

Form 20-F

InterContinental Hotels Group PLC

For the fiscal year ended December 31, 2015

InterContinental Hotels Group PLC

(Exact name of registrant as specified in its charter)

England and Wales

(Jurisdiction of incorporation or organization)

Broadwater Park,

Denham, Buckinghamshire UB9 5HR

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares	New York Stock Exchange
Ordinary Shares of 15 ²⁶⁵ / ₃₂₉ pence each	New York Stock Exchange*

*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares of 15²⁶⁵/₃₂₉ pence each

236,117,256

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Reporting Standards as issued by the International Standards Accounting Board Other

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Annual Report and Form 20-F 2015

Great Hotels Guests Love®



*IHG® Rewards Club not applicable to Kimpton® Hotels & Restaurants; to be included at a future date.

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Fuente: Forma 20-F – SEC - USA

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George Turner, Company Secretary



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See www.ihgplc.com to view both the Annual Report and Responsible Business Report online.

 Quick-read summaries of key information relating to the Group.



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KIMPTON®
HOTELS & RESTAURANTS

A different
way to stay



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Quick read

IHG at a glance

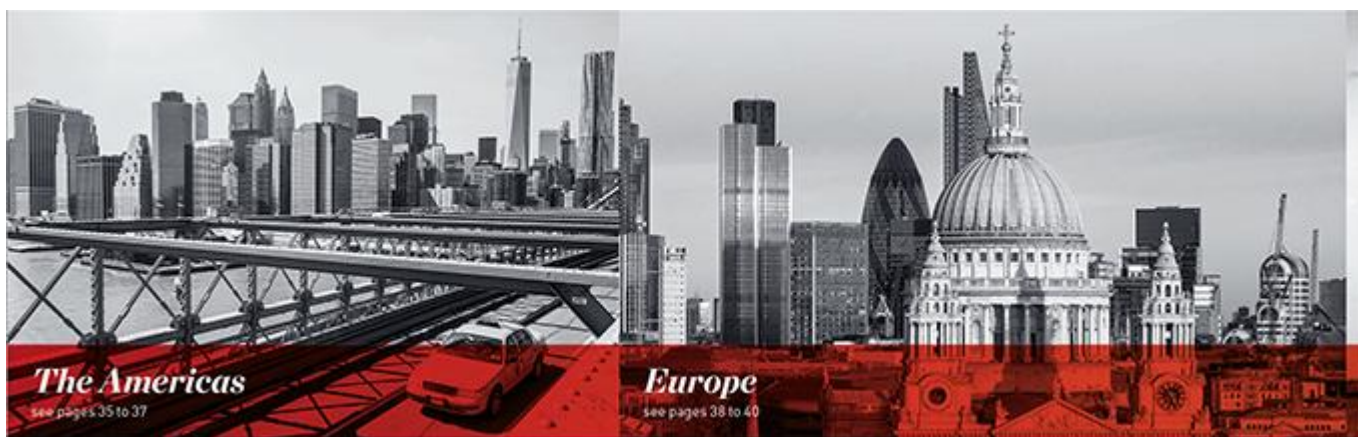
Our strategy for high-quality growth

We have more than 5,000 hotels and over 744,000 guest rooms in our System in nearly 100 countries, and have over 1,300 hotels in our development pipeline.

We are focused on strengthening our portfolio of preferred brands, building and leveraging scale, and delivering revenue to our hotels through the lowest-cost, direct channels. Our proposition to third-party hotel owners is highly competitive and drives superior returns.

We execute an asset-light strategy with a focus on the most attractive, high-growth markets and industry segments. We take a disciplined approach to capital allocation, investing for the future growth of our brands.

This enables us to drive sustainable growth in our profitability and deliver superior shareholder returns over the long term.



Group highlights

Total gross revenue in IHG's System (\$)a

24bn (+5.3%)

2014: 23bn

Total operating profit before exceptional items and tax (\$)a

680m (+4.5%)

2014: 651m

Total underlying operating profit growth (\$)a, b

67m (+11.5%)

2014: 57m

Revenue per available room (RevPAR) growtha

+4.4%

2014: +6.1%

Group revenue (\$)

1,803m (-3%)

2014: 1,858m

Full-year dividend (¢/p)

85/58 (+10%)

2014: 77/48.6

Fee revenue^{a, b}

+8%

2014: +7%

Driven by:

4.4% (2014: 6.1%) RevPAR growth; and

4.8% (3.2% excluding the Kimpton acquisition, 2014: 3.4%) net System size growth

Our business model

We predominantly franchise our brands to, and manage hotels on behalf of, third-party hotel owners; our focus is therefore on building preferred brands and strong revenue delivery systems.

