.73 (2020: $1=£0.78, 2019: $1=£0.78). In the case of the euro, the translation rate is $1=€0.85 (2020: $1=€0.88, 2019: $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=£0.74 (2020: $1=£0.73, 2019: $1=£0.76). In the case of the euro, the translation rate is $1=€0.88 (2020: $1=€0.81, 2019: $1=€0.89).

2. Segmental information

The Group has four reportable segments reflecting its geographical regions (Americas, EMEAA, Greater China) and its Central functions.

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 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 'Operating Segments'. 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 or 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	2021 $m	2020 $m	2019 $m
Americas	774	512	1,040
EMEAA	303	221	723
Greater China	116	77	135
Central	197	182	185
Revenue from reportable segments	**1,390**	992	2,083
System Fund revenues	928	765	1,373
Reimbursement of costs	589	637	1,171
Total revenue	**2,907**	2,394	4,627

Profit/(loss)

Year ended 31 December	2021 $m	2020 $m	2019 $m
Americas	559	296	700
EMEAA	5	(50)	217
Greater China	58	35	73
Central	(88)	(62)	(125)
Operating profit from reportable segments	**534**	219	865
System Fund	(11)	(102)	(49)
Operating exceptional items (note 6)	(29)	(270)	(186)
Operating profit/(loss)	**494**	(153)	630
Net financial expenses	(139)	(140)	(115)
Fair value gains on contingent purchase consideration	6	13	27
Profit/(loss) before tax	**361**	(280)	542
Tax	(96)	20	(156)
Profit/(loss) for the year	**265**	(260)	386

2. Segmental information continued

Operating profit from reportable segments includes the following, which are included in other operating income in the Group income statement:

- In 2021, $5m government grant income relating to the EMEAA region;
- In 2020, $4m business interruption insurance proceeds and $4m favourable litigation settlement, both in the Americas region, and $3m gain on disposal of hotel assets in the EMEAA region; and
- In 2019, $10m business interruption insurance proceeds relating to the Americas region.

Non-cash items included within operating profit from reportable segments

Year ended 31 December 2021	Americas $m	EMEAA $m	Greater China $m	Central $m	Group $m
Depreciation and amortisation[a]	30	18	6	44	98
Equity-settled share-based payments cost	8	4	3	11	26
Share of losses of associates	7	1	–	–	8

Year ended 31 December 2020	Americas $m	EMEAA $m	Greater China $m	Central $m	Group $m
Depreciation and amortisation[a]	41	21	6	42	110
Equity-settled share-based payments cost	7	3	2	7	19
Share of losses of associates and joint ventures	14	–	–	–	14

Year ended 31 December 2019	Americas $m	EMEAA $m	Greater China $m	Central $m	Group $m
Depreciation and amortisation[a]	44	25	5	42	116
Equity-settled share-based payments cost	9	4	2	13	28
Share of losses/(gains) of associates and joint ventures	9	(6)	–	–	3

[a] Included in the $98m (2020: $110m, 2019: $116m) of depreciation and amortisation is $20m (2020: $29m, 2019: $32m) relating to cost of sales in owned, leased and managed lease hotels, and $78m (2020: $81m, 2019: $84m) relating to other assets. A further $94m (2020: $62m, 2019: $54m) of depreciation and amortisation was recorded within System Fund expenses.

Capital expenditure

Year ended 31 December 2021	Americas $m	EMEAA $m	Greater China $m	Central $m	Group $m
Capital expenditure per management reporting	35	25	1	39	100
Contract acquisition costs	(32)	(10)	(1)	–	(43)
Timing differences and other adjustments	3	(5)	–	4	2
Additions per the Group Financial Statements	6	10	–	43	59
Comprising additions to:					
Goodwill and other intangible assets	1	–	–	32	33
Property, plant and equipment	1	5	–	11	17
Investment in associates and joint ventures	4	–	–	–	4
Other financial assets	–	5	–	–	5
	6	10	–	43	59

Year ended 31 December 2020	Americas $m	EMEAA $m	Greater China $m	Central $m	Group $m
Capital expenditure per management reporting	46	44	2	56	148
Contract acquisition costs	(33)	(29)	(2)	–	(64)
Timing differences and other adjustments	17	4	–	(1)	20
Additions per the Group Financial Statements	30	19	–	55	104
Comprising additions to:					
Goodwill and other intangible assets	1	1	–	50	52
Property, plant and equipment	12	13	–	5	30
Investment in associates and joint ventures	17	–	–	–	17
Other financial assets	–	5	–	–	5
	30	19	–	55	104

Notes to the Group Financial Statements continued

2. Segmental information continued

Geographical information

Year ended 31 December	2021 $m	2020 $m	2019 $m
Revenue			
United Kingdom	**142**	77	265
United States	**1,263**	1,067	1,957
Rest of World	**574**	485	1,032
	1,979	1,629	3,254
System Fund (note 33)	**928**	765	1,373
	2,907	2,394	4,627

For the purposes of the above table, fee business, owned, leased and managed lease 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.

31 December	2021 $m	2020 $m
Non-current assets		
United Kingdom	**64**	72
United States	**1,346**	1,487
Rest of World	**661**	700
	2,071	2,259

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

Year ended 31 December 2021	Americas $m	EMEAA $m	Greater China $m	Central $m	Group $m
Franchise and base management fees	**683**	**120**	**91**	**–**	**894**
Incentive management fees	**8**	**29**	**25**	**–**	**62**
Central revenue	**–**	**–**	**–**	**197**	**197**
Revenue from fee business	**691**	**149**	**116**	**197**	**1,153**
Revenue from owned, leased and managed lease hotels	**83**	**154**	**–**	**–**	**237**
	774	**303**	**116**	**197**	**1,390**
System Fund revenues (note 33)					**928**
Reimbursement of costs					**589**
Total revenue					**2,907**

Year ended 31 December 2020	Americas $m	EMEAA $m	Greater China $m	Central $m	Group $m
Franchise and base management fees	452	93	61	–	606
Incentive management fees	5	14	16	–	35
Central revenue	–	–	–	182	182
Revenue from fee business	457	107	77	182	823
Revenue from owned, leased and managed lease hotels	55	114	–	–	169
	512	221	77	182	992
System Fund revenues (note 33)					765
Reimbursement of costs					637
Total revenue					2,394

3. Revenue continued

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

In 2020, following communication with the IHG Owners Association, fees and expenses associated with the InterContinental Ambassador programme (the InterContinental Hotels & Resorts paid-for loyalty programme) previously reported within Central revenue were moved into the System Fund to align with the treatment of IHG's other brand loyalty programmes. Revenue arising from the licence of intellectual property under co-brand credit card agreements previously recorded within the System Fund was moved into Central revenue. This change was effective from 1 January 2020. For the year ended 31 December 2020, this change resulted in an increase of $20m to Central revenue and $21m to operating profit from reportable segments, and an equivalent reduction to System Fund revenues and increase to System Fund operating loss. Had this arrangement existed in 2019, Central revenue and operating profit in 2019 would have been $18m and $22m higher respectively; System Fund revenues would have reduced and System Fund operating loss would have increased by the same amounts.

Contract balances

	2021 $m	2020 $m
Trade receivables (note 18)	**399**	309
Contract assets	**346**	336
Deferred revenue	**(1,613)**	(1,569)

Contract assets

	2021 $m	2020 $m
At 1 January	**336**	334
Additions	**45**	74
Recognised as a deduction to revenue	**(35)**	(25)
Impairment charges	**–**	(53)
Repayments	**(1)**	–
Exchange and other adjustments	**1**	6
At 31 December	**346**	336
Analysed as:		
Current	**30**	25
Non-current	**316**	311
	346	336

The Group also has future commitments for key money payments which are contingent upon future events and may reverse.

At 31 December 2021, the maximum exposure remaining under performance guarantees was $85m (2020: $72m).

In 2020, impairment of contract assets related primarily to deposits made to Service Properties Trust ('SVC') of $33m. The remaining impairment of $20m related to key money and performance guarantee payments on individual properties which were tested with reference to future franchise and management fees. Of the total impairment including SVC balances, $42m related to the Americas region and $11m to the EMEAA region.

Notes to the Group Financial Statements continued

3. Revenue continued

Deferred revenue

	Loyalty programme $m	Other co-brand fees $m	Application & re-licensing fees $m	Other $m	Total $m
At 1 January 2020	1,233	66	172	93	1,564
Increase in deferred revenue	344	–	14	45	403
Recognised as revenue	(332)	(11)	(20)	(39)	(402)
Exchange and other adjustments	–	–	–	4	4
At 31 December 2020	1,245	55	166	103	1,569
Increase in deferred revenue	**384**	**–**	**19**	**45**	**448**
Recognised as revenue	**(337)**	**(11)**	**(22)**	**(35)**	**(405)**
Exchange and other adjustments	**–**	**–**	**–**	**1**	**1**
At 31 December 2021	**1,292**	**44**	**163**	**114**	**1,613**
Analysed as:					
Current	**535**	**11**	**21**	**50**	**617**
Non-current	**757**	**33**	**142**	**64**	**996**
	1,292	**44**	**163**	**114**	**1,613**
At 31 December 2020:					
Current	376	11	22	43	452
Non-current	869	44	144	60	1,117
	1,245	55	166	103	1,569

This table does not include amounts which were received and recognised as revenue in the same year. Amounts recognised as revenue were included in deferred revenue at the beginning of the year.

Loyalty programme revenues, shown gross in the table above, are presented net of the corresponding redemption cost in the Group income statement.

Other deferred revenue includes technical service fees and guest deposits received by owned, leased and managed lease hotels.

Transaction price allocated to remaining performance obligations

The Group has applied the practical expedient in IFRS 15 not to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as at the end of the reporting period for all amounts where the Group has a right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance completed to date (including franchise and management fees).

Amounts received and not yet recognised relating to performance obligations that were unsatisfied at the year end are as follows:

	2021			2020		
	Loyalty and co-brand $m	**Other $m**	**Total $m**	Loyalty and co-brand $m	Other $m	Total $m
Expected timing of recognition						
Less than one year	**546**	**71**	**617**	387	65	452
Between one and two years	**406**	**45**	**451**	313	40	353
Between two and three years	**155**	**33**	**188**	249	29	278
Between three and four years	**98**	**25**	**123**	176	24	200
Between four and five years	**53**	**22**	**75**	73	22	95
More than five years	**78**	**81**	**159**	102	89	191
	1,336	**277**	**1,613**	1,300	269	1,569

3. Revenue continued

Contract costs

	2021 $m	2020 $m
At 1 January	75	72
Costs incurred	11	11
Amortisation	(9)	(9)
Exchange and other adjustments	–	1
At 31 December	**77**	75
Analysed as:		
Current	5	5
Non-current	72	70
	77	75

4. Staff costs and Directors' remuneration

	2021 $m	2020 $m	2019 $m
Staff costs			
Wages and salaries	1,315	1,233	1,982
Social security costs	86	86	131
Pension and other post-retirement benefits:			
Defined benefit plans (note 27)	2	3	3
Defined contribution plans	41	36	64
	1,444	1,358	2,180
Analysed as:			
Costs borne by IHG[a]	569	500	735
Costs borne by the System Fund[b]	304	242	313
Costs reimbursed	571	616	1,132
	1,444	1,358	2,180

[a] Included $27m in 2020 classified as exceptional relating to reorganisation programmes and $9m in 2019 classified as exceptional relating to the comprehensive efficiency programme completed in 2019.

[b] Included $20m in 2020 relating to the 2020 corporate reorganisation programme and $8m in 2019 relating to the comprehensive efficiency programme completed in 2019.

Staff costs are presented net of government support income of $23m (2020: $36m). $12m (2020: $28m) relates principally to employee costs at certain of the Group's leased hotels and $11m (2020: $8m) relates to ongoing support received in the form of tax credits which relate to the Group's corporate office presence in certain countries. The income has been recognised as a reduction to the payroll costs that the grants and credits are intended to compensate. There are no unfulfilled conditions or other contingencies attached to these grants.

	2021	2020	2019
Monthly average number of employees, including part-time employees			
Employees whose costs are borne by IHG:			
Americas	1,481	1,931	2,170
EMEAA	2,808	4,088	5,227
Greater China	299	314	339
Central	1,425	1,813	1,900
	6,013	8,146	9,636
Employees whose costs are borne by the System Fund	4,508	4,686	4,800
Employees whose costs are reimbursed	11,807	15,980	22,207
	22,328	28,812	36,643

Notes to the Group Financial Statements continued

4. Staff costs and Directors' remuneration continued

	2021 $m	2020 $m	2019 $m
Directors' remuneration			
Base salaries, fees, annual performance payments and benefits	**8.4**	4.2	6.4

More detailed information on the remuneration including pensions, share awards and shareholdings for each Director is shown in the Directors' Remuneration Report on pages 115 and 123. In addition, amounts received or receivable under long-term incentive schemes are shown on page 115.

5. Auditor's remuneration

	2021 $m	2020 $m	2019 $m
Audit of the Financial Statements	**3.7**	3.0	3.0
Audit of subsidiaries	**3.4**	3.3	3.2
Audit-related assurance services	**0.2**	0.2	0.2
Other assurance services[a]	**0.7**	1.1	1.3
Other non-audit services not covered by the above	**–**	0.1	0.1
	8.0	7.7	7.8

[a] In 2020, excluded fees of $0.2m which had not been incurred as at 31 December 2020.

In 2021, auditor's remuneration was paid to PricewaterhouseCoopers LLP; in 2020 and 2019 auditor's remuneration was paid to Ernst & Young LLP.

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

Under SEC regulations, the auditor's remuneration of $8.0m (2020: $7.7m, 2019: $7.8m) is required to be presented as follows: audit $7.3m (2020: $6.5m, 2019: $6.4m); other audit-related $0.7m (2020: $1.1m, 2019: $1.3m); and all other fees $nil (2020: $0.1m, 2019: $0.1m).

6. Exceptional items

	Note	2021 $m	2020 $m	2019 $m
Cost of sales:				
Derecognition of right-of-use assets and lease liabilities	(a)(h)	–	22	–
Gain on lease termination	(b)	–	30	–
Provision for onerous contractual expenditure	(h)	–	(10)	–
Reorganisation costs	(c)(h)	–	(8)	–
		–	34	–
Administrative expenses:				
Reorganisation costs	(c)	–	(19)	(20)
Acquisition and integration costs	(d)	–	(6)	(7)
Litigation and commercial disputes	(e)	**(25)**	(5)	(28)
		(25)	(30)	(55)
Impairment loss on financial assets	(f)	–	(48)	–
Other impairment charges:				
Goodwill	(h)	–	–	(49)
Management agreements	13	–	(48)	(50)
Property, plant and equipment	14, (h)	–	(90)	–
Right-of-use assets	15, (h)	–	(16)	(32)
Associates	16	**(4)**	(19)	–
Contract assets	3	–	(53)	–
		(4)	(226)	(131)
Operating exceptional items		**(29)**	(270)	(186)
Financial expenses	(g)	–	(14)	–
Fair value gains on contingent purchase consideration	(h)	–	21	38
Exceptional items before tax		**(29)**	(263)	(148)
Tax on exceptional items	(i)	**3**	52	20
Exceptional tax	(j)	**26**	–	–
Tax		**29**	52	20
Operating exceptional items analysed as:				
Americas		**(22)**	(118)	(62)
EMEAA		**(7)**	(128)	(109)
Greater China		–	(5)	–
Central		–	(19)	(15)
		(29)	(270)	(186)

The above items are treated as exceptional (as defined by management) by reason of their size, nature, or incidence as further described on page 152.

(a) Derecognition of right-of-use assets and lease liabilities
In 2020, related to right-of-use assets ($49m) and lease liabilities ($71m) associated with the UK portfolio and German leases which were derecognised following a reassessment of the leases as fully variable. The net gain of $22m was presented as exceptional due to the size of the derecognised assets and liabilities.

(b) Gain on lease termination
In 2020, related to the termination of the InterContinental San Juan lease, which was part of the SVC portfolio. The right-of-use assets ($60m) and lease liabilities ($90m) associated with this hotel were derecognised, resulting in a net gain of $30m, which was presented as exceptional due to the value of the assets and liabilities derecognised and for consistency with the impairments of other assets related to the SVC portfolio.

Notes to the Group Financial Statements continued

6. Exceptional items continued

(c) Reorganisation costs

In 2020, reorganisation costs related to the UK portfolio (see below), other owned and leased hotels and a corporate reorganisation completed in the year reflecting the reassessment of near-term priorities and the resources needed to support reduced levels of demand. An additional $20m relating to the corporate restructuring was charged to the System Fund.

In 2019, related to a comprehensive efficiency programme to fund a series of new strategic initiatives to drive an acceleration in IHG's future growth. The programme commenced in 2018 and was completed in 2019; no further restructuring costs related to this programme were incurred in 2020. The 2019 cost included consultancy fees of $6m and severance costs of $8m. An additional $28m was charged to the System Fund.

These charges were classified as exceptional as they related to a significant programme carried out in response to the impacts of Covid-19 and previously to a comprehensive programme to reorganise Group operations, which do not reflect normal, ongoing costs of the business.

(d) Acquisition and integration costs

In 2019, primarily related to the acquisition of Six Senses and in 2020, related to the integration of that business into the operations of the Group. Costs were presented as exceptional reflecting the fact that the acquisition of Six Senses is not a recurring event.

(e) Litigation and commercial disputes

In 2021, relates to the provisionally agreed costs to settle two commercial disputes, $18m in the Americas region and $7m relating to a leased property in the EMEAA region.

In 2020, related to the agreed cost of settlement of $14m in respect of a lawsuit in the EMEAA region, offset primarily by the partial release of the 2019 provision related to a lawsuit in the Americas region which was settled in 2020.

In 2019, primarily represented management's best estimate of the settlement in respect of the Americas lawsuit, together with the cost of an arbitration award made against the Group in the EMEAA region.

These costs are presented as exceptional reflecting (i) the nature of the 2021 disputes which arose as a direct result of trading performance during Covid-19; (ii) the quantum of the settlements; and (iii) in respect of releases, consistency with the treatment applied in prior years.

(f) Impairment loss on financial assets

In 2020, comprised $33m and $15m related to SVC and other trade deposits and loans respectively (see note 17). The impairment losses were presented as exceptional as they related to the termination of a significant portfolio of over 100 management agreements and to significant changes in credit risk on other trade deposits and loans as a result of the pandemic.

(g) Financial expenses

In 2020, management undertook actions to strengthen liquidity and extend the maturity profile of the Group's debt. The Group issued a tender offer for its £400m 3.875% 2022 bonds resulting in a repayment of £227m and concurrently issued €500m 1.625% 2024 bonds and £400m 3.375% 2028 bonds. The exceptional charge included the premium on repayment and associated write-off of fees and discount. The charge was presented as exceptional primarily due to the size of the charge as well as the nature of the refinancing which was driven by increased liquidity requirements resulting from the pandemic.