Franchised hotels (rooms)

4,219 (530,748)

2014: 4,096 (514,984)

Managed hotels (rooms)

806 (211,403)

2014: 735 (192,121)

Owned and leased hotels (rooms)

7 (2,217)

2014: 9 (3,190)

^a Details of how non-GAAP measures are calculated are set out on page 155.

^b Underlying excludes the impact of owned-asset disposals, managed leases, significant liquidated damages, Kimpton, and exceptional items translated at constant currency by applying prior-year exchange rates.



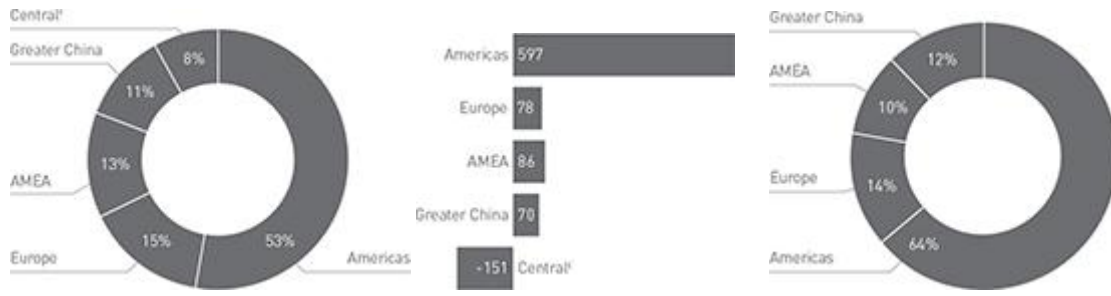
Where we operate

We operate in nearly 100 countries globally.

Group revenue 2015 (\$1,803m)

**Operating profit before
exceptional items and tax 2015
(\$680m)^a**

Number of rooms (744,368)



a Details of how non-GAAP measures are calculated are set out on page 155.
 c For details of central revenue and net central costs, see page 46.

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Our preferred brands

Our diverse portfolio of differentiated brands meets the wide-ranging and ever-evolving needs of our guests, and means we have a compelling and preferred offer for our third-party hotel owners.

Underpinned by the IHG® parent brand and strengthened by IHG® Rewards Club, our powerful loyalty brand, our portfolio of 12 distinct hotel brands has been designed to inspire guests all over the world.



InterContinental® Hotels & Resorts: The InterContinental Life

International travel should always be alluring. Pioneers of new international destinations, we have expanded into over 60 countries. We are dedicated to those who appreciate and enjoy the glamour and exhilaration of fascinating places, of important conversations started and new stories written.



Kimpton® Hotels & Restaurants: A different way to stay

Heartfelt human connections make people's lives better, and this drives everything we do. We layer our sophisticated yet playful design in our hotels, restaurants and bars with thoughtful amenities and perks to deliver our sincerely personal style of service. Kimpton is where inspired travel begins.



65
Hotels open



Hotel Indigo® Hotels: Inspired by something new

Discovering something new on every trip is inspiring. With over 60 properties in culturally diverse locations across the globe, we are part of the pulse and the rhythm of a place, woven into the fabric, at the heart of it all.



3
Hotels open



**EVEN® Hotels:
Where wellness is built in**

Being on the road shouldn't disrupt a wellness routine. We know that many travellers wish there were more options to stay healthier and happier away from home. That's why we're here with wellness-savvy staff, a best-in-class fitness experience, healthier food choices and natural, relaxing spaces.

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Quick read

Hotel brands	Hotels open	Rooms open	Hotels in pipeline	Rooms in pipeline
InterContinental Hotels & Resorts	184	62,040	52	15,676
Kimpton Hotels & Restaurants	61	10,976	18	3,366
Hotel Indigo Hotels	65	7,664	63	9,208
EVEN Hotels	3	446	8	1,262
HUALUXE Hotels and Resorts	3	798	21	6,632
Crowne Plaza Hotels & Resorts	406	113,284	84	23,181
Holiday Inn Hotels & Resorts	1,163	211,351	242	48,656
Holiday Inn Express Hotels	2,425	236,406	602	75,605
Holiday Inn Resort	47	11,518	14	3,548
Holiday Inn Club Vacations	16	5,231	–	–
Staybridge Suites Hotels	220	23,964	114	12,641
Candlewood Suites Hotels	341	32,328	98	8,720
Other (unbranded)	98	28,362	14	5,421
Total	5,032	744,368	1,330	213,916



3
Hotels open



HUALUXE™ Hotels and Resorts: Capturing the spirit of Chinese hospitality
HUALUXE Hotels and Resorts is the first upscale international hotel brand designed specifically for Chinese guests. We have woven into every detail of the brand's service and design an acknowledgement of Chinese culture and heritage.