(h) Exceptional items relating to the UK portfolio

Included within exceptional items are the following items relating to the UK portfolio:

	2021 $m	2020 $m	2019 $m
Cost of sales:			
Derecognition of right-of-use assets and lease liabilities	–	18	–
Provision for onerous contractual expenditure	–	(10)	–
Reorganisation costs	–	(4)	–
	–	4	–
Other impairment charges:			
Goodwill	–	–	(49)
Property, plant and equipment	–	(50)	–
Right-of-use assets	–	–	(32)
	–	(50)	(81)
Operating exceptional items	–	(46)	(81)
Fair value gains on contingent purchase consideration (note 25)	–	21	38
Exceptional items before tax	–	(25)	(43)

The UK portfolio experienced hugely challenging trading conditions as a result of Covid-19, with all 12 hotels closing for extended periods during 2020 and experiencing historically low occupancies during periods of temporary reopenings.

In 2020, the right-of-use asset ($22m) and lease liability ($40m) relating to the UK portfolio were derecognised as a result of the re-estimation of the 'in-substance fixed' rent payable under the leases, resulting in a gain of $18m; from 2020 the leases were considered to be fully variable.

In 2020, a $10m provision was recognised to the extent the costs of contractual expenditure committed under the hotel leases exceeded the future economic benefits expected to be received under the leases.

6. Exceptional items continued

In 2020, hotels incurred a total cost of $4m to restructure hotel operations in response to the impact of Covid-19 on hotel occupancy and revenues.

Assumptions used in 2020 impairment testing of property, plant and equipment are detailed in note 14.

In 2019, goodwill ($49m) and the right-of-use asset ($32m) (prior to derecognition) were impaired as a result of trading disruption arising from hotel renovations and rebranding.

A fair value gain on contingent purchase consideration of $21m was recognised in 2020 (2019: $38m), arising from a reduction in expected future rentals payable such that there is no remaining above-market element. Information on the fair value calculation is provided in note 25.

As a result of the adjustments outlined above, non-current assets, lease liabilities and contingent purchase consideration relating to the UK portfolio were all measured at $nil at 31 December 2020 and 31 December 2021.

(i) Tax on exceptional items

The tax impacts of the exceptional items are shown in the table below:

	2021		2020		2019	
	Current tax $m	Deferred tax $m	Current tax $m	Deferred tax $m	Current tax $m	Deferred tax $m
Derecognition of right-of-use assets and lease liabilities	–	–	–	(4)	–	–
Provision for onerous contractual expenditure	–	–	–	2	–	–
Reorganisation costs	–	–	3	2	4	–
Acquisition and integration costs	–	–	1	–	–	–
Litigation and commercial disputes	–	4	–	–	–	6
Impairment loss on financial assets	–	–	4	2	–	–
Other impairment charges	–	1	6	37	–	18
Financial expenses	–	–	–	3	–	–
Fair value gains on contingent purchase consideration	–	–	–	(4)	–	(6)
Adjustments in respect of prior years[a]	(2)	–	–	–	–	(2)
	(2)	5	14	38	4	16
Total current and deferred tax		3		52		20

[a] In 2021, relates to exceptional items recorded in 2014 which are undergoing tax audit (see page 171). In 2019, related to a 2014 disposal.

(j) Exceptional tax

An exceptional tax credit of $26m has been recorded as a result of the enactment of a change to the UK rate of corporate income tax from 19% to 25%, effective 1 April 2023. The change has resulted in the re-measurement of those UK deferred tax assets and liabilities which are forecast to be utilised or to crystallise after this effective date, using the higher tax rate. A further credit of $4m has been recorded within the Group statement of comprehensive income in respect of movements in deferred tax assets and liabilities originally recorded there. The value attributable to unrecognised deferred tax assets has increased by $34m as a result of the rate change. This has no impact on the reported tax charge.

Notes to the Group Financial Statements continued

7. Financial income and expenses

	2021 $m	2020 $m	2019 $m
Financial income			
Financial income on deposits and money market funds	**2**	2	3
Interest income on loans and other assets	**6**	2	3
	8	4	6
Financial expenses			
Interest expense on external borrowings	**109**	102	78
Interest expense on lease liabilities	**29**	37	41
Capitalised interest	**–**	(1)	(5)
Unwind of discount on deferred purchase consideration	**1**	1	1
Other charges	**8**	5	6
	147	144	121
Analysed as:			
Financial expenses before exceptional items	**147**	130	121
Exceptional financial expenses (note 6)	**–**	14	–
	147	144	121

All financial income relates to financial assets held at amortised cost.

Interest expense on external borrowings and unwind of discount on deferred purchase consideration relate to financial liabilities which are held at amortised cost. Other charges includes bank charges and non-bank interest expense.

In 2021, $1m (2020: $3m, 2019: $13m) was payable to the IHG Rewards loyalty programme relating to interest on the accumulated balance of cash received in advance of the consumption of points awarded. The expense and corresponding System Fund interest income are eliminated within financial expenses. Financial income includes $2m (2020: $nil, 2019: $nil) of other interest which is also attributable to the System Fund.

Capitalised interest relates to the System Fund. There was no interest capitalised during the year (rate used for capitalisation of interest in 2020: 2.9%, 2019: 3.1%).

Net interest payable on a frozen GAAP basis as calculated for bank covenants was $133m (2020: $111m, 2019: $99m). Further details are provided on page 190.

8. Tax

Tax on profit/(loss)

	2021 $m	2020 $m	2019 $m
Current tax			
UK tax at 19.00%:			
Current period	1	–	5
Adjustments in respect of prior periods	–	(2)	13
	1	(2)	18
Foreign tax:			
Current period	138	43	154
Benefit of tax reliefs on which no deferred tax previously recognised	–	(2)	(2)
Adjustments in respect of prior periods	4	(5)	(11)
	142	36	141
	143	34	159
Deferred tax			
Origination and reversal of temporary differences	(21)	(35)	11
Changes in tax rates and tax laws	(25)	(8)	2
Adjustments to estimated recoverable deferred tax assets[a]	2	(14)	(2)
Reduction in deferred tax expense by previously unrecognised deferred tax assets	–	(1)	–
Adjustments in respect of prior periods	(3)	4	(14)
	(47)	(54)	(3)
Income tax charge/(credit) for the year	96	(20)	156
Analysed as tax relating to:			
Profit before exceptional items[b]	125	32	176
Exceptional items:			
Tax on exceptional items (note 6)	(3)	(52)	(20)
Exceptional tax (note 6)	(26)	–	–
	96	(20)	156

[a] Represents a reassessment of the recovery of deferred taxes in line with the Group's profit forecasts.

[b] Includes $115m (2020: $41m, 2019: $113m) in respect of US taxes.

Notes to the Group Financial Statements continued

8. Tax continued

	Total[a] 2021 %	2020 %	2019 %	Before exceptional items and System Fund[b] 2021 %	2020 %	2019 %
Reconciliation of tax charge						
UK tax at standard rate	**19.0**	19.0	19.0	**19.0**	19.0	19.0
Tax credits	**(0.1)**	0.5	(0.8)	**(0.1)**	(1.7)	(0.6)
System Fund[c]	**0.4**	(6.6)	1.1	**(0.1)**	(1.1)	(0.5)
Impairment charges	**–**	–	1.7	**–**	–	–
Other permanent differences	**1.4**	(4.2)	1.3	**1.2**	12.1	0.8
Non-recoverable foreign taxes[d]	**3.5**	(5.1)	3.2	**3.1**	16.9	2.4
Net effect of different rates of tax in overseas businesses[e]	**6.8**	(4.5)	6.7	**6.9**	18.9	5.5
Effect of changes in tax rates and tax laws[f]	**(7.0)**	2.9	(0.4)	**–**	(9.6)	(0.3)
Reduction in current tax expense by previously unrecognised deferred tax assets	**(0.1)**	0.7	(0.4)	**(0.1)**	(2.4)	(0.3)
Items on which deferred tax arose but where no deferred tax is recognised[g]	**2.0**	(1.9)	–	**1.3**	5.1	–
Effect of adjustments to estimated recoverable deferred tax assets[h]	**0.5**	5.1	(0.4)	**0.4**	(16.9)	(0.3)
Reduction in deferred tax expense by previously unrecognised deferred tax assets	**–**	0.3	–	**–**	–	–
Adjustment to tax charge in respect of prior periods	**0.2**	0.9	(2.2)	**(0.4)**	(2.7)	(1.9)
	26.6	7.1	28.8	**31.2**	37.6	23.8

[a] Calculated in relation to total profits including exceptional items and System Fund.

[b] Calculated in relation to profits excluding exceptional items and System Fund earnings.

[c] The System Fund is, in general, not subject to taxation.

[d] The large increase in 2020 when compared to 2019 is a result of the material decrease in Group profitability. This meant that the Group was no longer able to obtain effective relief for withholding taxes incurred on its revenues and in respect of other taxes, primarily in the US and Singapore.

[e] Before exceptional items and System Fund includes 6.7 percentage points (2020: 18.9 percentage points, 2019: 4.9 percentage points) driven by the relatively high blended US rate, which includes US Federal and State taxes as well as Base Erosion and Anti-Avoidance Tax ('BEAT'). In 2020, the lower profitability resulted in a large impact of BEAT, and the trading results in the year led to a higher proportion of the Group's profit being taxed in the US.

[f] In 2021, the UK Government enacted an increase to the UK rate of Corporation Tax from 19% to 25%. This has led to an increase in value to the Group's existing deferred tax assets in the UK, contributing to a benefit to the Group's total effective rate of 7.1 percentage points. In 2020, the UK Government reversed a previously enacted drop to the UK rate of Corporation Tax, contributing to a benefit to the Group effective tax rate, before exceptional items and System Fund, of 7.9 percentage points.

[g] Predominantly in respect of losses arising in the year.

[h] In 2020, the Group simplified its Group structure which led to an increase to existing deferred tax assets within the UK.

A reconciliation between total tax rate and tax rate before exceptional items and System Fund is shown below:

	2021 Profit before tax $m	2021 Tax $m	2021 Rate %	2020 (Loss)/profit before tax $m	2020 Tax $m	2020 Rate %	2019 Profit before tax $m	2019 Tax $m	2019 Rate %
Group income statement	**361**	**96**	**26.6**	(280)	(20)	7.1	542	156	28.8
Adjust for:									
Exceptional items (note 6)	**29**	**29**		263	52		148	20	
System Fund	**11**	**–**		102	–		49	–	
	401	**125**	**31.2**	85	32	37.6	739	176	23.8

Information concerning Non-GAAP measures can be found in the Strategic Report on pages 73 to 77.

Tax paid

Total net tax paid during the year of $86m (2020: $41m, 2019: $141m) is all in respect of operating activities.

The total tax paid includes, in respect of the US:

- payments of $88m (2020: $29m, 2019: $80m); and
- refunds arising from earlier periods of $15m (2020: $24m, 2019: $nil);

and in respect of the UK:

- payments of $1m (2020: $2m, 2019: $13m); and
- refunds arising from earlier periods of $3m (2020: $nil, 2019: $nil).

8. Tax continued

A reconciliation of tax paid to the total tax charge in the Group income statement is as follows:

	2021 $m	2020 $m	2019 $m
Current tax charge in the Group income statement	(143)	(34)	(159)
Current tax (charge)/credit in the Group statement of comprehensive income	–	(1)	2
Current tax credit taken directly to equity	–	–	4
Total current tax charge	(143)	(35)	(153)
Movements to tax contingencies[a]	4	(8)	3
Timing differences of cash tax paid and foreign exchange differences[b]	53	2	9
Tax paid per cash flow	(86)	(41)	(141)

[a] Tax contingency movements are included within the current tax charge but do not impact cash tax paid in the year. Settlements of tax contingencies are included within cash tax paid in the year but not recorded in the current year tax charge.

[b] 2021 includes $20m of refunds in respect of earlier years, $12m of other receivables which have been allocated to payments that otherwise would have been due and $28m of payments due in 2022.

Current tax

Within current tax payable is $24m (2020: $25m) in respect of uncertain tax positions, with the largest single item not exceeding $10m (2020: $8m).

The calculation of the Group's total tax charge involves consideration of applicable tax laws and regulations in many jurisdictions throughout the world. From time to time, the Group is subject to tax audits and uncertainties in these jurisdictions. The issues involved can be complex and audits may take a number of years to conclude.

Where the interpretation of local tax law is not clear, management relies on judgement and accounting estimates to ensure all uncertain tax positions are adequately provided for in the Group Financial Statements, in accordance with IFRIC 23 'Uncertainty over Income Tax Treatments', representing the Group's view of the most likely outcome, or, where multiple issues are considered likely to be settled together, the probability weighted amounts of the range of outcomes. This may involve consideration of some or all of the following factors:

- strength of technical argument, impact of case law and clarity of legislation;
- professional advice;
- experience of interactions, and precedents set, with the particular taxing authority; and
- agreements previously reached in other jurisdictions on comparable issues.

The Group's most material territories for tax are the USA and the UK.

In the USA, the Internal Revenue Service ('IRS') has a right to commence a routine audit of the federal income tax returns for up to three years following the filing of the federal return. The Group has agreed all federal income tax returns up to and including those filed for the 2017 year except for the 2014 year, and no audits have so far been initiated for periods from 2018 onwards. There are two issues under discussion in respect of the 2014 year for which total federal tax assessed by the IRS is $28m. Should the IRS's views be sustained, state taxes of $4m and interest of up to $9m would also be payable. The Group is contesting certain elements of the IRS assessment but has recorded federal tax provisions of $8m (2020: $6m), state tax provisions of $1m (2020: $1m) and interest of $3m (2020: $2m), which the Group considers the most likely outflow. It is the Group's expectation that this audit will be resolved in 2022, however there are possible scenarios which would lead to a longer period of time to ultimate resolution, including litigation. The issues involved are isolated to the 2014 year.

In the UK, HM Revenue and Customs ('HMRC') has a right to commence a routine audit of UK Corporation Tax returns for up to 12 months following the filing of the return. The Group has agreed all UK tax returns up to and including 2015. The Group received a single question from HMRC in respect of a 2016 return in 2019, to which a response was provided also in 2019. Although formal agreement of the return has not yet been received from HMRC, the Group considers there to be minimal risk of any adjustment. A transfer pricing audit was initiated in September 2019 in respect of the 2017 period but is still at the data gathering stage with no issues having so far been identified and communicated to the Group; HMRC have reserved the right to consider similar points in later periods if any adjustments were to be ultimately agreed. The Group has provisions of $2m (2020: $2m) in respect of UK Corporation Tax uncertainties.

Notes to the Group Financial Statements continued

8. Tax continued

Deferred tax

	Property, plant, equipment and software $m	Other intangible assets $m	Application fees $m	Deferred gains on loan notes $m	Associates $m	Losses $m	Employee benefits $m	Deferred compen-sation $m	Credit losses $m	Contract costs $m	Other short-term temporary differences $m	Total $m
At 1 January 2020	(119)	(14)	43	(34)	(58)	27	33	41	12	(16)	33	(52)
Group income statement	23	14	(2)	–	–	28	–	1	10	(1)	(19)	54
Group statement of comprehensive income	–	–	–	–	–	6	1	–	–	–	8	15
Group statement of changes in equity	–	–	–	–	–	–	(1)	–	–	–	–	(1)
Exchange and other adjustments	1	–	1	–	1	–	1	–	–	–	(2)	2
At 31 December 2020	(95)	–	42	(34)	(57)	61	34	42	22	(17)	20	18
Group income statement	**15**	**–**	**(2)**	**–**	**2**	**21**	**4**	**6**	**(1)**	**4**	**(2)**	**47**
Group statement of comprehensive income	**–**	**–**	**–**	**–**	**–**	**4**	**–**	**–**	**–**	**–**	**(15)**	**(11)**
Group statement of changes in equity	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**–**	**–**	**2**
Exchange and other adjustments	**(1)**	**–**	**–**	**–**	**–**	**(2)**	**(1)**	**–**	**(1)**	**(1)**	**4**	**(2)**
At 31 December 2021	**(81)**	**–**	**40**	**(34)**	**(55)**	**84**	**39**	**48**	**20**	**(14)**	**7**	**54**

The deferred tax on the loan notes represents tax that is expected to become due in 2025. The deferred tax in respect of losses of $84m (2020: $61m) comprises $84m in respect of revenue losses (2020: $60m) and $nil in respect of capital losses (2020: $1m). There are no amounts recognised in relation to uncertain tax positions within deferred tax in either the current or prior year.

A deferred tax asset of $120m (2020: $95m) has been recognised in legal entities which have made a loss in the current or the previous year. Of the 2021 amount, $114m (2020: $89m) is within the UK tax group and predominantly represents revenue tax losses and future tax deductions for amortisation.

Additional UK deferred tax assets of $13m (2020: $14m) are recognised in legal entities which were profitable in both the current and previous years.

The recoverability of the UK deferred tax assets has been assessed by:

- starting with the Base Case forecasts (see page 149 within 'Going concern');
- overlaying tax principles to those forecasts; and
- following the methodology required by IAS 12 'Income Taxes'.

This has demonstrated that the UK deferred tax asset, including $73m in respect of losses, should reverse over a seven- to ten-year period. Under UK law, tax losses do not expire, although they can only be offset against 50% of annual UK taxable profits. If the anticipated recovery of RevPAR to 2019 levels for the European and UK markets were to be one year later than is forecast within the Base Case, or if actual future UK taxable profits were to be 20% lower than those currently forecast, then the recovery period for the deferred tax asset would be extended by approximately one further year.

The Group's TCFD disclosures on pages 32 to 35 describe how physical and transitional climate risks present both risks and opportunities for IHG. The potential downside risk has been considered in the context of the UK deferred tax asset recoverability, without taking account of opportunities or mitigating actions, and could be absorbed within the sensitivities disclosed above.

The analysis of the deferred tax balance after considering the offset of assets and liabilities within entities where there is a legal right to do so, and analysis of the most material territories as follows:

	2021 $m	2020 $m
Deferred tax assets	**147**	113
Deferred tax liabilities	**(93)**	(95)
	54	18
Analysed as:		
United Kingdom	**127**	103
United States	**(87)**	(89)
Other	**14**	4
	54	18

8. Tax continued

The Group does not recognise deferred tax assets if it cannot anticipate being able to offset them against existing deferred tax liabilities or against future profits or gains.

The total unrecognised deferred tax position is as follows:

	Gross		Unrecognised deferred tax	
	2021 $m	2020 $m	**2021 $m**	2020 $m
Revenue losses	**458**	467	**87**	76
Capital losses	**551**	562	**138**	109
	1,009	1,029	**225**	185
Tax credits	**10**	12	**10**	12
Other[a]	**16**	19	**3**	3
	1,035	1,060	**238**	200

[a] Primarily relates to costs incurred for which tax relief has not been obtained.

There is no expiry date to any of the above unrecognised assets other than for the losses and tax credits as shown in the table below:

	Gross		Unrecognised deferred tax	
	2021 $m	2020 $m	**2021 $m**	2020 $m
Expiry date				
2021	**–**	33	**–**	8
2022	**10**	11	**3**	3
2023	**2**	2	**–**	–
2024	**4**	5	**1**	1
2025	**100**	110	**25**	26
2026	**13**	1	**2**	–
2027	**–**	3	**–**	1
2028	**6**	7	**2**	2
After 2028	**12**	17	**11**	15

No deferred tax liability has been provided in respect of $0.4bn (2020: $0.5bn) of taxable temporary differences relating to subsidiaries (comprising undistributed earnings and net inherent gains) because the Group is in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Tax risks, policies and governance

The Group's Chief Financial Officer & Group Head of Strategy has responsibility for tax and tax policies at Board level. These policies and procedures are subject to regular review and update and are approved by the Audit Committee. Procedures to minimise risk include the preparation of thorough tax risk assessments for all transactions carrying material tax risk and, where appropriate, material tax uncertainties are discussed and resolved with tax authorities in advance. IHG's Approach to Tax document is available on IHG's website at **www.ihgplc.com/en/responsible-business/policies**. In addition, as a result of its business profile as a hotel manager and also as a residual legacy from prior acquisitions, IHG has a small number of subsidiaries in jurisdictions commonly portrayed as tax havens. IHG manages such subsidiaries on a basis consistent with its business principles (for example, by making some foreign incorporated companies UK tax resident or by operating others so that local profits are commensurate with local activity).

Factors that may affect the future tax charge

Many factors will affect the Group's future tax rate, the main ones being future legislative developments, future profitability of underlying subsidiaries and tax uncertainties.

The impact of Covid-19 has resulted in changes to the Group's current geographic profit mix which is likely to continue to result in a slightly higher than usual tax rate for the Group in the short term.

Worldwide tax reform continues, notably with the OECD's proposals in connection with its review into "Tax Challenges Arising from Digitalisation", and this could impact the Group over the longer term. The Group continues to monitor activity in this area.

Notes to the Group Financial Statements continued

9. Dividends

	2021		2020		2019	
	cents per share	$m	cents per share	$m	cents per share	$m
Paid during the year						
Final (declared for previous year)	–	–	–	–	78.1	139
Interim	–	–	–	–	39.9	72
Special (note 29)	–	–	–	–	262.1	510
	–	–	–	–	380.1	721

The final dividend of 85.9¢ per ordinary share (amounting to $157m) is proposed for approval at the AGM on 6 May 2022. No dividends were paid in 2021 or 2020.

10. Earnings/(loss) per ordinary share

	2021	2020	2019
Basic earnings/(loss) per ordinary share			
Profit/(loss) available for equity holders ($m)	266	(260)	385
Basic weighted average number of ordinary shares (millions)	183	182	183
Basic earnings/(loss) per ordinary share (cents)	145.4	(142.9)	210.4
Diluted earnings/(loss) per ordinary share			
Profit/(loss) available for equity holders ($m)	266	(260)	385
Diluted weighted average number of ordinary shares (millions)	184	182	184
Diluted earnings/(loss) per ordinary share (cents)	144.6	(142.9)	209.2
Diluted weighted average number of ordinary shares is calculated as:			
Basic weighted average number of ordinary shares (millions)	183	182	183
Dilutive potential ordinary shares (millions)	1	–	1
	184	182	184

The effect of the notional exercise of outstanding ordinary share awards was anti-dilutive in 2020 and therefore was not included in the diluted earnings per share calculation.

11. Acquisition of businesses

Six Senses

On 12 February 2019, the Group acquired a 100% ownership interest in Six Senses Hotels Resorts Spas ('Six Senses'), a leading operator of top-tier luxury hotels, resorts and spas with a world-renowned reputation for wellness and sustainability. The total purchase consideration was $304m, comprising $299m paid on acquisition, including the settlement of working capital and $5m of contingent purchase consideration. The fair value of net assets acquired was $246m, including brands of $189m, management agreements of $45m, and a right-of-use asset of $19m offset by an equal lease liability. Goodwill recognised was $58m.

The value of the contingent purchase consideration was reassessed at 31 December 2021 (see note 25).

The value of management agreements and right-of-use assets recognised on acquisition were impaired by $41m and $5m respectively in 2020 (see notes 13 and 15).

UK portfolio

Following a 2018 deal with Covivio to operate 10 UK hotels under long-term leases, in 2019 the Group added a further two hotels to the portfolio bringing the total hotels in the UK portfolio to 12.

The total purchase consideration for the 12 hotels was $73m, comprising $10m paid on acquisition, a working capital refund of $3m and $66m of contingent purchase consideration. The fair value of the net assets acquired was $14m and goodwill of $64m was recognised, of which $12m was recognised in 2019.

Goodwill and non-current assets allocated to the UK portfolio were impaired in full during 2019 and 2020 such that the remaining value is $nil (see note 6).

The contingent purchase consideration was valued at $nil as at 31 December 2021 (see note 25).

Cash flows relating to acquisitions

	2021 $m	2020 $m	2019 $m
Cash paid on acquisition, including working capital settlement	–	–	299
Settlement of stamp duty liability	–	–	3
Less: cash and cash equivalents acquired	–	–	(7)
Less: working capital settlement received in year following acquisition	–	–	(3)
Net cash outflow arising on acquisitions	–	–	292

12. Assets and liabilities sold

Three hotels in the Americas region have been sold in 2021. Total cash consideration of $46m was received with no gain or loss arising after charging disposal costs. Net assets of $44m disposed comprised $45m property, plant and equipment and $2m right-of-use assets, less $3m lease liabilities. The net cash inflow arising was $44m.

In 2020, the Group sold one hotel in EMEAA, the Holiday Inn Melbourne Airport. Total consideration of $2m was received with a total gain, net of disposal costs, of $3m. The gain was included in other operating income in the Group income statement.

13. Goodwill and other intangible assets

	Goodwill $m	Brands $m	Software $m	Management agreements $m	Other intangibles $m	Total $m
Cost						
At 1 January 2020	529	439	864	122	23	1,977
Additions	–	–	50	–	2	52
Disposals	–	–	(29)	–	–	(29)
Exchange and other adjustments	8	–	1	–	–	9
At 31 December 2020	537	439	886	122	25	2,009
Additions	–	–	32	–	1	33
Disposals	–	–	(40)	–	–	(40)
Exchange and other adjustments	(5)	–	–	–	–	(5)
At 31 December 2021	**532**	**439**	**878**	**122**	**26**	**1,997**
Amortisation and impairment						
At 1 January 2020	(190)	–	(340)	(63)	(8)	(601)
Provided	–	–	(36)	(1)	(1)	(38)
System Fund expense	–	–	(51)	–	(2)	(53)
Impairment charge	–	–	–	(48)	–	(48)
System Fund impairment charge	–	–	(4)	–	–	(4)
Disposals	–	–	29	–	–	29
Exchange and other adjustments	(1)	–	–	–	–	(1)
At 31 December 2020	(191)	–	(402)	(112)	(11)	(716)
Provided	–	–	(30)	(1)	(1)	(32)
System Fund expense	–	–	(82)	–	(1)	(83)
Disposals	–	–	28	–	–	28
Exchange and other adjustments	–	–	1	–	–	1
At 31 December 2021	**(191)**	**–**	**(485)**	**(113)**	**(13)**	**(802)**
Net book value						
At 31 December 2021	**341**	**439**	**393**	**9**	**13**	**1,195**
At 31 December 2020	346	439	484	10	14	1,293
At 1 January 2020	339	439	524	59	15	1,376

Goodwill and brands

Brands

Brands relate to the acquisitions of Kimpton ($193m), Regent ($57m) and Six Senses ($189m). They are each considered to have an indefinite life given their strong brand awareness and reputation, and management's commitment to continued investment in their growth. The brands are protected by trademarks and there are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of the brands. In the hotel industry there are a number of brands that have existed for many years and IHG has brands that are over 60 years old.

Allocation of goodwill and brands to CGUs

	At 1 January 2020 $m	Exchange adjustments $m	At 31 December 2020 $m	Exchange adjustments $m	At 31 December 2021 $m	Analysed as: Goodwill $m	Brands $m
Americas (group of CGUs)	421	–	421	(2)	419	132	287
EMEAA (group of CGUs)	332	7	339	(2)	337	201	136
Greater China	25	–	25	(1)	24	8	16
	778	7	785	(5)	780	341	439

Notes to the Group Financial Statements continued

13. Goodwill and other intangible assets continued

The recoverable amounts of the CGUs, or groups of CGUs, have been determined from value in use calculations. The key assumptions are RevPAR growth and the expected recovery period (detailed on page 149 within 'Going concern'), terminal growth rates and pre-tax discount rates. Cash flows beyond the five-year period are extrapolated using terminal growth rates that do not exceed the average long-term growth rates for the relevant markets. Cash flow projections are discounted using pre-tax rates that are based on the Group's weighted average cost of capital and incorporate adjustments reflecting risks specific to the territory of the CGU.

The weighted average terminal growth rates and pre-tax discount rates are as follows:

	2021		2020	
	Terminal growth rate %	Pre-tax discount rate %	Terminal growth rate %	Pre-tax discount rate %
Americas	**2.0**	**10.2**	1.7	8.5
EMEAA	**2.2**	**12.8**	1.9	12.1
Greater China	**2.5**	**12.6**	2.5	13.3

The increase in discount rates in 2021 in Americas and EMEAA was primarily driven by increased long-term risk-free rates.

The recoverable amounts of the CGUs, or groups of CGUs, exceeded their carrying value such that no impairment has arisen. Assumptions were sensitised, including using the Downside Case scenario (detailed on page 149 within 'Going concern') with no impairment arising.

The Group's TCFD disclosures on pages 32 to 35 describe how physical and transitional climate risks present both risks and opportunities for IHG. The potential downside risk has been considered when testing goodwill and brands and could be absorbed within existing headroom, without taking account of opportunities or mitigating actions.

Software

Software includes $233m relating to the development of the next-generation Guest Reservation System with Amadeus. Internally developed software with a value of $155m developed within the two phases of the project is being amortised over 10 years and eight years respectively, with seven years remaining at 31 December 2021, reflecting the Group's experience of the long life of guest reservation systems and the initial term over which the Group is party to a technology agreement with Amadeus. The remaining project value relates to enhancements to existing systems as part of the project, which are amortised over five years.

In 2021, no impairment was charged. In 2020, $4m impairment was charged to the System Fund relating to projects which are no longer expected to complete.

A loss on disposal of software assets of $12m was recorded in 2021, relating to amounts previously capitalised in respect of costs incurred to implement cloud computing arrangements. These losses are recorded within depreciation and amortisation ($8m) and System Fund depreciation and amortisation ($4m) in the Group income statement.

Management agreements

Management agreements relate to contracts recognised at fair value on acquisition. The weighted average remaining amortisation period for all management agreements is 17 years (2020: 18 years).

In 2021, there were no indicators of further impairment relating to management agreements and no indicators that impairment losses recognised in prior years may have reversed.

2020 impairment of management agreements

The 2020 impairment charge of $48m related to the Kimpton ($5m), Regent ($2m) and Six Senses ($41m) management agreement portfolios acquired in 2015, 2018 and 2019 respectively. The key assumption was RevPAR growth which assumed a recovery to 2019 levels over a five-year period from 2021.

Contracts were valued at the higher of value in use and fair value less costs of disposal, using discounted cash flow techniques. Where the recoverable amount was measured at fair value, this was categorised as a Level 3 fair value measurement.

Management agreement portfolios	Region	Basis of recoverable amount	Recoverable amount $m	Long-term growth rate %	Pre-tax discount rate %
Kimpton	Americas	Value in use	4	1.7	8.4
Regent	Greater China	Value in use	3	2.0-4.6	7.0-15.9
Six Senses (open hotels)	EMEAA	Fair value less costs of disposal	–	2.0	8.9-14.7
	Greater China	Fair value less costs of disposal	–	2.0	9.9
Six Senses (pipeline)	Americas	Value in use	1	2.0	9.8
	EMEAA	Value in use	2	2.0	8.9
	Greater China	Value in use	–	2.0	8.5

2019 impairment of management agreements

The 2019 impairment charge of $50m related to the Kimpton management agreement portfolio acquired in 2015 and arose from revised expectations regarding future trading, the rate of hotel exits and the cost of retaining hotels in the portfolio. The recoverable amount was based on value in use calculations using management fee projections based on near-term industry projected growth rates for the sector and discounted at a rate of 8.0%.

14. Property, plant and equipment

	Land and buildings $m	Fixtures, fittings and equipment $m	Total $m
Cost			
At 1 January 2020	207	307	514
Additions	2	28	30
Fully depreciated assets written off	–	(17)	(17)
Disposals	(1)	(2)	(3)
Exchange and other adjustments	–	6	6
At 31 December 2020	208	322	530
Additions	–	17	17
Fully depreciated assets written off	–	(7)	(7)
Disposals	(103)	(29)	(132)
Exchange and other adjustments	–	(4)	(4)
At 31 December 2021	**105**	**299**	**404**
Depreciation and impairment			
At 1 January 2020	(73)	(132)	(205)
Provided	(4)	(33)	(37)
System Fund expense	–	(5)	(5)
Impairment charge	(39)	(51)	(90)
System Fund impairment charge	–	(5)	(5)
Fully depreciated assets written off	–	17	17
Disposals	1	1	2
Exchange and other adjustments	–	(6)	(6)
At 31 December 2020	(115)	(214)	(329)
Provided	(4)	(27)	(31)
System Fund expense	–	(4)	(4)
Fully depreciated assets written off	–	7	7
Disposals	66	21	87
Exchange and other adjustments	–	3	3
At 31 December 2021	**(53)**	**(214)**	**(267)**
Net book value			
At 31 December 2021	**52**	**85**	**137**
At 31 December 2020	93	108	201
At 1 January 2020	134	175	309

The Group's property, plant and equipment mainly comprises buildings and leasehold improvements on 19 hotels (2020: 23 hotels), but also offices and computer hardware, throughout the world.

In 2021, there were no impairments relating to property, plant and equipment and no indicators that impairment losses recognised in prior years may have reversed.

2020 impairment of property, plant and equipment
Total impairment charges of $90m were recognised in relation to property, plant and equipment in 2020, in addition $5m was recognised in the System Fund.

The recoverable amount of property, plant and equipment in the UK portfolio was measured at value in use, using a discounted cash flow approach. The key assumptions were 2021 revenues and profits, based on hotel budgets. For the purposes of impairment testing it was assumed that the landlord would exercise a termination right such that the current leases would end in 2022 and that the hotels would remain loss-making over this period. The recoverable amount of the property, plant and equipment tested for impairment was assessed as $nil resulting in an impairment charge of $50m. Estimated future cash flows were discounted at a pre-tax rate of 10.1%.

An impairment charge of $35m was also recognised on property, plant and equipment relating to three premium-branded hotels in North America. The recoverable amount was measured at value in use, using a discounted cash flow approach that measures the present value of projected income flows (over a 10-year period) and the income from the property sale. The key assumptions were RevPAR growth assuming a five-year period of recovery to 2019 levels, discount rates and terminal capitalisation rates. Cash flows beyond the five-year period were extrapolated using a US long-term growth rate of 1.7%. Estimated future cash flows were discounted at pre-tax rates of 11.0%-12.0% and capitalisation rates of 7.5%-9.0% were used to calculate the eventual sales values of the hotels. The hotels were sold in 2021 (see note 12).

Notes to the Group Financial Statements continued

14. Property, plant and equipment continued

Impairment charges of $3m were also recognised in relation to three land sites held by the Group in the US which were measured at fair value. The sites were appraised by a professional external valuer using comparable sales data. Within the fair value hierarchy, this is categorised as a Level 3 measurement.

Impairment charges of $7m were recognised in relation to property, plant and equipment in the US corporate headquarters. The key assumptions and sensitivities are detailed in note 15. $5m of this impairment charge was borne by the System Fund in line with the principles for cost allocation relating to this facility. The remaining $2m was recognised in the Americas region ($1m) and Central ($1m).

Net book value by operating segment

	Americas $m	EMEAA $m	Greater China $m	Central $m	Total $m
Land and buildings	**41**	**1**	**–**	**10**	**52**
Fixtures, fittings and equipment	**31**	**11**	**–**	**43**	**85**
	72	**12**	**–**	**53**	**137**

15. Leases

Right-of-use assets

	Property $m	Other $m	Total $m
Cost			
At 1 January 2020	822	5	827
Additions and other re-measurements	12	1	13
Derecognition	(93)	–	(93)
Terminations	(125)	(2)	(127)
Exchange and other adjustments	1	–	1
At 31 December 2020	617	4	621
Additions and other re-measurements	**4**	**–**	**4**
Terminations	**(6)**	**(1)**	**(7)**
Disposals	**(3)**	**–**	**(3)**
Exchange and other adjustments	**(5)**	**–**	**(5)**
At 31 December 2021	**607**	**3**	**610**
Depreciation and impairment			
At 1 January 2020	(335)	(2)	(337)
Provided	(34)	(1)	(35)
System Fund expense	(4)	–	(4)
Impairment charge	(16)	–	(16)
System Fund impairment charge	(32)	–	(32)
Derecognition	44	–	44
Terminations	64	1	65
Exchange and other adjustments	(3)	–	(3)
At 31 December 2020	(316)	(2)	(318)
Provided	**(26)**	**(1)**	**(27)**
System Fund expense	**(3)**	**–**	**(3)**
System Fund impairment reversal	**3**	**–**	**3**
Terminations	**4**	**1**	**5**
Disposals	**1**	**–**	**1**
Exchange and other adjustments	**3**	**–**	**3**
At 31 December 2021	**(334)**	**(2)**	**(336)**
Net book value			
At 31 December 2021	**273**	**1**	**274**
At 31 December 2020	301	2	303
At 1 January 2020	487	3	490

The Group's leased assets mainly comprise hotels and offices. Leases contain a wide range of different terms and conditions. The term of property leases ranges from 1-99 years. The weighted average lease term remaining on the Group's top eight leases (which comprise 94% of the right-of-use asset net book value) is 56 years. The InterContinental Boston lease, expiring in 2105, has a significant impact on this weighted average lease term. Undiscounted cash flows on the Boston lease of $3,252m (2020: $3,268m) represent 94% of the total undiscounted cash flows relating to lease liabilities disclosed in note 24.

15. Leases continued

Many of the Group's property leases contain extension or early termination options, which are used for operational flexibility. The lease agreement over the US corporate headquarters contains a material extension option which is not included in the calculation of the lease asset and liability as the extension would not take effect before 2031 and there is no reasonable certainty the option will be exercised. The value of the undiscounted rental payments relating to this lease and not included in the value of the lease asset and liability is $283m. Additionally, the Group has the option to extend the term of the InterContinental Boston lease for two additional 20-year terms, the first of which would take effect from 2105. These extension options have not been included in the calculation of the lease liability.