1,163
Hotels open



Holiday Inn® Hotels & Resorts: The joy of travel
The joy of travel is for everyone. We threw open the doors of our first hotel in 1952. Since then, we've been making travel a more enjoyable experience for all sorts of people, all over the world. Delivering that experience is what we do every day.



2,425
Hotels open



Holiday Inn Express® Hotels: Simple, smart travel
At Holiday Inn Express, we keep it simple and we keep it smart. We've made travel simple so that the basics are done brilliantly. Our mantra is 'everything you need, nothing you don't'. That's what we do. We make travel smarter.



220
Hotels open



Staybridge Suites® Hotels: Feels like home
We love our guests to feel comfortable in a home-like environment. Staybridge Suites is ideal for upscale business and leisure travellers who want to move in for longer stays and enjoy the best of home and hotel.



406
Hotels open



Crowne Plaza® Hotels & Resorts: Making business travel work
We believe business travel should work better. In every market in the world, business has changed. It's more digital, more mobile, more connected. But one thing hasn't changed: business people need their hotel to work. We're ready for business 24/7, because when a business hotel works better, business works better.



16
Hotels open



Holiday Inn Club Vacations®: The joy of lifetime vacations
From the moment we welcome our Holiday Inn Club Vacations owners, we want them to feel proud to be part of a community of people who understand the importance of family. Holiday Inn Club Vacations is an investment in a lifetime of invaluable family memories.



47
Hotels open



Holiday Inn Resort®: The joy of family holidays
We want families to experience the joy of holidays because spending quality time together is one of life's great pleasures. We pride ourselves on having something for everyone in the family, from kids' clubs and signature swimming pools to informal restaurants and quiet, fireside lounges.



341
Hotels open



Candlewood Suites® Hotels: Your home base
We believe in the freedom to live, work and relax on your own schedule. All of our 300-plus locations across the US are easily accessible, and we're always opening new hotels so guests can book a spacious suite whenever and wherever it works for them.

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Chairman's statement



We continued to make real progress against our strategy in 2015. There was a focus within the business on becoming more agile, accelerating pace and applying collective energy to build capabilities where it matters.

“I have seen the strong momentum across the business, and have been struck by the energy that our people bring to work each day.”

Patrick Cescau
Chairman

In 2015, we focused on executing our strategy to deliver high-quality growth at pace. It was also an interesting year for our industry – a year where we saw industry consolidation, which arguably began with our acquisition of Kimpton Hotels & Restaurants, and discussion around the importance of building global scale. Scale is, of course, very important in what is a fragmented industry, but we focus on building and leveraging relevant scale, which is not just a numbers game. It's also about building scale in our priority markets, such as Greater China, and building differentiated capabilities in terms of our consumer-technology offer through our digital innovations.

Personal perspective

I spent time on the road during the year, meeting with many of our owners and staying in our hotels across the globe to see first-hand how we are developing and evolving our portfolio of brands. My visits took me to many of our most attractive growth markets, with a particular focus on Greater China, Germany and India, and I visited our regional teams in Atlanta, Delhi, Denham, Frankfurt and Singapore. I also had an opportunity

I have seen the strong momentum across the business, and have been struck by the energy that our people bring to work each day. For a business that is about people and delighting our guests, this is critical; ultimately it's our people who deliver a truly memorable experience for our guests. I sincerely admire and appreciate the level of exceptional service our colleagues provide to the guests we welcome into our hotels.

I have also spent time listening to our owners across the world and understanding the challenges that they face. As Chairman, I see it as my duty to bring the perspective of our owners to the fore and ensure that we are building relationships for the long term. It is clear that our owners value the strength of our brand portfolio, and are impressed by our commitment to operational excellence and delivering strong returns. Further building and strengthening our relationships with owners will continue to be a key focus for us and for me personally.

Key highlights

We continued to make real progress

to experience some of our new brands: EVEN Hotels, HUALUXE Hotels and Resorts and, the newest brand in our portfolio, Kimpton Hotels & Restaurants.

against our strategy in 2015. There was a focus within the business on becoming more agile, accelerating pace and applying collective energy to build capabilities where it matters most. And this approach is paying off. I have been particularly impressed by the progress made to develop, implement and execute our commercial strategy, by enhancing our brand portfolio, transforming our loyalty proposition and strengthening our direct channels – all underpinned by industry-leading technology.



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There have been three particular highlights for me this year. First, the sale of InterContinental Hong Kong and InterContinental Paris – Le Grand, which signalled the completion of our asset-light strategy. Second, the completion of our acquisition of Kimpton Hotels & Restaurants, which made IHG the clear market leader in the boutique segment (source: Smith Travel Research). Finally, the work we are doing with Amadeus, the world's leading provider of advanced technology solutions, to develop a next-generation Guest Reservation System that will help us accelerate our efforts to revolutionise and personalise the guest experience. This is a very important piece of work for IHG and will help set us apart from our competitors into the future.