2021 impairment reversal of right-of-use assets

There were no impairments relating to leases held by the Group in 2021.

Impairment reversals of $3m were recognised in relation to the US corporate headquarters and arose as a result of contractual agreements to sublease or surrender certain areas for the remainder of the lease term, removing uncertainty over future cash flows for those areas.

The recoverable amount was measured at value in use, using a discounted cash flow based on the agreed contractual terms. A pre-tax discount rate of 9.5% was applied.

The impairment reversal was substantially all recognised in the System Fund in line with existing principles for cost allocation relating to this facility.

2020 impairment of right-of-use assets

For impairment testing of hotel properties, each hotel is deemed to be a CGU. In 2020, the impact of Covid-19 and the recovery period on trading was considered as a trigger for impairment testing for all hotel assets and an impairment charge of $5m was recognised relating to one hotel in the EMEAA region, based on value in use calculations. Trading projections reflected a five-year RevPAR recovery period to 2019 levels and estimated future cash flows were discounted at a pre-tax rate of 8.8%.

Additionally, impairment charges of $43m were recognised in relation to the US corporate headquarters following management approval of a decision to sublet approximately half of the space in the Group's US corporate headquarters. The area to be sublet was vacated in early 2021. Future sublease rentals are expected to be lower than the head lease rentals which, together with the impact of the expected time taken and costs incurred to sublet the space, resulted in an impairment charge of $50m at 31 December 2020, $7m of which related to property, plant and equipment.

The recoverable amount was measured at fair value less costs of disposal. This was equivalent to value in use given subletting the floors was considered to represent the highest and best use of the asset and so the cash flows were the same in both scenarios.

The key assumptions were the time taken to successfully sublet the whole space (over 2021-2023) and sublease rentals per square foot. A pre-tax discount rate of 8.5% was applied. Within the fair value hierarchy, this was categorised as a Level 3 fair value measurement. $32m of this impairment charge was borne by the System Fund in line with the principles for cost allocation relating to this facility. The remaining $11m was recognised in the Americas region ($5m) and Central ($6m).

Lease liabilities

The majority of the Group's lease liabilities are discounted at incremental borrowing rates of up to 11%. The rate implicit in the InterContinental Boston lease was 9.7% and was derived from a valuation of the hotel at lease inception in 2006.

	2021 $m	2020 $m
Currency		
US dollars	**374**	385
Sterling	**6**	10
Euros	**5**	7
Other	**34**	48
	419	450
Analysed as:		
Current	**35**	34
Non-current	**384**	416
	419	450

Notes to the Group Financial Statements continued

15. Leases continued

Amounts recognised in the Group income statement

	2021 $m	2020 $m	2019 $m
Depreciation of right-of-use assets	27	35	38
System Fund depreciation of right-of-use assets	3	4	5
Impairment charge	–	16	32
System Fund impairment (reversal)/charge	(3)	32	–
Derecognition of right-of-use assets and lease liabilities	–	(22)	–
Gain on lease termination	–	(30)	–
Expense relating to variable lease payments	31	7	58
Expense relating to short-term leases and low-value assets	1	2	3
Income from subleasing right-of-use assets	(1)	(1)	(2)
Recognised in operating profit/(loss)	58	43	134
Interest on lease liabilities	29	37	41
Total recognised in the Group income statement	87	80	175

Variable lease payments

Variable lease payments are payable under certain of the Group's hotel leases and arise where the Group is committed to making additional lease payments that are contingent on the performance of the hotels.

The UK portfolio leases and two German hotel leases contain guarantees that the Group will fund any shortfalls in lease payments up to an annual and cumulative cap. Since there is no floor to the rent reductions applicable under these leases, they are treated as fully variable. One of the German leases terminated in early 2022, following settlement of a commercial dispute.

Subleases

At 31 December 2021, the Group is party to certain operating sublease arrangements with the largest relating to the Group's US corporate headquarters. Sublease income relating to the US headquarters is principally recognised in the System Fund. The net book value of the related right-of-use assets is $1m. The depreciation charge for the year on these assets was $nil and sublease income recognised in the year on these and other leased assets was $1m (2020: $1m, 2019: $2m).

Operating sublease payments receivable	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Total $m
31 December 2021	2	2	5	9

The undiscounted future cash flows receivable from subleased properties amounted to $2m in 2020 and $3m in 2019.

Amounts recognised in the Group statement of cash flows

Total cash paid during the year relating to leases of $87m (2020: $104m, 2019: $159m) comprises $55m (2020: $39m, 2019: $100m) paid in respect of operating activities and $32m (2020: $65m, 2019: $59m) paid in respect of financing activities.

Exposure to future cash outflows

A lease liability is recorded when the leased assets are available for use by the Group.

In 2021, the Group signed an agreement to lease a new global head office in the UK for a period of 15 years at an average annual rental of approximately $3m. The lease was signed and commenced in January 2022.

At 31 December 2021 and 31 December 2020, the Group was not committed to future cash outflows in relation to any other leases that have not yet commenced.

The maturity analysis of lease liabilities is disclosed in note 24.

16. Investment in associates and joint ventures

	2021 $m	2020 $m
Cost		
At 1 January	**136**	145
Additions	**4**	17
Share of losses	**(8)**	(14)
System Fund share of losses	**(2)**	(1)
Dividends and distributions	**–**	(7)
Exchange and other adjustments	**2**	(4)
At 31 December	**132**	136
Impairment		
At 1 January	**(55)**	(35)
Charge for the year[a]	**–**	(23)
Exchange and other adjustments	**–**	3
At 31 December	**(55)**	(55)
Net book value	**77**	81
Analysed as:		
Material associates	**42**	43
Other associates	**35**	38

[a] In 2020, the $23m impairment charge was presented net of $4m gain on related put option (see note 6).

In 2021, there were no indicators of further impairment relating to investments in associates and no indicators that impairment losses recognised in prior years may have reversed.

Barclay associate

The Group held one material associate investment at 31 December 2021, a 19.9% interest in 111 East 48th Street Holdings, LLC (the 'Barclay associate') which owns InterContinental New York Barclay, a hotel managed by the Group. The investment is classified as an associate and equity accounted. Whilst the Group has the ability to exercise significant influence through certain decision rights, approval rights relating to the hotel's operating and capital budgets rest solely with the 80.1% majority member. The Group's ability to receive cash dividends is dependent on the hotel generating sufficient income to satisfy specified owner returns. $18m was provided in 2021 in relation to settlement of a commercial dispute regarding owner returns during the pandemic.

Due to the significant trading impact of Covid-19 and resulting restrictions in New York, the hotel was closed for most of 2020 and Spring 2021. The closure period and the significant impact on RevPAR during the recovery period resulted in an impairment charge of $13m in 2020. The recoverable amount of the investment was measured at fair value less costs of disposal, based on the Group's share of the market value of the hotel less debt in the associate. The hotel was appraised by a professional external valuer using an income capitalisation approach which is a discounted cash flow technique that measures the present value of projected income flows (over a 10-year period) and the property sale. Within the fair value hierarchy, this was categorised as a Level 3 fair value measurement. The external valuer assumed a return to 2019 RevPAR levels over a three- to four-year period, based on industry data specific to the New York market and supply factors in the luxury market located close to the InterContinental New York Barclay. The pre-tax discount and capitalisation rates used in the valuation were 7.5% and 6.0% respectively.

The 2020 impairment charge was presented net of a $4m fair value gain on a put option over part of the Group's investment in the associate given there is an interdependency between the value of the option and the fair value of the associate investment. This fair value gain reversed in 2021.

Notes to the Group Financial Statements continued

16. Investment in associates and joint ventures continued

Summarised financial information in respect of the Barclay associate is set out below:

31 December	2021 $m	2020 $m
Non-current assets	485	497
Current assets	38	32
Current liabilities	(32)	(19)
Non-current liabilities	(246)	(247)
Net assets	245	263
Group share of reported net assets at 19.9%	49	52
Adjustments to reflect impairment, capitalised costs, and additional rights and obligations under the shareholder agreement	(7)	(9)
Carrying amount	42	43

Year ended 31 December	2021 $m	2020 $m
Revenue	42	16
Loss from continuing operations and total comprehensive loss for the year	(24)	(52)
Group's share of loss for the year, including the cost of funding owner returns	(5)	(13)

In 2019, the Group's share of losses from the Barclay associate was $10m.

Other associates and joint ventures

	Associates			Joint ventures		
	2021 $m	2020 $m	2019 $m	2021 $m	2020 $m	2019 $m
(Losses)/profits from continuing operations and total comprehensive (loss)/income for the year	(3)	(3)	7	–	2	–

In 2020, impairment charges of $8m were recognised in relation to two associates, both in the Americas region. Cash flows were based on management forecasts covering a five-year period, and discounted at pre-tax rates of 12.0% and 8.4%, resulting in recoverable amounts of $1m and $4m respectively.

A further associate with a value of $5m at 31 December 2019 was liquidated in 2020. A final dividend of $3m was received and the remaining investment of $2m was impaired to $nil in 2020; the charge was recognised within Central costs.

$2m was received in 2020 on liquidation of a joint venture.

17. Other financial assets

	2021 $m	2020 $m
Equity securities	106	88
Restricted funds:		
Shortfall reserve deposit	6	9
Ring-fenced amounts to satisfy insurance claims:		
Cash	4	3
Money market funds	8	15
Bank accounts pledged as security	42	43
Other	1	3
	61	73
Trade deposits and loans	8	8
	175	169
Analysed as:		
Current	2	1
Non-current	173	168
	175	169

17. Other financial assets continued

Equity securities

The methodology to calculate fair value and the sensitivities to the relevant significant unobservable inputs are detailed in note 25.
The significant investments are as follows:

	2021 Fair value $m	2021 Dividend income $m	2020 Fair value $m	2020 Dividend income[a] $m
Investment in entity which owns:				
InterContinental The Willard Washington DC	25	–	22	–
InterContinental San Francisco	17	–	15	1
InterContinental Grand Stanford Hong Kong	35	–	27	–

[a] Reported within other operating income in the Group income statement.

Restricted funds

The shortfall reserve deposit is held for the specific purpose of funding shortfalls in owner returns relating to the Barclay associate. Any shortfalls funded are subject to potential clawback in future years. The maximum length of time for which the restricted funds will be held is the life of the hotel management agreement. $3m was withdrawn from the deposit during the year to fund working capital requirements. In 2020, $16m was withdrawn both in connection with the refinancing of the hotel's senior bank loan and to fund working capital requirements.

Amounts ring-fenced to satisfy insurance claims are principally held in the Group's Captive, which is a regulated entity (see note 21).

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 27). The amounts pledged as security may change in future years subject to the trustees' agreement and updated actuarial valuations. The bank accounts will continue to be pledged as security until the date at which the UK unfunded pension liabilities have been fully discharged, unless otherwise agreed with the trustees.

Expected credit losses

Other financial assets with a total value of $61m (2020: $66m) are subject to the expected credit loss model requirements of IFRS 9 'Financial Instruments'. Equity securities, money market funds and other amounts measured at fair value are excluded. With the exception of the expected credit loss arising on trade deposits and loans (see below), expected credit losses are considered to be immaterial.

Included within trade deposits and loans is an owner loan with a principal value of $6m where repayments due in 2021 and 2020 have not been received; and an owner loan with a principal value of $4m which became past due in 2021. These loans are impaired in full. Other trade deposits and loans are not past due. In 2021, $4m was collected in respect of an asset which was measured at $nil at initial recognition as part of a business acquisition.

	2021 $m	2020 $m
Trade deposits and loans:		
Gross and net balance with no significant increase in credit risk since initial recognition	6	4
Gross balance with a significant increase in credit risk since initial recognition	17	19
Provision for lifetime expected credit losses[a]	(15)	(15)

[a] Comprises $6m and $9m (2020: $6m and $9m) relating to the Americas and EMEAA regions respectively.

Credit risk

Restricted funds are held with bank counterparties which are rated at least A+ based on Standard and Poor's ratings.

The maximum exposure to credit risk of other financial assets at the end of the reporting period by geographic region is as follows:

	2021 $m	2020 $m
Americas	66	72
EMEAA	67	64
Greater China	42	33
	175	169

Notes to the Group Financial Statements continued

18. Trade and other receivables

	2021 $m	2020 $m
Trade receivables[a]	399	309
Other receivables	102	129
Prepayments	73	76
	574	514

[a] Including cost reimbursements of $23m (2020: $26m).

Other receivables includes $53m (2020: $77m) relating to the UK portfolio rent. The Group has deferred certain rent payments due since 1 April 2020 with consideration given to the UK Government and other commercial tenant protection measures which are in place up to 31 March 2022. A rent reconciliation was finalised in 2021 which resulted in credit notes being received against unpaid 2020 rentals. A further reconciliation will be performed in 2022, at which point amounts due at the end of 2021 will be eliminated. $29m (2020: $65m) has been recognised within trade and other payables in relation to the rents due under the leases at 31 December 2021, with the receivable balance reflecting the recovery of both amounts due and amounts paid in the year.

Expected credit losses

The ageing of trade receivables shown below reflects the initial terms under the invoice rather than the revised terms where payment flexibility has been provided to owners. The net balances presented in the table below could result in additional credit losses if they are ultimately found to be uncollectable. Expected credit losses relating to other receivables are immaterial.

	2021			2020		
	Gross $m	Credit loss allowance $m	Net $m	Gross $m	Credit loss allowance $m	Net $m
Not past due	249	(2)	247	153	(1)	152
Past due 1 to 30 days	66	(5)	61	59	(2)	57
Past due 31 to 90 days	52	(7)	45	61	(6)	55
Past due 91 to 180 days	36	(9)	27	40	(7)	33
Past due 181 to 360 days	38	(21)	17	74	(62)	12
Past due more than 361 days	91	(89)	2	n/a	n/a	n/a
	532	(133)	399	387	(78)	309

As a result of the increased credit risk faced from customers due to the pandemic the Group has increased its focus on older receivables. In 2021, this has resulted in both an increase in cash collections relating to older receivables and a reassessment of those receivables previously considered to be irrecoverable. $60m of fully provided receivables have been reinstated leading to an increase in both gross receivables and the expected credit loss provision. In addition, debts older than 180 days have been disclosed into further ageing categories. These changes have no impact on total amounts receivable, total credit loss provisions or the impairment loss recorded in the Group income statement.

	2021 $m	2020 $m
Movement in the allowance for expected lifetime credit losses		
At 1 January	(78)	(18)
Fully provided receivables reinstated	(60)	–
Impairment loss[a]	(4)	(40)
System Fund impairment reversal/(loss)	6	(24)
Amounts written off	8	7
Exchange and other adjustments	(5)	(3)
At 31 December	(133)	(78)

[a] The impairment loss on financial assets disclosed on the face of the Group income statement also includes a gain of $4m (2020: loss of $48m) related to trade deposits and loans.

Credit risk

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

	2021 $m	2020 $m
Americas	275	212
EMEAA	172	183
Greater China	54	43
	501	438

19. Cash and cash equivalents

	2021 $m	2020 $m
Cash at bank and in hand	124	104
Short-term deposits	301	358
Money market funds	1,025	892
Repurchase agreements	–	321
Cash and cash equivalents as recorded in the Group statement of financial position	1,450	1,675
Bank overdrafts (note 22)	(59)	(51)
Cash and cash equivalents as recorded in the Group statement of cash flows	1,391	1,624

Cash at bank and in hand includes bank balances of $67m (2020: $55m) which are matched by bank overdrafts of $59m (2020: $51m) under the Group's cash pooling arrangements. Under these arrangements, each pool contains a number of bank accounts with the same financial institution and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash-positive position with the matching overdrafts held by the Group's central treasury company in the UK. Accordingly, bank overdrafts are included within cash and cash equivalents for the purposes of the cash flow statement.

At 31 December 2021, $9m (2020: $5m) is restricted for use on capital expenditure under hotel lease agreements and therefore not available for wider use by the Group. An additional $77m (2020: $44m) is held within countries from which funds are not currently able to be repatriated to the Group's central treasury company.

Details of the credit risk on cash and cash equivalents is included in note 24.

20. Trade and other payables

	2021 $m	2020 $m
Current		
Trade payables	109	80
Other tax and social security payable	29	37
Other payables	119	146
Deferred purchase consideration (note 25)	–	13
Accruals	322	190
	579	466
Non-current		
Other payables	4	4
Deferred purchase consideration (note 25)	12	11
Contingent purchase consideration (note 25)	73	79
	89	94

Other payables includes $29m (2020: $65m) relating to the UK portfolio rent (see note 18).

21. Provisions

	Litigation and commercial disputes $m	Insurance reserves $m	Onerous contractual expenditure $m	Other $m	Total $m
At 31 December 2020	12	36	8	4	60
Provided, of which $25m is recorded within exceptional items	25	13	–	2	40
Utilised	(1)	(10)	–	–	(11)
Released	(2)	–	–	–	(2)
Reclassification from trade and other payables	3	–	–	–	3
At 31 December 2021	37	39	8	6	90
Analysed as:					
Current	36	10	2	1	49
Non-current	1	29	6	5	41
	37	39	8	6	90

Notes to the Group Financial Statements continued

21. Provisions continued

Litigation and commercial disputes

The increase in the provision in the year relates to the provisionally agreed cost of settling commercial disputes in the Americas and EMEAA regions. During the year the Group settled matters which alleged violations of anti-trust regulations; these matters were previously disclosed as a contingent liability.

The provision at 31 December 2020 principally related to management's best estimate of settlements required in respect of lawsuits filed against the Group in the Americas region. Settlement terms have been agreed and payments are expected to be made in 2022. There are certain amounts that the Group will pursue in relation to these matters, up to the full cost of settlement; as these amounts are not virtually certain as at 31 December 2021 they have not been recognised.

Insurance reserves

The Group holds insurance policies with third-party insurers against certain risks relating to its corporate operations and owned and leased properties, and also acts as third-party insurer for certain risks of its managed hotels. An element of these risks are reinsured through the Group's Captive insurance company, which reduces the cost of the Group's insurance policies.

The insurance reserves mainly relate to general third-party liability, US workers' compensation, global employee benefits and employment practices liability insurances. The amounts are based on reserves held principally in the Group's Captive insurance company, and are established using independent actuarial assessments wherever possible, or a reasonable assessment based on past claims experience provided primarily by third-party claims handlers and the third-party insurers.

Of the total reserves, $28m relates to incurred but not reported claims. The utilisation of these reserves is dependent on the timing of claims being reported and ultimately being settled; based on historical experience this is expected to be approximately five years for a majority of the claims.

Amounts utilised within the reserves are paid to a third-party insurer or a dedicated claims handler for subsequent settlement with the claimant. In order to protect the third-party insurer against the solvency risk of the Captive, the Group has outstanding letters of credit (see note 31).

Over and above the actuarially determined reserves, the Group is potentially exposed to claims with individual caps which do not exceed $4m for periods prior to 2011 and up to $62m (of which $53m is in respect of the last five policy years) in aggregate for periods since 2011, noting that actual claims did not differ significantly to estimates in 2021 or 2020.

In respect of the managed hotels, the Group received insurance premiums of $17m (2020: $19m, 2019: $19m) and incurred claims expense of $14m (2020: $16m, 2019: $18m). Insurance premiums earned are included in Central revenue.

Other

Includes dilapidations provisions.

22. Loans and other borrowings

	Maturity date	Discount at issue %	2021 $m	2020 $m
Current				
Bank overdrafts (note 19)	n/a	n/a	**59**	51
Commercial paper	16 March 2021	0.444	**–**	818
£173m 3.875% bonds 2022	28 November 2022	1.213	**233**	–
			292	869
Non-current				
£173m 3.875% bonds 2022	28 November 2022	1.213	**–**	235
€500m 1.625% bonds 2024	8 October 2024	0.437	**565**	611
£300m 3.75% bonds 2025	14 August 2025	0.986	**408**	413
£350m 2.125% bonds 2026	24 August 2026	0.550	**473**	479
€500m 2.125% bonds 2027	15 May 2027	0.470	**570**	618
£400m 3.375% bonds 2028	8 October 2028	1.034	**537**	542
			2,553	2,898
Total loans and other borrowings			**2,845**	3,767

Denominated in the following currencies:	2021 $m	2020 $m
Sterling	**1,652**	2,490
US dollars	**57**	31
Euros	**1,135**	1,242
Other	**1**	4
	2,845	3,767

Bonds

Interest is payable annually on the dates in the table above, at the rates stated above.

22. Loans and other borrowings continued

Commercial paper

In 2020, the Group issued £600m under the UK Government's Covid Corporate Financing Facility ('CCFF') which matured on 16 March 2021.

Syndicated and Bilateral Facilities

There were no amounts drawn as at 31 December 2021 or 31 December 2020.

The Syndicated Facility comprises a $1,275m revolving credit facility and the Bilateral Facility comprises a $75m revolving credit facility. Each is unsecured and contains the same terms and covenants (see note 24). A variable rate of interest is payable on amounts drawn under both facilities, which were undrawn throughout 2021. The maximum amount drawn in 2020 was $690m.

Facilities provided by banks

	2021		2020	
	Within 1 year $m	Between 1 and 2 years $m	Within 1 year $m	Between 2 and 5 years $m
Unutilised facilities				
Committed	–	1,350	–	1,350
Uncommitted	50	–	50	–

23. Net debt

	2021 $m	2020 $m
Cash and cash equivalents	1,450	1,675
Loans and other borrowings – current	(292)	(869)
– non-current	(2,553)	(2,898)
Lease liabilities – current	(35)	(34)
– non-current	(384)	(416)
Derivative financial instruments hedging debt values (note 24)	(67)	13
Net debt	(1,881)	(2,529)

Movement in net debt	2021 $m	2020 $m
Net (decrease)/increase in cash and cash equivalents, net of overdrafts	(236)	1,430
Add back financing cash flows in respect of other components of net debt:		
Principal element of lease payments	32	65
Issue of long-term bonds, including effect of currency swaps	–	(1,093)
Repayment/(issue) of commercial paper	828	(738)
Repayment of long-term bonds	–	290
Decrease in other borrowings	–	125
	860	(1,351)
Decrease in net debt arising from cash flows	624	79
Other movements:		
Lease liabilities	(7)	144
Increase in accrued interest	(1)	(5)
Disposals	3	19
Exchange and other adjustments	29	(101)
	24	57
Decrease in net debt	648	136
Net debt at beginning of the year	(2,529)	(2,665)
Net debt at end of the year	(1,881)	(2,529)

Information concerning Non-GAAP measures can be found in the Strategic Report on pages 73 to 77.

Net debt on a frozen GAAP basis as calculated for bank covenants was $1,801m (2020: $2,375m). Further details are provided on page 190.

Notes to the Group Financial Statements continued

23. Net debt continued

Loans and other borrowings (excluding bank overdrafts), lease liabilities and currency swaps comprise the liabilities included in the financing activities section of the Group statement of cash flows and their movements are analysed as follows:

	At 1 January 2021 $m	Financing cash flows $m	Exchange adjustments $m	Disposal $m	Other[a] $m	At 31 December 2021 $m
Lease liabilities	450	(32)	(3)	(3)	7	419
£173m 3.875% bonds 2022	235	–	(3)	–	1	233
€500m 1.625% bonds 2024	611	–	(48)	–	2	565
£300m 3.75% bonds 2025	413	–	(5)	–	–	408
£350m 2.125% bonds 2026	479	–	(6)	–	–	473
€500m 2.125% bonds 2027	618	–	(48)	–	–	570
£400m 3.375% bonds 2028	542	–	(7)	–	2	537
Commercial paper	818	(828)	13	–	(3)	–
	4,166	(860)	(107)	(3)	9	3,205
Currency swaps	17	–	–	–	45	62
	4,183	(860)	(107)	(3)	54	3,267

	At 1 January 2020 $m	Financing cash flows $m	Exchange adjustments $m	Disposal $m	Other[a,b] $m	At 31 December 2020 $m
Unsecured bank loans	125	(125)	–	–	–	–
Lease liabilities	680	(65)	(2)	(19)	(144)	450
£173m 3.875% bonds 2022	528	(290)	–	–	(3)	235
€500m 1.625% bonds 2024	–	585	26	–	–	611
£300m 3.75% bonds 2025	399	–	13	–	1	413
£350m 2.125% bonds 2026	462	–	16	–	1	479
€500m 2.125% bonds 2027	564	–	53	–	1	618
£400m 3.375% bonds 2028	–	511	29	–	2	542
Commercial paper	–	738	78	–	2	818
	2,758	1,354	213	(19)	(140)	4,166
Currency swaps (exchange of principal)	20	(3)	–	–	–	17
Currency swaps (initial fee received)	–	3	–	–	(3)	–
	2,778	1,354	213	(19)	(143)	4,183

[a] The change in value of currency swaps represents fair value movements.

[b] Included $90m lease termination relating to InterContinental San Juan (see note 6).

24. Financial risk management and derivative financial instruments

Overview

The Group is exposed to financial risks that arise in relation to underlying business activities. These risks include: market risk, liquidity risk, credit risk and capital risk. There are Board approved policies in place to manage these risks. Treasury activities to manage these risks may include money market funds, repurchase agreements, spot and forward foreign exchange instruments, currency swaps, interest rate swaps and forward rate agreements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises: foreign exchange risk and interest rate risk. Financial instruments affected by market risk include loans and other borrowings, cash and cash equivalents, debt and equity investments and derivatives.

Foreign exchange risk

The US dollar is the predominant currency of the Group's revenue and cash flows. Movements in foreign exchange rates can affect the Group's reported profit or loss, net liabilities and its interest cover. The most significant exposures of the Group are in currencies that are freely convertible. The Group's reported debt has an exposure to borrowings held in sterling and euros. After the effect of currency swaps, the Group holds its bond debt in sterling which is the primary currency of shareholder returns. US dollars are also borrowed when required to reflect the predominant trading currency and act as a net investment hedge of US dollar denominated assets.

The Group transacted currency swaps at the same time as the €500m 2.125% 2027 and €500m 1.625% 2024 bonds were issued in November 2018 and October 2020 respectively in order to swap the bonds' proceeds and interest flows into sterling (see page 189).

Interest rate risk

The Group is exposed to interest rate risk in relation to its fixed and floating rate borrowings. The Group's policy requires a minimum of 50% fixed rate debt over the next 12 months. With the exception of overdrafts, 100% of borrowings were fixed rate debt at 31 December 2021 (2020: 100%).

24. Financial risk management and derivative financial instruments continued

Derivative financial instruments

Derivatives are recorded in the Group statement of financial position at fair value (see note 25) as follows:

Description	Hedge relationship	2021 $m	2020 $m
Put option	None	–	4
Currency swaps	Cash flow hedge	(62)	(17)
		(62)	(13)
Analysed as:			
Non-current assets		–	5
Non-current liabilities		(62)	(18)
		(62)	(13)

The carrying amount of currency swaps of $62m liability (2020: $17m liability) comprises $67m loss (2020: $13m gain) relating to exchange movements on the underlying principal, included within net debt (see note 23), and $5m gain (2020: $30m loss) relating to other fair value movements.

Details of the credit risk on derivative financial instruments are included on page 191.

Cash flow hedges

Currency swaps have been transacted to swap the proceeds from the euro bonds to sterling as follows:

Date of designation	Pay leg	Interest rate	Receive leg	Interest rate	Maturity	Risk	Hedge type	Hedged item
November 2018	£436m	3.5%	€500m	2.125%	May 2027	Foreign exchange	Cash flow	€500m 2.125% bonds 2027
October 2020	£454m	2.7%	€500m	1.625%	October 2024	Foreign exchange	Cash flow	€500m 1.625% bonds 2024

There is an economic relationship between the hedged item and the hedging instrument as the critical terms are aligned, such that the hedge ratio is 1:1.

The change in the fair value of hedging instruments used to measure hedge ineffectiveness in the period mirrors that of the hypothetical derivative (hedged item) and was $40m loss (2020: $7m gain).

Hedge ineffectiveness arises where the cumulative change in the fair value of the swaps exceeds the change in fair value of the future cash flows of the bonds, and may be due to any opening fair value of the hedging instrument, or a change in the credit risk of the Group or counterparty. There was no ineffectiveness in 2021 or 2020.

Amounts recognised in the cash flow hedge reserves are analysed in note 29.

Net investment hedges

The Group designates the following as net investment hedges of its foreign operations, being the net assets of certain Group subsidiaries with a US dollar functional currency:

- Borrowings under the Syndicated and Bilateral Facilities; and
- Short-dated foreign exchange swaps.

The designated risk is the spot foreign exchange risk and interest on these financial instruments is taken through financial income or expense.

Short-dated foreign exchange swaps are used when needed to manage sterling surplus cash and reduce US dollar borrowings whilst maintaining operational flexibility. No short-dated foreign exchange swaps have been held since the first quarter of 2020.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a foreign exchange risk that will match the foreign exchange risk on the US dollar borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component.

The change in value of hedging instruments recognised in the currency translation reserve through other comprehensive income was $nil (2020: $1m loss). There was no ineffectiveness recognised in the Group income statement during the current or prior year.

Notes to the Group Financial Statements continued

24. Financial risk management and derivative financial instruments continued

Interest and foreign exchange risk sensitivities

The following table shows the impact of a general strengthening in the US dollar against sterling and euro on the Group's profit or loss before tax and net liabilities, and the impact of a rise in US dollar, euro and sterling interest rates on the Group's profit or loss before tax. The impact of the strengthening in the euro against sterling on net liabilities is also shown, as this impacts the fair value of the currency swaps.

		2021 $m	2020 $m	2019 $m
Increase/(decrease) in profit before tax				
Sterling: US dollar exchange rate	5¢ fall	**7.0**	5.9	4.0
Euro: US dollar exchange rate	5¢ fall	**0.2**	0.3	(2.6)
US dollar interest rates	1% increase	**7.1**	2.2	(1.6)
Sterling interest rates	1% increase	**5.2**	12.9	0.6
Decrease in net liabilities				
Sterling: US dollar exchange rate	5¢ fall	**29.1**	30.2	39.9
Euro: US dollar exchange rate	5¢ fall	**49.7**	50.6	24.1
Sterling: euro exchange rate	5¢ fall	**67.4**	68.2	33.0

In 2021 and 2020, interest rate sensitivity relates to cash balances and would only be realised to the extent deposit rates increase by 1%.

Interest rate sensitivities include the impact of hedging and are calculated based on the year-end net debt position.

Liquidity risk

Group policy ensures sufficient liquidity is maintained to meet all foreseeable medium-term cash requirements and provide headroom against unforeseen obligations.

Cash and cash equivalents are held in short-term deposits, repurchase agreements, and cash funds which allow daily withdrawals of cash. Most of the Group's funds are held in the UK or US, although $77m (2020: $44m) is held in countries where repatriation is restricted (see note 19).

Medium and long-term borrowing requirements are met through committed bank facilities and bonds as detailed in note 22. Short-term borrowing requirements may be met from drawings under uncommitted overdrafts and facilities.

The Syndicated and Bilateral Facilities contain two financial covenants: interest cover and a leverage ratio. Covenants are monitored on a 'frozen GAAP' basis excluding the impact of IFRS 16 'Leases' and are tested at half year and full year on a trailing 12-month basis.

The interest cover covenant requires a ratio of Covenant EBITDA:Covenant interest payable above 3.5:1 and the leverage ratio requires Covenant net debt: Covenant EBITDA of below 3.5:1. Covenant EBITDA is calculated (on a frozen GAAP basis) as operating profit before exceptional items, depreciation and amortisation and System Fund revenues and expenses.

These covenants were waived from 30 June 2020 through 31 December 2021 and have been relaxed for test dates in 2022. A temporary minimum liquidity covenant of $400m is tested at each test date up to and including 31 December 2022. For covenant purposes, liquidity is defined as unrestricted cash and cash equivalents (net of bank overdrafts) plus undrawn facilities with a remaining term of at least six months.

	2019 and prior	30 June 2020 to 31 December 2021	30 June 2022	31 December 2022	30 June 2023
Amended covenant test levels for Syndicated and Bilateral Facilities					
Leverage	<3.5x	waived	<7.5x	<6.5x	<3.5x
Interest cover	>3.5x	waived	>1.5x	>2.0x	>3.5x
Liquidity	n/a	$400m	$400m	$400m	n/a

The measures used in the covenant tests are calculated on a frozen GAAP basis and do not align to the values reported by the Group as Non-GAAP measures:

	2021	2020	2019
Covenant EBITDA ($m)	**601**	272	897
Covenant net debt ($m)	**1,801**	2,375	2,241
Covenant interest payable ($m)	**133**	111	99
Leverage	**3.00**	8.73	2.50
Interest cover	**4.52**	2.45	9.06
Liquidity ($m)	**2,655**	2,925	n/a

The interest margin payable on the Syndicated and Bilateral Facilities is linked to the leverage ratio and can vary between USD LIBOR + 0.90% and USD LIBOR + 2.75%.

24. Financial risk management and derivative financial instruments continued

The following are the undiscounted contractual cash flows of financial liabilities, including interest payments. Liabilities relating to the Group's deferred compensation plan are excluded; their settlement is funded entirely by the realisation of the related deferred compensation plan investments and no net cash flow arises.

31 December 2021	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	More than 5 years $m	Total $m
Non-derivative financial liabilities:					
Bank overdrafts	59	–	–	–	59
£173m 3.875% bonds 2022	241	–	–	–	241
€500m 1.625% bonds 2024	9	9	575	–	593
£300m 3.75% bonds 2025	15	15	435	–	465
£350m 2.125% bonds 2026	10	10	502	–	522
€500m 2.125% bonds 2027	12	12	36	578	638
£400m 3.375% bonds 2028	18	18	55	575	666
Lease liabilities	58	49	123	3,212	3,442
Trade and other payables (excluding deferred and contingent purchase consideration)	550	2	1	2	555
Deferred and contingent purchase consideration	–	–	52	42	94
Derivative financial liabilities:					
Currency swaps hedging €500m 1.625% bonds 2024 outflows	16	16	628	–	660
Currency swaps hedging €500m 1.625% bonds 2024 inflows	(9)	(9)	(575)	–	(593)
Currency swaps hedging €500m 2.125% bonds 2027 outflows	21	21	62	598	702
Currency swaps hedging €500m 2.125% bonds 2027 inflows	(12)	(12)	(36)	(578)	(638)

31 December 2020	Less than 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	More than 5 years $m	Total $m
Non-derivative financial liabilities:					
Bank overdrafts	51	–	–	–	51
£173m 3.875% bonds 2022	9	245	–	–	254
€500m 1.625% bonds 2024	10	10	634	–	654
£300m 3.75% bonds 2025	15	15	456	–	486
£350m 2.125% bonds 2026	10	10	31	488	539
€500m 2.125% bonds 2027	13	13	39	640	705
£400m 3.375% bonds 2028	19	18	55	601	693
Commercial paper	819	–	–	–	819
Lease liabilities	57	55	136	3,257	3,505
Trade and other payables (excluding deferred and contingent purchase consideration)	416	2	1	1	420
Deferred and contingent purchase consideration	13	5	13	81	112
Derivative financial liabilities:					
Currency swaps hedging €500m 1.625% bonds 2024 outflows	16	16	652	–	684
Currency swaps hedging €500m 1.625% bonds 2024 inflows	(10)	(10)	(634)	–	(654)
Currency swaps hedging €500m 2.125% bonds 2027 outflows	21	21	63	627	732
Currency swaps hedging €500m 2.125% bonds 2027 inflows	(13)	(13)	(39)	(640)	(705)

Credit risk

Credit risk on cash and cash equivalents is minimised by operating a policy on the investment of surplus cash that generally restricts counterparties to those with a BBB- credit rating or better or those providing adequate security. The Group uses long-term credit ratings from Standard and Poor's, Moody's and Fitch Ratings as a basis for setting its counterparty limits.

In order to manage the Group's credit risk exposure, the treasury function sets counterparty exposure limits using metrics including credit ratings, the relative placing of credit default swap pricings, tier 1 capital and share price volatility of the relevant counterparty.

Repurchase agreements are fully collateralised investments, with a maturity of three months or less. The Group accepts only government or supranational bonds where the lowest credit rating is AA- or better as collateral. In the event of default, ownership of these securities would revert to the Group. The securities held as collateral are to protect against default by the counterparty.

The Group's exposure to credit risk arises from default of the counterparty, with the maximum exposure equal to the carrying amount of each financial asset, including derivative financial instruments. The expected credit loss on cash and cash equivalents is considered to be immaterial.

Notes to the Group Financial Statements continued

24. Financial risk management and derivative financial instruments continued

The table below analyses the Group's short-term deposits, money market funds and repurchase agreement collateral classified as cash and cash equivalents by counterparty credit rating:

31 December 2021	AAA $m	AA $m	AA- $m	A+ $m	A $m	A- $m	Total $m
Short-term deposits	–	–	87	45	169	–	301
Money market funds	1,025	–	–	–	–	–	1,025

31 December 2020	AAA $m	AA $m	AA- $m	A+ $m	A $m	A- $m	Total $m
Short-term deposits	–	–	98	165	94	1	358
Money market funds	892	–	–	–	–	–	892
Repurchase agreement collateral	238	65	18	–	–	–	321

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. The structure is managed with the objective of maintaining 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 adjusted EBITDA. The Group has a stated aim of maintaining this ratio at 2.5x to 3.0x. The ratio at 31 December 2021 (which differs from the ratio as calculated on a frozen GAAP basis for covenant tests) was 2.98 (2020: 7.69).

The Group currently has a senior unsecured long-term credit rating of BBB- from Standard and Poor's. In the event this rating was downgraded below BBB- there would be an additional step-up coupon of 1.25% payable on the bonds which would result in additional interest of approximately $35m per year.

25. Classification and measurement of financial instruments

Accounting classification and fair value hierarchy

		2021				2020			
	Hierarchy of fair value measurement	Fair value[a] $m	Amortised cost $m	Not categorised as a financial instrument $m	Total $m	Fair value[a] $m	Amortised cost $m	Not categorised as a financial instrument $m	Total $m
Financial assets									
Other financial assets	1,3[b]	114	61	–	175	103	66	–	169
Cash and cash equivalents	1	1,025	425	–	1,450	892	783	–	1,675
Derivative financial instruments	2,3[c]	–	–	–	–	5	–	–	5
Deferred compensation plan investments	1	256	–	–	256	236	–	–	236
Trade and other receivables	–	–	501	73	574	–	438	76	514
Financial liabilities									
Derivative financial instruments	2	(62)	–	–	(62)	(18)	–	–	(18)
Deferred compensation plan liabilities	1	(256)	–	–	(256)	(236)	–	–	(236)
Loans and other borrowings	–	–	(2,845)	–	(2,845)	–	(3,767)	–	(3,767)
Trade and other payables	3	(73)	(566)	(29)	(668)	(79)	(444)	(37)	(560)

[a] With the exception of equity securities, which are measured at fair value through other comprehensive income, all are measured at fair value through profit or loss. Of those, the financial assets related to the deferred compensation plan investments were designated as such upon initial recognition.

[b] Of those measured at fair value, $8m (2020: $15m) are Level 1 and $106m (2020: $88m) are Level 3.

[c] In 2020, $1m were Level 2 and $4m were Level 3.

25. Classification and measurement of financial instruments continued

Financial assets and liabilities measured at amortised cost whose carrying amount is not a reasonable approximation of fair value are as follows:

	Hierarchy of fair value measurement	2021 Carrying value $m	2021 Fair value $m	2020 Carrying value $m	2020 Fair value $m
Deferred purchase consideration	2	**(12)**	**(13)**	(24)	(26)
£173m 3.875% bonds 2022	1	**(233)**	**(239)**	(235)	(248)
€500m 1.625% bonds 2024	1	**(565)**	**(585)**	(611)	(630)
£300m 3.75% bonds 2025	1	**(408)**	**(428)**	(413)	(448)
£350m 2.125% bonds 2026	1	**(473)**	**(471)**	(479)	(489)
€500m 2.125% bonds 2027	1	**(570)**	**(601)**	(618)	(650)
£400m 3.375% bonds 2028	1	**(537)**	**(566)**	(542)	(603)

Right of offset

Other than in relation to cash pooling arrangements (see note 19), there are no financial instruments with a significant fair value subject to enforceable master netting arrangements and other similar agreements that are not offset in the Group statement of financial position.

Valuation techniques

Money market funds, deferred compensation plan investments and bonds

The fair value of money market funds, deferred compensation plan investments and bonds is based on their quoted market price.

Unquoted equity securities

Unquoted equity securities are fair valued using a discounted cash flow model, either internally or using professional external valuers. The significant unobservable inputs used to determine the fair value of the equity securities are RevPAR growth (based on the market-specific growth assumptions used by external valuers), pre-tax discount rate which ranged from 6.3% to 9.3% (2020: 6.4% to 10.0%), and a non-marketability factor which ranged from 20.0% to 30.0% (2020: 20.0% to 30.0%).

Applying a one-year slower/faster RevPAR recovery period would result in a $7m (2020: $6m/$8m) (decrease)/increase in fair value respectively. A one percentage point increase/decrease in the discount rate would result in a $9m (2020: $12m/$16m) (decrease)/increase in fair value respectively. A five percentage point increase/decrease in the non-marketability factor would result in a $6m (2020: $5m) (decrease)/increase in fair value respectively.

Derivative financial instruments

Currency swaps are measured at the present value of future cash flows discounted back based on quoted forward exchange rates and the applicable yield curves derived from quoted interest rates. Adjustments for credit risk use observable credit default swap spreads.

The put option over part of the Group's investment in the Barclay associate has been valued as the excess of the amount receivable under the option (which is based on the Group's capital invested to date) over fair value. In 2021, the fair value of the hotel was derived from a limited update to the 2020 appraisals, provided by a professional external valuer. In 2020, the fair value of the hotel was based on the value as calculated for impairment testing using discounted future cash flows as described in note 16.

Deferred purchase consideration

Deferred purchase consideration arose in respect of the acquisition of Regent, and comprises the present value of $13m payable in 2024. The first instalment of $13m was paid in 2021. The discount rate applied is based on observable US corporate bond rates of similar term to the expected payment date.

Contingent purchase consideration

Regent $73m (2020: $74m)

In 2018, the Group acquired a 51% controlling interest in Regent Hospitality Worldwide, Inc ('RHW'), with put and call options existing over the remaining 49% shareholding exercisable in a phased manner from 2026 to 2033. The Group has a present ownership interest in the remaining shares and the acquisition was accounted for as 100% owned with no non-controlling interest recognised and contingent purchase consideration comprising the present value of the expected amounts payable on exercise of the options based on the annual trailing revenue of RHW in the year preceding exercise with a floor applied.

The value of the contingent purchase consideration is subject to periodic reassessment as interest rates and RHW revenue expectations change. At 31 December 2021, it is assumed that $39m will be paid in 2026 to acquire an additional 25% of RHW with the remaining 24% acquired in 2028 for $42m. This assumes that the options will be exercised at the earliest permissible date which is consistent with the assumption made on acquisition. The amount recognised is the discounted value of the total expected amount payable of $81m. The discount rate applied is based on observable US corporate bond rates of similar term to the expected payment dates. The range of possible outcomes remains unchanged from the date of acquisition at $81m to $261m (undiscounted).

The significant unobservable inputs used to determine the fair value of the contingent purchase consideration are the projected trailing revenues of RHW and the date of exercising the options. If the annual trailing revenue of RHW were to exceed the floor by 10%, the amount of the contingent purchase consideration recognised in the Group Financial Statements would increase by $7m (2020: $7m). If the date for exercising the options is assumed to be 2033, the amount of the undiscounted contingent purchase consideration would be $86m (2020: $86m).

Notes to the Group Financial Statements continued

25. Classification and measurement of financial instruments continued

UK portfolio $nil (2020: $nil)

The contingent purchase consideration comprises the present value of the above-market element of the expected lease payments to the lessor. The above-market assessment is determined by comparing the expected lease payments as a percentage of forecast hotel operating profit (before depreciation and rent) with market metrics, on a hotel by hotel basis. There is no floor to the amount payable and no maximum amount. Market rents were initially determined with assistance of professional third-party advisers. The fair value is subject to periodic reassessment as interest rates and expected lease payments change.

A fair value adjustment of $21m was recognised in 2020, resulting in a reduction to the value of the liability arising mainly from a reduction in expected future rentals payable such that there is no above-market element (see note 6). No further adjustment has been made in 2021. The fair value is not sensitive to reasonably possible changes in assumptions.

Six Senses $nil (2020: $5m)

The conditions related to a pipeline property have not been met such that no amounts will be paid.

Level 3 reconciliation

	Other financial assets $m	Derivative financial instruments $m	Contingent purchase consideration $m
At 1 January 2020	128	–	(91)
Additions	5	–	–
Transfers into Level 3	8	–	–
Repayments and disposals	(5)	–	–
Valuation losses recognised in other comprehensive income	(47)	–	–
Unrealised changes in fair value[a]	–	4	13
Exchange and other adjustments	(1)	–	(1)
At 31 December 2020	88	4	(79)
Additions	**3**	**–**	**–**
Valuation gains recognised in other comprehensive income	**15**	**–**	**–**
Unrealised changes in fair value[b]	**–**	**(4)**	**6**
At 31 December 2021	**106**	**–**	**(73)**

[a] $21m fair value gain on contingent purchase consideration and $4m gain on derivative financial instruments were presented as exceptional items in the Group income statement. The remaining $8m fair value loss on contingent purchase consideration related to Regent.

[b] The change in the fair value of derivative financial instruments is recognised within other impairment charges in the Group income statement and is presented as an exceptional item.

26. Reconciliation of profit/(loss) for the year to cash flow from operations

	2021 $m	2020 $m	2019 $m
Profit/(loss) for the year	**265**	(260)	386
Adjustments for:			
Net financial expenses	**139**	140	115
Fair value gains on contingent purchase consideration	**(6)**	(13)	(27)
Income tax charge/(credit)	**96**	(20)	156
Operating profit adjustments:			
Impairment loss on financial assets	**–**	88	8
Other impairment charges	**4**	226	131
Other operating exceptional items	**25**	(4)	55
Depreciation and amortisation	**98**	110	116
	127	420	310
Contract assets deduction in revenue	**35**	25	21
Share-based payments cost	**28**	21	30
Share of losses of associates and joint ventures	**8**	14	3
	71	60	54
System Fund adjustments:			
Depreciation and amortisation	**94**	62	54
Impairment (reversal)/loss on financial assets	**(6)**	24	12
Other impairment (reversals)/charges	**(3)**	41	–
Other operating exceptional items	**–**	20	28
Share-based payments cost	**13**	11	12
Share of losses of associates	**2**	1	–
	100	159	106
Working capital and other adjustments:			
Increase in deferred revenue	**39**	1	57
Decrease in inventories	**1**	1	–
(Increase)/decrease in trade and other receivables	**(75)**	38	(70)
Increase/(decrease) in trade and other payables	**153**	(69)	(63)
Other adjustments	**(8)**	2	(1)
	110	(27)	(77)
Cash flows relating to exceptional items	**(12)**	(87)	(55)
Contract acquisition costs, net of repayments	**(42)**	(64)	(61)
Total adjustments	**583**	568	521
Cash flow from operations	**848**	308	907

27. Retirement benefits

UK

Since 6 August 2014, UK retirement and death in service benefits are provided for eligible employees by the IHG UK Defined Contribution Pension Plan. Members, including those who have been auto-enrolled since 1 September 2013, are provided with defined contribution arrangements under this plan; benefits are based on each individual member's personal account. The plan is HM Revenue & Customs registered and governed by an independent trustee, assisted by professional advisers as and when required. The overall operation of the plan is subject to the oversight of The Pensions Regulator.

The former defined benefit plan, the InterContinental Hotels UK Pension Plan, was wound up on 21 July 2015 following the completion of the buy-out and transfer of the defined benefit obligations to Rothesay Life on 31 October 2014.

Residual defined benefit obligations remain in respect of additional benefits provided to members of an unfunded pension arrangement ('UK plan') who were affected by lifetime or annual allowances under the former defined benefit arrangements. Accrual under this arrangement ceased with effect from 1 July 2013 and a cash-out offer in 2014 resulted in the extinguishment of approximately 70% of the unfunded pension obligations. The Group meets the benefit payment obligations of the remaining members as they fall due. A charge over certain ring-fenced bank accounts totalling $42m (£31m) at 31 December 2021 (see note 17) is currently held as security on behalf of the remaining members.

Notes to the Group Financial Statements continued

27. Retirement benefits continued

US

During 2018, the Group completed a termination of the US funded Inter-Continental Hotels Pension Plan, which involved certain qualifying members receiving lump-sum cash-out payments with the remaining pension obligations subject to a buy-out by Banner Life Insurance Company, a subsidiary of Legal & General America.

The Group continues to maintain the unfunded Inter-Continental Hotels Non-qualified Pension Plans ('US plans') and unfunded Inter-Continental Hotels Corporation Postretirement Medical, Dental, Vision and Death Benefit Plan ('US post-retirement plan'), both of which are defined benefit plans. Both plans are closed to new members. A Retirement Committee, comprising senior Group employees and assisted by professional advisers as and when required, has responsibility for oversight of the plans.

Movement in UK and US retirement benefit obligations

	Defined benefit obligation			Fair value of plan assets			Net defined benefit obligation		
	2021 $m	2020 $m	2019 $m	**2021 $m**	2020 $m	2019 $m	**2021 $m**	2020 $m	2019 $m
At 1 January	**103**	96	91	**–**	–	–	**103**	96	91
Recognised in profit or loss									
Interest expense	**2**	3	3	**–**	–	–	**2**	3	3
	2	3	3	**–**	–	–	**2**	3	3
Recognised in other comprehensive income									
Actuarial (gain)/loss arising from changes in:									
Demographic assumptions	**(3)**	(3)	(1)	**–**	–	–	**(3)**	(3)	(1)
Financial assumptions	**(3)**	10	9	**–**	–	–	**(3)**	10	9
Experience adjustments	**(1)**	1	(1)	**–**	–	–	**(1)**	1	(1)
Re-measurement (gain)/loss	**(7)**	8	7	**–**	–	–	**(7)**	8	7
Exchange adjustments	**(1)**	2	1	**–**	–	–	**(1)**	2	1
	(8)	10	8	**–**	–	–	**(8)**	10	8
Other									
Group contributions	**–**	–	–	**(5)**	(6)	(6)	**(5)**	(6)	(6)
Benefits paid	**(5)**	(6)	(6)	**5**	6	6	**–**	–	–
	(5)	(6)	(6)	**–**	–	–	**(5)**	(6)	(6)
At 31 December	**92**	103	96	**–**	–	–	**92**	103	96
Comprising:									
UK plan	**30**	31	26	**–**	–	–	**30**	31	26
US plans	**45**	50	48	**–**	–	–	**45**	50	48
US post-retirement plan	**17**	22	22	**–**	–	–	**17**	22	22
	92	103	96	**–**	–	–	**92**	103	96

Assumptions

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

	2021 %	2020 %	2019 %
UK plan only:			
Pension increases	**3.4**	3.0	2.7
Inflation rate	**3.4**	3.0	2.7
Discount rate:			
UK plan	**1.8**	1.4	2.1
US plans	**2.4**	1.9	2.9
US post-retirement plan	**2.4**	2.0	2.9
US healthcare cost trend rate assumed for the next year:			
Pre-65 (ultimate rate reached in 2031)	**6.2**	6.4	6.7
Post-65 (ultimate rate reached in 2031)	**6.5**	6.8	7.1
Ultimate rate that the cost rate trends to	**4.5**	4.5	4.5

Mortality is the most significant demographic assumption. The current assumptions for the UK are based on the S3PA 'light' year of birth tables with projected mortality improvements using the CMI_2020 model and a 1.25% per annum long-term trend and a smoothing parameter ('s-kappa') of 7.5 with weightings of 95% and 82% for pensioners and 98% and 81% for non-pensioners, male and female respectively. In the US, the current assumptions use rates from the Pri-2012 Mortality Study and Generationally Projected with Scale MP-2021 mortality tables.

27. Retirement benefits continued

The assumptions applied to the UK plan and US plans for life expectancy at retirement age are as follows:

		UK			US		
		2021 Years	2020 Years	2019 Years	2021 Years	2020 Years	2019 Years
Current pensioners at 65[a]	– male	**24**	24	24	**22**	22	21
	– female	**26**	26	26	**23**	23	23
Future pensioners at 65[b]	– male	**25**	25	25	**23**	23	22
	– female	**28**	28	28	**25**	24	24

[a] Relates to assumptions based on longevity (in years) following retirement at the end of the reporting period.

[b] Relates to assumptions based on longevity (in years) relating to an employee retiring in 2041.

The assumptions allow for expected increases in longevity.

Sensitivities

Changes in assumptions used for determining retirement benefit costs and obligations may have an impact on the Group income statement and the Group statement of financial position. The key assumptions are the discount rate, the rate of inflation, the assumed mortality rate and the healthcare costs trend rate. The sensitivity analysis below relates to the benefit obligation and is based on extrapolating reasonable changes in these assumptions, using year-end conditions and assuming no interdependency between the assumptions:

		2021 $m	2020 $m
Increase/(decrease) in liabilities			
Discount rate	0.25% decrease	**2.8**	3.2
	0.25% increase	**(2.8)**	(3.2)
Inflation rate	0.25% decrease	**(1.2)**	(1.4)
	0.25% increase	**1.3**	1.4
Mortality rate	One-year increase	**5.1**	5.7
Healthcare costs trend rate	1% decrease	**(1.2)**	(1.6)
	1% increase	**1.3**	1.7

Estimated future benefit payments

	2021 $m	2020 $m
Within one year	**5**	6
Between one and five years	**21**	22
More than five years	**96**	101
	122	129

Average duration of pension obligations

	2021 Years	2020 Years
UK plan	**19.0**	19.0
US plans	**9.0**	9.3
US post-retirement plan	**9.4**	9.9

Other pension plans

Philippines

The Group maintains a further, immaterial, pension plan for employees in the Philippines which is accounted for as a defined benefit plan.

At 31 December 2021, the net retirement benefit asset was $2m comprising plan assets of $9m and a defined benefit obligation of $7m. Plan assets comprise $7m domestic government securities and $2m domestic equity investments.

Contributions in the year were $1m; the charge to the Group income statement and all other movements were less than $1m.

Key assumptions used in the valuation are the discount rate of 5.0% and the rate of salary increases of 7.0% (after 2022). The weighted average duration of liabilities is 13 years; estimated future benefit payments are less than $1m in all years.

Defined contribution schemes

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.

Notes to the Group Financial Statements continued

28. Share-based payments

Annual Performance Plan

Under the IHG Annual Performance Plan ('APP'), eligible employees (including Executive Directors) can receive all or part of their bonus in the form of deferred shares and/or receive one-off awards of shares. Deferred shares are released on the third anniversary of the award date. Under the terms of awards that are referred to in this note, a fixed percentage of the award is made in the form of shares. Awards under the APP are conditional on the participants remaining in the employment of a participating company or leaving for a qualifying reason as per the plan rules. The grant of deferred shares under the APP is at the discretion of the Remuneration Committee.

The number of shares is calculated by dividing a specific percentage of the participant's annual performance-related award by the average of the middle market quoted prices on the three consecutive business days following the announcement of the Group's results for the relevant financial year.

Long Term Incentive Plan

The Long Term Incentive Plan ('LTIP') allows Executive Directors and eligible employees to receive conditional share awards, which normally have a vesting period of three years. In addition, certain awards to Executive Directors are subject to a further two-year holding period after vesting.

Performance-related awards: Executive Directors, and other eligible employees, are granted share awards containing performance-based vesting conditions set by the Remuneration Committee, which are normally measured over the vesting period.

Restricted stock units: Awards to eligible employees are granted subject to continued employment.

Awards are normally made annually and, except in exceptional circumstances, will not exceed 3.5 times salary for eligible employees.

Colleague Share Plan

The Colleague Share Plan gives eligible corporate employees the opportunity to purchase shares up to an annual limit of $1,000 (or local currency equivalent limit) or such other amount determined by the Board or its duly authorised committee. After the end of the plan year, the participant will be awarded the right to receive one matching share for every purchased share (subject to continued employment). If the participant holds the purchased shares until the second anniversary of the end of the plan year, the conditional right to matching shares vests. During the year, 31,234 (2020: 36,298, 2019: nil) shares were purchased by participating employees. Matching shares were awarded for the first cycle in 2021 and will vest after 12 months.

The total fair value of the Colleague Share Plan is not significant.

More detailed information on the performance measures for awards to Executive Directors is shown in the Directors' Remuneration Report on pages 104 to 125.

Costs relating to share-based payment transactions

	2021 $m	2020 $m	2019 $m
Equity-settled			
Operating profit before System Fund and exceptional items	**26**	19	28
Operating exceptional items	**–**	–	1
System Fund	**13**	11	12
	39	30	41
Cash-settled			
Operating profit before System Fund and exceptional items	**2**	2	2
	41	32	43

No consideration was received in respect of ordinary shares issued under option schemes during 2021, 2020 or 2019.

The Group uses separate option pricing models and assumptions depending on the plan.

	APP			LTIP		
	Binomial valuation model			Monte Carlo Simulation and Binomial valuation model		
	2021	2020	2019	2021	2020	2019
Weighted average share price (pence)	**5,009.0**	3,771.0	4,597.0	**4,980.0**	3,450.0	4,850.0
Expected dividend yield				**1.11%**	1.48%	2.16%
Risk-free interest rate				**0.09%**	0.02%	0.72%
Volatility[a]				**43%**	33%	19%
Term (years)	**1.5**	3.0	3.0	**3.0**	3.0	3.0

[a] 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.

28. Share-based payments continued

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

	APP	LTIP	
	Number of shares thousands	Performance-related awards Number of shares thousands	Restricted stock units Number of shares thousands
Outstanding at 1 January 2019	591	1,088	1,301
Granted	217	287	540
Vested	(276)	(293)	(422)
Share capital consolidation	(21)	–	–
Lapsed or cancelled	(15)	(387)	(144)
Outstanding at 31 December 2019	496	695	1,275
Granted	138	383	696
Vested	(188)	(179)	(413)
Lapsed or cancelled	(33)	(85)	(137)
Outstanding at 31 December 2020	413	814	1,421
Granted	**90**	**281**	**442**
Vested	**(147)**	**(70)**	**(391)**
Lapsed or cancelled	**(8)**	**(153)**	**(122)**
Outstanding at 31 December 2021	**348**	**872**	**1,350**

Fair value of awards granted during the year (cents)			
2021	**6,888.5**	**4,676.3**	**6,559.7**
2020	4,965.9	2,473.5	4,397.5
2019	5,888.7	4,985.6	5,862.1

Weighted average remaining contract life (years)			
At 31 December 2021	**0.5**	**1.2**	**1.2**
At 31 December 2020	1.0	1.4	1.3
At 31 December 2019	1.1	1.3	1.2

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

The weighted average share price at the date of exercise for share awards vested during the year was 5,081.2p (2020: 4,874.5p). The closing share price on 31 December 2021 was 4,781.0p and the range during the year was 4,399.0p to 5,336.0p.

29. Equity

Equity share capital

	Number of shares millions	Nominal value $m	Share premium $m	Equity share capital $m
Allotted, called up and fully paid				
At 1 January 2019 (ordinary shares of 19$^{17}/_{21}$p each)	197	50	96	146
Share capital consolidation	(10)	–	–	–
Exchange adjustments	–	2	3	5
At 31 December 2019 (ordinary shares of 20$^{340}/_{399}$p each)	187	52	99	151
Exchange adjustments	–	1	4	5
At 31 December 2020 (ordinary shares of 20$^{340}/_{399}$p each)	187	53	103	156
Exchange adjustments	**–**	**–**	**(2)**	**(2)**
At 31 December 2021 (ordinary shares of 20$^{340}/_{399}$p each)	**187**	**53**	**101**	**154**

The authority given to the Company at the AGM held on 7 May 2021 to purchase its own shares was still valid at 31 December 2021. A resolution to renew the authority will be put to shareholders at the AGM on 6 May 2022.

The Company no longer has an authorised share capital.

In October 2018, the Group announced a $500m return of funds to shareholders by way of a special dividend and share consolidation. On 11 January 2019, shareholders approved the share consolidation on the basis of 19 new ordinary shares of 20$^{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 at a cost of $510m. The dividend and share consolidation had the same economic effect as a share repurchase at fair value, therefore previously reported earnings per share was not restated.

Notes to the Group Financial Statements continued

29. Equity continued

Shares held by employee share trusts

	Number of shares millions	Carrying value $m	Market value $m
31 December 2021	**0.9**	**21.7**	**57.3**
31 December 2020	0.1	1.4	3.1
31 December 2019	0.1	4.9	9.6

Treasury shares

During 2021, 1.4m (2020: 0.6m, 2019: 0.8m) treasury shares were transferred to the employee share trusts. At 31 December 2021, 3.7m shares (2020: 5.1m, 2019: 5.7m) with a nominal value of $1.0m (2020: $1.4m, 2019: $1.6m) were held as treasury shares.

Cash flow hedge reserves

	Cash flow hedge reserves		
	Cash flow hedge reserve $m	Cost of hedging reserve $m	Total $m
At 1 January 2019	(3)	(1)	(4)
Costs of hedging deferred and recognised in other comprehensive income	–	(6)	(6)
Change in fair value of currency swaps recognised in other comprehensive income	(34)	–	(34)
Reclassified from other comprehensive income to profit or loss – included in financial expenses	38	–	38
At 31 December 2019	1	(7)	(6)
Costs of hedging deferred and recognised in other comprehensive income	–	(6)	(6)
Change in fair value of currency swaps recognised in other comprehensive income	(1)	–	(1)
Reclassified from other comprehensive income to profit or loss – included in financial expenses	(13)	–	(13)
Deferred tax	4	–	4
Exchange adjustments	(2)	–	(2)
At 31 December 2020	(11)	(13)	(24)
Costs of hedging deferred and recognised in other comprehensive income	**–**	**2**	**2**
Change in fair value of currency swaps recognised in other comprehensive income	**(62)**	**–**	**(62)**
Reclassified from other comprehensive income to profit or loss – included in financial expenses	**96**	**–**	**96**
Deferred tax	**(7)**	**–**	**(7)**
At 31 December 2021	**16**	**(11)**	**5**

Amounts reclassified from other comprehensive income to financial expenses comprise $15m (2020: $9m, 2019: $8m) net interest payable on the currency swaps and an exchange loss of $81m (2020: $22m gain, 2019: $30m loss) which offsets a corresponding gain or loss on the hedged bonds.

30. Capital and other commitments

	2021 $m	2020 $m
Contracts placed for expenditure not provided for in the Group Financial Statements		
Property, plant and equipment	**13**	17
Intangible assets	**4**	2
	17	19

The Group has also committed to invest a further $6m (2020: $6m) in one of its associates.

31. Contingencies and guarantees

Security incidents

In 2016, the Group was notified of data security incidents. Two lawsuits related to these have been settled in full. A further claim, filed in 2017, remains open. There continues to be uncertainty around the timing of the legal process; accordingly the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

A separate claim was filed in 2019, alleging a breach of the reservation system previously used by Kimpton. There continues to be uncertainty around the timing of the legal process; accordingly the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

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. These legal claims and proceedings are in various stages and include disputes related to specific hotels where the potential materiality is not yet known; 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. Two such disputes in the EMEAA region are expected to be resolved in early 2022.

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 Group Financial Statements (see note 21), 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.

Third-party bank loans

In limited cases, the Group may guarantee part of mortgage loans made to facilitate third-party ownership of hotels under IHG management or franchise agreements. These guarantee arrangements are treated as insurance contracts as IHG is insuring the bank against default by the hotel, with a liability only being recognised in the event that a payout becomes probable. At 31 December 2021, there were guarantees of up to $69m in place (2020: $56m). During 2020 and 2021, the underlying mortgage loans were subject to periods of forbearance, deferring debt service payments; and/or, in the case of several loans, were modified to be interest only through a given time period.

The largest guarantee is $21m and the underlying loan matures in 2029. The underlying managed hotel has been subject to forbearance agreements and, as at 31 December 2021, the covenant test related to the loan is met. The possibility of a payment under the guarantee is currently considered to be not probable although uncertainty remains as to the continued impact of the pandemic. Should the Group fund any amount under the guarantee, there is a cross-indemnity that the Group would seek to pursue for the other parties' share.

Other

At 31 December 2021, the Group had outstanding letters of credit of $45m (2020: $43m) mainly relating to the Group's Captive (see note 21). The letters of credit do not have set expiry dates, but are reviewed and amended as required.

In 2020, the Group made business insurance claims in relation to a small number of owned, leased and managed properties relating to the impact of Covid-19. These claims are ongoing and it is not currently possible to determine the amounts which may ultimately be recovered.

Notes to the Group Financial Statements continued

32. Related party disclosures

	2021 $m	2020 $m	2019 $m
Total compensation of key management personnel			
Short-term employment benefits	**19.3**	10.5	15.8
Contributions to defined contribution pension plans	**0.5**	0.3	0.5
Equity compensation benefits[a]	**8.1**	2.3	12.1
	27.9	13.1	28.4

[a] As measured in accordance with IFRS 2 'Share-based Payment'.

There were no other transactions with key management personnel during the years ended 31 December 2021, 2020 or 2019. Key management personnel comprises the Board and Executive Committee.

	2021 $m	2020 $m	2019 $m
Associates			
Fee revenue from associates	**3**	1	10
Amounts owed by associates	**11**	11	3
Amounts owed to associates	**–**	(4)	(4)

The Group has given a guarantee of $12m (2020: $12m) against the bank loan of one associate (see note 31) and has a performance guarantee with a maximum exposure remaining of $10m (2020: $10m) for another associate.

The Group funds shortfalls in owner returns relating to the Barclay associate (see note 17). In addition, loans both to and from the Barclay associate of $237m (2020: $237m) are offset in accordance with the provisions of IAS 32 'Financial Instruments: Presentation' and presented net in the Group statement of financial position. Interest payable and receivable under the loans is equivalent (average interest rate of 0.9% in 2021 (2020: 0.8%)) and presented net in the Group income statement. $18m was provided in 2021 in relation to settlement of a commercial dispute regarding owner returns during the pandemic (see note 6).

33. System Fund

System Fund revenues comprise:

	2021 $m	2020 $m	2019 $m
Assessment fees and contributions received from hotels	**727**	490	1,036
Loyalty programme revenues, net of the cost of point redemptions	**201**	275	337
	928	765	1,373

System Fund expenses include:

	2021 $m	2020 $m	2019 $m
Marketing	**147**	109	461
Payroll costs (note 4)	**304**	242	313
Depreciation and amortisation	**94**	62	54
Impairment (reversal)/loss on financial assets (note 18)	**(6)**	24	12
Other impairment (reversals)/charges	**(3)**	41	–

34. Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of entities in which the Group has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2021 are disclosed below. Unless otherwise stated, the ownership interest disclosed comprises either ordinary shares, certificated or un-certificated membership interests which are indirectly held by InterContinental Hotels Group PLC.

Fully owned subsidiaries
24th Street Operator Sub, LLC (k)
36th Street IHG Sub, LLC (k)
426 Main Ave, LLC (k)
46 Nevins Street Associates, LLC (k)
2250 Blake Street Hotel, LLC (k)
Alpha Kimball Hotel, LLC (k)
Asia Pacific Holdings Limited (n)
Barclay Operating Corp. (cj)
BHMC Canada Inc. (o)
BHR Holdings B.V. (p)
BHR Pacific Holdings, Inc. (k)
BHTC Canada Inc. (o)
Blythswood Square Glasgow Hotel OpCo Ltd. (n)
BOC Barclay Sub, LLC (cj)
Bristol Oakbrook Tenant Company (k)
Cambridge Lodging, LLC (k)
Capital Lodging, LLC (k)
CF Irving Owner, LLC (k)
CF McKinney Owner, LLC (k)
CF Waco Owner, LLC (k)
Compañia Inter-Continental De Hoteles El Salvador SA (n)
Crowne Plaza, LLC (k)
Cumberland Akers Hotel, LLC (k)
Dunwoody Operations, LLC (k)
Edinburgh George Street Hotel OpCo Ltd. (n)
Edinburgh IC Limited (cr)
EVEN Real Estate Holding, LLC (k)
General Innkeeping Acceptance Corporation (b) (l)
Grand Central Glasgow Hotel OpCo Limited (n)
Guangzhou SC Hotels Services Ltd. (t)
H.I. Soaltee Management Company Ltd. (ac)
HI Sugarloaf, LLC (ci)
Hale International Ltd. (v)
HC International Holdings, Inc. (w)
HH France Holdings SAS (x)
HH Hotels (EMEA) B.V. (p)
HH Hotels (Romania) SRL (y)
HIM (Aruba) NV (z)
Hoft Properties, LLC (k)
Holiday Hospitality Franchising, LLC (k)
Holiday Inn Mexicana S.A. de C.V. (ab)
Holiday Inns (China) Ltd. (ac)
Holiday Inns (Courtalin) Holding SAS (x)
Holiday Inns (Courtalin) SAS (x)
Holiday Inns (England) Limited (cy)
Holiday Inns (Germany), LLC (l)
Holiday Inns (Jamaica) Inc. (l)
Holiday Inns (Middle East) Limited (ac)
Holiday Inns (Philippines), Inc. (l)
Holiday Inns (Saudi Arabia), Inc. (l)
Holiday Inns (Thailand) Limited (ac)
Holiday Inns (UK), Inc. (l)
Holiday Inns Crowne Plaza (Hong Kong), Inc. (l)
Holiday Inns Holdings (Australia) Pty Limited (aa)
Holiday Inns Inc. (k)
Holiday Inns Investment (Nepal) Limited (ac)
Holiday Inns of America (UK) Limited (cb)
Holiday Inns of Belgium N.V. (ad)
Holiday Pacific Equity Corporation (k)
Holiday Pacific, LLC (k)
Holiday Pacific Partners, LP (k)
Hotel InterContinental London (Holdings) Limited (n)
Hotel Inter-Continental London Limited (n)
Hoteles Y Turismo HIH SRL (n)
IC Hotelbetriebsführungs GmbH (ae)
IC Hotels Management (Portugal) Unipessoal, Lda (af)
IC International Hotels Limited Liability Company (ag)
IHC Arabia for Management, LLC (u)
IHC Buckhead, LLC (ci)
IHC Edinburgh (Holdings) (cy)
IHC Hopkins (Holdings) Corp. (k)
IHC Hotel Limited (n)
IHC Inter-Continental (Holdings) Corp. (k)
IHC London (Holdings) (n)
IHC May Fair (Holdings) Limited (cb)
IHC May Fair Hotel Limited (n)
IHC M-H (Holdings) Corp. (k)
IHC Overseas (U.K.) Limited (n)
IHC UK (Holdings) Limited (cy)
IHC United States (Holdings) Corp. (b) (k)
IHC Willard (Holdings) Corp. (k)
IHG (Marseille) SAS (x)
IHG (Myanmar) Limited (ah)
IHG (Thailand) Limited (bu)
IHG Amsterdam Management BV (p)
IHG Bangkok Ltd. (v)
IHG Brasil Administracao de Hoteis e Servicos Ltda (ak)
IHG Civ Holding Main Fund, LLC (k)
IHG Commissions Services SRL (co)
IHG Community Development, LLC (ci)
IHG de Argentina SA (al)
IHG ECS (Barbados) SRL (co)
IHG Franchising Brasil Ltda. (bd)
IHG Franchising DR Corporation (k)
IHG Franchising, LLC (k)
IHG Hotels (New Zealand) Limited (an)
IHG Hotels Limited (n)
IHG Hotels Management (Australia) Pty Limited (b) (aa)
IHG Hotels Nigeria Limited (ao)
IHG Hotels South Africa (Pty) Limited (ap)
IHG International Partnership (n)
IHG Istanbul Otel Yönetim Limited Sirketi (bx)
IHG Japan (Management), LLC (ar)
IHG Japan (Osaka), LLC (ar)
IHG Management (Maryland), LLC (as)
IHG Management (Netherlands) B.V. (p)
IHG Management d.o.o. Beograd (cc)
IHG Management MD Barclay Sub, LLC (cj)
IHG Management SL d.o.o. (bo)
IHG Mexico Operaciones SA de CV (ab)
IHG Orchard Street Member, LLC (k)
IHG Peru SRL (cf)
IHG PS Nominees Limited (n)
IHG Sermex SA de CV (ab)
IHG Systems Pty Ltd. (b) (aa)
IHG Szalloda Budapest Szolgaltato Kft. (at)
IHG Technology Solutions, LLC (k)
IND East Village SD Holdings, LLC (k)
InterContinental Berlin Service Company GmbH (au)
InterContinental (Branston) 1 Limited (c) (cy)
InterContinental (PB) 1 (n)
InterContinental (PB) 3 Limited (n)
InterContinental Brasil Administracao de Hoteis Ltda (q)
Intercontinental D.C. Operating Corp. (k)
Inter-Continental Florida Investment Corp. (k)
Inter-Continental Florida Partner Corp. (k)
InterContinental Gestion Hotelera SLU (by)
Intercontinental Hospitality Corporation (k)
InterContinental Hotel Berlin GmbH (au)
InterContinental Hotel Düsseldorf GmbH (av)
Inter-Continental Hoteleira Limitada (aw)
Inter-Continental Hotels (Montreal) Operating Corp. (ax)
Inter-Continental Hotels (Montreal) Owning Corp. (ax)
InterContinental Hotels (Puerto Rico) Inc. (az)
Inter-Continental Hotels (Singapore) Pte. Ltd. (ai)
Inter-Continental Hotels Corporation (k)
Intercontinental Hotels Corporation de Venezuela C.A. (ba)
Intercontinental Hotels Corporation Limited (b) (m)
InterContinental Hotels Group (Asia Pacific) Pte Ltd. (ai)
InterContinental Hotels Group (Australia) Pty Limited (aa)
InterContinental Hotels Group (Canada) Inc. (o)
InterContinental Hotels Group (España) SAU (by)
InterContinental Hotels Group (Greater China) Limited (ac)
InterContinental Hotels Group (India) Pvt. Ltd. (aq)
InterContinental Hotels Group (Japan) Inc. (l)
InterContinental Hotels Group (New Zealand) Limited (an)
InterContinental Hotels Group (Shanghai) Ltd. (bb)
InterContinental Hotels Group Customer Services Limited (n)
InterContinental Hotels Group do Brasil Limitada (bc)
InterContinental Hotels Group Healthcare Trustee Limited (n)
InterContinental Hotels Group Operating Corp. (e) (k)
InterContinental Hotels Group Resources, LLC (b) (k)
InterContinental Hotels Group Services Company (n)
InterContinental Hotels Italia, S.r.L. (be)
InterContinental Hotels Limited (a) (n)
InterContinental Hotels Management GmbH (bf)
InterContinental Hotels Management Montenegro d.o.o. (ce)
InterContinental Hotels Nevada Corporation (ck)
InterContinental Hotels of San Francisco Inc. (k)
Intercontinental IOHC (Mauritius) Limited (bg)
InterContinental Management AM, LLC (cm)
InterContinental Management Bulgaria EOOD (bp)
InterContinental Management France SAS (x)
InterContinental Management Poland sp. Z.o.o (cn)
InterContinental Overseas Holdings, LLC (k)
KG Benefits, LLC (aj)
KG Gift Card Inc. (aj)
KG Liability, LLC (k)
KG Technology, LLC (k)
KHRG 851, LLC (k)
KHRG Aertson, LLC (k)
KHRG Allegro, LLC (k)
KHRG Argyle, LLC (k)
KHRG Atlanta Midtown, LLC (k)
KHRG Austin Beverage Company, LLC (k)
KHRG Baltimore, LLC (k)
KHRG Born, LLC (k)
KHRG Boston Hotel, LLC (k)
KHRG Bozeman, LLC (k)
KHRG Buckhead, LLC (k)
KHRG Canary, LLC (k)
KHRG Cayman, LLC (k)
KHRG Cayman Employer Ltd. (k)
KHRG Dallas, LLC (k)
KHRG Dallas Beverage Company, LLC (k)
KHRG Employer, LLC (k)
KHRG Goleta, LLC (k)
KHRG Gray, LLC (k)
KHRG Gray U2, LLC (k)
KHRG Huntington Beach, LLC (k)
KHRG Key West, LLC (k)
KHRG King Street, LLC (k)
KHRG La Peer, LLC (k)
KHRG Miami Beach, LLC (k)
KHRG Muse, LLC (k)
KHRG New Orleans, LLC (k)
KHRG NPC, LLC (k)

Notes to the Group Financial Statements continued

34. Group companies continued

KHRG Palladian, LLC (k)
KHRG Palomar Phoenix, LLC (k)
KHRG Philly Monaco, LLC (k)
KHRG Pittsburgh, LLC (k)
KHRG Porsche Drive, LLC (k)
KHRG Reynolds, LLC (k)
KHRG Riverplace, LLC (k)
KHRG Sacramento, LLC (k)
KHRG Schofield, LLC (k)
KHRG SFD, LLC (k)
KHRG SF Wharf, LLC (k)
KHRG SF Wharf U2, LLC (k)
KHRG South Beach, LLC (k)
KHRG State Street, LLC (k)
KHRG Sutter, LLC (k)
KHRG Sutter Union, LLC (k)
KHRG Taconic, LLC (k)
KHRG Tariff, LLC (k)
KHRG Texas Hospitality, LLC (k)
KHRG Texas Operations, LLC (k)
KHRG Tryon, LLC (k)
KHRG Vero Beach, LLC (k)
KHRG Vintage Park, LLC (k)
KHRG VZ Austin, LLC (k)
KHRG Wabash, LLC (k)
KHRG Westwood, LLC (k)
KHRG Wilshire, LLC (k)
Kimpton Hollywood Licenses, LLC (k)
Kimpton Hotel & Restaurant Group, LLC (k)
Kimpton Phoenix Licenses Holdings, LLC (k)
Louisiana Acquisitions Corp. (k)
Luxury Resorts and Spas (France) SAS (ct)
Manchester Oxford Street Hotel OpCo Limited (n)
Mercer Fairview Holdings, LLC (k)
Met Leeds Hotel OpCo Limited (n)
MH Lodging, LLC (k)
Oxford Spires Hotel OpCo Limited (n)
Oxford Thames Hotel OpCo Limited (n)
PML Services, LLC (as)
Pollstrong Limited (n)
Powell Pine, Inc. (k)
Priscilla Holiday of Texas, Inc. (cl)
PT Regent Indonesia (bh)
PT SC Hotels & Resorts Indonesia (bh)
Raison d'Etre Holdings (BVI) Limited (v)
Raison d'Etre Services (BVI) Limited (v)
Raison d'Etre Spas, LLC (k)
Raison d'Etre Spas, Sweden AB (db)
Regent Asia Pacific Hotel Management Ltd. (bw)
Regent Asia Pacific Management Ltd. (cp)
Regent Berlin GmbH (cq)
Regent International Hotels Ltd (bw)
Resort Services International (Cayo Largo) L.P. (ci)
Roxburghe Hotel Edinburgh OpCo Limited (n)
Russell London Hotel OpCo Limited (n)
SBS Maryland Beverage Company, LLC (as)
SC Hotels International Services, Inc. (k)
SC Leisure Group Limited (n)
SC NAS 2 Limited (n)
SC Quest Limited (n)
SC Reservations (Philippines) Inc. (l)
SCH Insurance Company (bi)
SCIH Branston 3 (cy)
Semiramis for training of Hotel Personnel and Hotels Management SAE (ch)
SF MH Acquisition, LLC (k)
Six Continents Holdings Limited (n)
Six Continents Hotels de Colombia SA (bj)
Six Continents Hotels International Limited (n)
Six Continents Hotels, Inc. (k)
Six Continents International Holdings B.V. (p)
Six Continents Investments Limited (f) (n)
Six Continents Limited (n)
Six Continents Overseas Holdings Limited (n)
Six Continents Restaurants Limited (cy)
SixCo North America, Inc (w)
Six Senses Americas IP, LLC (k)
Six Senses Capital Pte. Ltd (ay)
Six Senses North America Management, LLC (k)
SLC Sustainable Luxury Cyprus Limited (cs)
SPHC Management Ltd. (bq)
St David's Cardiff Hotel OpCo Limited (n)
Sustainable Luxury Holdings (BVI) Limited (v)
Sustainable Luxury Lanka Pvt. Ltd (cv)
Sustainable Luxury Maldives Private Limited (cw)
Sustainable Luxury Mauritius Limited (cx)
Sustainable Luxury Services (BVI) Limited (v)
Sustainable Luxury Singapore Private Limited (ai)
Sustainable Luxury UK Limited (n)
Sustainable Luxury USA Limited (cz)
The Grand Central Hotel Glasgow Limited (n)
The Met Hotel Leeds Limited (n)
The Principal Edinburgh George Street Limited (n)
The Principal London Limited (n)
The Principal Manchester Limited (n)
The Principal York Limited (n)
The Roxburghe Hotel Edinburgh Limited (s)
Vista Rockville FF&E, LLC (as)
White Shield Company Limited (bk)
Wotton House Hotel OpCo Limited (n)
WY BLL Owner, LLC (k)
York Station Road Hotel OpCo Limited (n)

Subsidiaries where the effective interest is less than 100%

IHG ANA Hotels Group Japan LLC (74.66%) (ar)
IHG ANA Hotels Holdings Co., Ltd. (66%) (ar)
Regent Hospitality Worldwide, Inc. (51%) (bt)
Sustainable Luxury Holding (Thailand) Limited (73.99%) (c) (j) (cu)
Sustainable Luxury Hospitality (Thailand) Limited (73.99%) (c) (j) (cu)
Sustainable Luxury Management (Thailand) Limited (49%) (c) (j) (cu)
Sustainable Luxury Operations (Thailand) Ltd. (99.99%) (j) (cu)
Universal de Hoteles SA (99.99%) (j) (bj)
World Trade Centre Montreal Hotel Corporation (74.11%) (bl)

Associates, joint ventures and other

111 East 48th Street Holdings LLC (19.9%) (g) (h) (k)
Alkoer, Sociedad de Responsabilidad Limitada de Capital Variable (50%) (h) (cg)
Beijing Orient Express Hotel Co., Ltd. (16.15%) (bm)
Blue Blood (Tianjin) Equity Investment Management Co., Limited (30.05%) (bn)
Carr Clark SWW Subventure, LLC (26.67%) (g) (ca)
Carr Waterfront Hotel, LLC (11.46%) (g) (h) (ca)
China Hotel Investment Limited (30.05%) (i) (am)
Desarrollo Alkoer Irapuato S. de R.L. de C.V. (50%) (cg)
Desarrollo Alkoer Saltillo S. de R.L. de C.V. (50%) (cg)
Desarrollo Alkoer Silao S. de R.L. de C.V. (50%) (cg)
EDG Alpharetta EH, LLC (0%) (d) (h) (r)
Gestion Hotelera Gestel, C.A. (50%) (c) (h) (ba)
Groups360, LLC (13.05%) (h) (k)
H.I. Soaltee Hotel Company Private Ltd. (26%) (br)
Inter-Continental Hotels Saudi Arabia Limited (40%) (bs)
NF III Seattle, LLC (25%) (g) (r)
NF III Seattle Op Co, LLC (25%) (g) (r)
Nuevas Fronteras S.A. (23.66%) (cd)
President Hotel & Tower Co Ltd. (30%) (bu)
Shanghai Yuhuan Industrial Development Co., Ltd. (1%) (da)
Sustainable Luxury Gravity Global Private Limited (51%) (h) (bz)
SURF-Samui Pte. Ltd. (49%) (ay)
Tianjin ICBCI IHG Equity Investment Fund Management Co., Limited (21.04%) (bv)

Key

(a) Directly owned by InterContinental Hotels Group PLC
(b) Ordinary shares and preference shares
(c) Ordinary A and ordinary B shares
(d) 8% cumulative preference shares
(e) ¼ vote ordinary shares and ordinary shares
(f) Ordinary shares, 5% cumulative preference shares and 7% cumulative preference shares
(g) The entities do not have share capital and are governed by an operating agreement
(h) Accounted for as associates and joint ventures due to IHG's decision-making rights contained in the partnership agreement
(i) Accounted for as another financial asset due to IHG being unable to exercise significant influence over the financial and operating policy decisions of the entity
(j) Minority interest relates to one or more individual shareholders who are employed or were previously employed by the entity

34. Group companies continued

Registered addresses

(k) 3411 Silverside Road, Tatnall Building #104, Wilmington, DE 19810, USA
(l) 205 Powell Place, 37027 Brentwood, TN 37027, USA
(m) Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
(n) Broadwater Park, Denham, Buckinghamshire, UB9 5RH, UK
(o) 333 Bay Street, Suite 400, Toronto M5H 2R2, Ontario, Canada
(p) Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands
(q) Alameda Jau 536, Suite 3s-A, 01420-000, São Paulo, Brazil
(r) The Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA
(s) Caledonian Exchange, 19a Canning Street, Edinburgh, EH3 8HE, UK
(t) Building 4, No 13 Xiao Gang Zhong Ma Road, Zhuhai District, Guangzhou, Guangdong, P.R. China
(u) Level 6, Akaria Plaza, North Wing, Gate D, Olaya Street, PO Box 93228, Riyahd 1148, KSA
(v) Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola VG1110, British Virgin Islands
(w) Wilmington Trust SP Services, Inc. 1105 North Market Street, Suite 1300, Wilmington, DE 19801, USA
(x) 31-33 rue Mogador, 75009 Paris, France
(y) Bucharest, 1st District, 50-52 Buzesti St, 83 module, 11 floor, Romania
(z) 230 J E Irausquin Boulevard, Palm Beach, Aruba
(aa) Level 11, 20 Bond Street, Sydney NSW 2000, Australia
(ab) Ontario # 1010, Col. Providencia, Guadalajara, Jalisco CP44630, Mexico
(ac) Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong SAR
(ad) Rond-Point Robert Schuman 11, 1040 Brussels, Belgium
(ae) QBC 4 – Am Belvedere 4, 1100, Vienna, Austria
(af) Avenida da Republica, no 52 – 9, 1069 – 211, Lisbon, Portugal
(ag) 24, Rusakovskaya Str., Moscow 107014, Russian Federation
(ah) No. 84, Pan Haliain Street, Unit #1, Level 8, Uniteam Marine Office Building, Sanchuang Township, Yangon, Myanmar
(ai) 230 Victoria Street, #13-00 Bugis Junction Towers, 188024, Singapore
(aj) 4640 Admiralty Way, 5th Floor, Marina del Rey, CA 90292, USA
(ak) Alameda Jau 536, Suite 3S-B, 01420-000 São Paulo, Brazil
(al) Avenida Cordoba 1547, piso 8, oficina A, Buenos Aires, Argentina
(am) The Phoenix Centre, George Street, Belleville St. Michael, Barbados
(an) Level 10, 55 Shortland Street, Auckland Central, Auckland 1010, New Zealand
(ao) 1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria
(ap) Central Office Park Unit 4, 257 Jean Avenue, Centurion 0157, South Africa
(aq) 11th Floor, Building No. 10, Tower C, DLF Phase-II, DLF Cyber City, Gurgaon, Haryana-122002, India
(ar) 20th Floor, Toranomon Kotoshira Tower, 2-8, Toranomon 1-chom, Minato-ku, Tokyo, Japan
(as) 2 Wisconsin Circle #700, Chevy Chase, MD, 20815, USA
(at) 1052 Budapest, Apáczai Csere János u. 12-14A, Hungary
(au) Budapester Str. 2, 10787 Berlin, Germany
(av) Konigsallee 59, D-40215, Dusseldorf, Germany
(aw) Alameda Jau 536, Suite 3S-E, 01420-000 São Paulo, Brazil
(ax) 1980 Pérodeau Street, Vaudreuil-Dorion, J7V 8P7, Quebec, Canada
(ay) 168 Robinson Road, #16-01 SIF Building, 068899, Singapore
(az) 361 San Francisco Street Penthouse, San Juan, PR 00901, Puerto Rico
(ba) Hotel Tamanaco Inter-Continental, Final Av. Ppal, Mercedes, Caracas, Venezuela
(bb) 22nd Floor, Citigroup Tower, No. 33 Huayanshiqiao Road, Pudong, Shanghai, P.R. China
(bc) Alameda Jau 536, Suite 3S-C, 01420-000 São Paulo, Brazil
(bd) Alameda Jau 536, Suite 3S-D, 01420-000 São Paulo, Brazil
(be) Viale Monte Nero n.84, 20135 Milano, Italy
(bf) Thurn-und-Taxis-Platz 6 – 60313 Frankfurt am Main, Germany
(bg) Juris Tax Services Ltd. Level 12, NeX Teracom Tower II, Ebene, Mauritius
(bh) Menara Imperium 22nd Floor, Suite D, Jl. HR. Rasuna Said Kav.1, Guntur Sub-district, Setiabudi District, South Jakarta 12980, Indonesia
(bi) Primmer Piper Eggleston & Cramer PC, 30 Main St., Suite 500, P.O. Box 1489, Burlington, VT 05402-1489, USA
(bj) Calle 49, Sur 45 A 300 of 1102 Envigado Antioquia, Colombia
(bk) 21 Engineer Lane, Gibraltar, GX11 1AA, Gibraltar
(bl) Suite 2500, 1000 de La Gauchetiere St. West, Montreal C H3B OA2, Canada
(bm) Room 311, Building 1, No. 6 East Wen Hua Yuan Road, Beijing Economy and Technology Development Zone, Beijing, P.R. China
(bn) Room N306, 3rd Floor, Building 6, Binhai Financial Street, No. 52 West Xincheng Road, Tianjin Economy and Technology Development Zone, Tianjin, P.R. China
(bo) Cesta v Mestni log 1, 1000 Ljubljana, Slovenia
(bp) 37A Professor Fridtjof Nansen Street, 5th Floor, District Sredets, Sofia, 1142, Bulgaria
(bq) C/o Holiday Inn & Suites, Cnr Waigani Drive & Wards Road, Port Moresby, National Capital District, Papua New Guinea
(br) Tahachal, Kathmandu, Nepal
(bs) Madinah Road, Jeddah, P.O Box 9456, Post Code 21413, Jeddah, Saudi Arabia
(bt) Maples Corporate Services Ltd. – PO Box 309, Ugland House, Grand Cayman – KY-1104, Cayman Islands
(bu) 971, 973 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
(bv) Room R316, 3rd Floor, Building 6, Binhai Financial Street, No. 52 West Xincheng Road, Tianjin Economy and Technology Development Zone, Tianjin, P.R. China
(bw) 14th Floor, South China Building, 1-3 Wyndham Street, Hong Kong, SAR
(bx) Eski Büyükdere Cd. Park Plaza No:14 K:4 Maslak – Sarıyer, Istanbul, Turkey
(by) Paseo de Recoletos 37 – 41, 28004 Madrid, Spain
(bz) B-11515 Bhikaj Cama Place, New Delhi, South Delhi, India 110066
(ca) Carr Hospitality, LLC, 1455 Pennsylvania Avenue, NW, Suite 100, Washington, DC 20004, USA
(cb) Two Snowhill, Snow Hill, Queensway, Birmingham B4 6GA, UK
(cc) Krunska 73, Beograd, 11000, Serbia
(cd) Moreno 809 2 Piso, Buenos Aires, Argentina
(ce) Bulevar Svetog Petra Cetinjskog 149 – 81000 Podgorica, Montenegro
(cf) Bernard Monteagudo 201, 15076, Lima, Peru
(cg) Avenida Ejercito Nacional Mexicano No. 769, Torre B Piso 8, Granada, Miguel Hidalgo, Ciudad de Mexico, CP 11520, Mexico
(ch) Ground Floor, Al Kamel Law Building, Plot 52-b, Banks Area, Six of October City, Egypt
(ci) 2985 Gordy Parkway, 1st Floor, Marietta, GA 30066, USA
(cj) 600 Mamaroneck Avenue #400, 10528 Harrison, NY 10528, USA
(ck) 8275 South Eastern Avenue #200, Las Vegas, NV 89123, USA
(cl) 5444 Westheimer #1000, Houston, TX 77056, USA
(cm) 23/6 D, Anhaght Str., Yerevan, 0069, Armenia
(cn) Generation Park Z – ul. Towarowa 28, 00-839 Warsaw, Poland
(co) Suite 1, Ground Floor, The Financial Services Centre, Bishops Court Hill, St. Michael, Barbados, BB14004
(cp) Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan F.T., Malaysia
(cq) Charlottenstrasse 49, Berlin, Germany
(cr) C/O BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX, UK
(cs) ATS Services Limited, Capital Center, 9th Floor, 2-4 Arch, Makarios III Ave., 1065 Nicosia, Cyprus
(ct) 95 Blvd. Berthier, 75017 Paris, France
(cu) 57, 9th Floor, Park Ventures Ecoplex, Unit 902-904, Wireless Road, Limpini, Pathum Wan Bangkok 103330, Thailand
(cv) Shop No. L3-6, Amity Building, No. 125, Highlevel Road, Maharagama, Colombo, Sri Lanka
(cw) Premier Chambers, M. Lux Lodge, 1st Floor, Orchid Magu, Male, Republic of Maldives
(cx) Venture Corporate Services (Mauritius) Ltd, Level 3, Tower 1, Nexteracom Towers, Cybercity, Ebene, Mauritius
(cy) 5 Temple Square, Temple Street, Liverpool, L2 5RH
(cz) 251 Little Falls Drive, Wilmington, DE19808, USA
(da) 1st Floor, No. 68, Zhupan Road, Zhuqiao Town, Pudong New Area, Shanghai, China
(db) Grevgatan 13, 11453 Stockholm, Sweden