Leading shareholder returns

We are focused on delivering outstanding shareholder value. I am therefore pleased to announce that the Board is recommending a final dividend of 57.5 cents (40.3 pence) per ordinary share, an increase of 11 per cent on the final dividend for 2014, resulting in a full-year dividend of 85 cents (58 pence) per share, up 10 per cent on 2014. The Board has also proposed a \$1.5 billion special dividend, which will take the total funds returned to shareholders since 2003 to more than \$12 billion.

Corporate governance

As a Board, we are committed to maintaining our high standards of corporate governance and I take this commitment very seriously. The Board continues to focus not only on what we deliver as a business, but also how we deliver. Ensuring that there is a high level of cultural integrity ingrained within the way IHG operates is a key part of this, as is our ability to drive sustainable performance and meaningful shareholder value.

The Board also spends a great deal of time focusing on the macro perspective and ensuring that we are being as competitive as possible. We engage in matters where we can add real value and we spend time and attention shaping, agreeing to and monitoring the implementation of IHG's strategy. In order to do this, we keep the composition of the Board under constant review to ensure that we have the right breadth of skills and expertise to be truly effective and to deliver real and tangible value. Anne Busquet and Jo Harlow have brought their consumer-facing technology experience to the Board, which has significantly improved the quality of discussion on our technology strategy, at a time when new advances are playing a transformative role in our industry.

Board changes

We formally welcomed Anne Busquet to the Board as a Non-Executive Director in March 2015. Anne has brought her impressive breadth of experience in digital commerce, hospitality, finance and marketing to the Board. She sits on the Audit, Nomination and Corporate Responsibility Committees.

In January 2016, we said goodbye to Tracy Robbins, who stepped down from the Board and from her position as Executive Vice President, Human Resources for health reasons. On behalf of IHG, I want to thank Tracy for her long-standing contribution to the business. Her passion for people and strong commitment to developing talent has played an important role in IHG's success. We wish her all the best for the future.

In February 2016, we announced that Jennifer Laing and Ying Yeh will be retiring from the Board following the AGM on 6 May 2016. As long-standing members of the Board, Jennifer and Ying have shown real commitment and dedication to IHG. I would like to thank them for the important role they have played in IHG's development over the last decade. Jill McDonald, a Non-Executive Director, will succeed Jennifer as Chairman of the Corporate Responsibility Committee.

A winning team

I would like to close by thanking Richard Solomons for his stewardship and leadership of the business this year, which resulted in *HOTELS Magazine* naming him 2015 Corporate Hotelier of the World. This is a testament to Richard, to the talented and passionate people who bring IHG's brands to life for our guests each and every day, and to our owners, for their continued confidence in our business.



Patrick Cescau
Chairman



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Chief Executive Officer's review



“One of our key highlights of the year was welcoming Kimpton Hotels & Restaurants into the IHG family and seeing the business enjoy the best year in its history.”

Richard Solomons
Chief Executive Officer

We drove strong momentum in 2015 and delivered excellent financial and operational performance. Our focus on driving growth in markets where we see the greatest opportunity has paid off, and will continue to be a key part of our strategy in the coming years.

Our Winning Model remains at the heart of our success and it continues to help deliver high-quality growth. We made significant progress against each element of the model in 2015, particularly in terms of building and strengthening our portfolio of preferred brands, enhancing our leading loyalty programme, and ensuring that the way we manage our channels is as effective as possible.

Financial and operational highlights

We continued to drive strong momentum in the year. We delivered double-digit underlying profit growth, opened more hotels into the System than we have since 2009, signed more hotels than we have since 2008, and closed the year with more than 5,000 open hotels in our System – a significant milestone for the business. Our focus on driving growth in priority markets where we see the greatest opportunity has paid off, with 87 per cent of our open rooms and approximately 90 per cent of our pipeline rooms in these markets. This will continue to be a key part of our strategy in the coming years.

2015 also marked the successful

Strengthening our brand portfolio

We strengthened our portfolio of preferred brands during the year, and focused on innovating and evolving our brand offer. We opened the first three HUALUXE Hotels and Resorts in Greater China, and a flagship property for EVEN Hotels in New York, with a further six hotels for the EVEN brand signed into the pipeline.

A key highlight of the year was welcoming Kimpton Hotels & Restaurants into the IHG family. Boutique is the industry's fastest-growing segment and, with Kimpton and Hotel Indigo, we are uniquely positioned to benefit from this increase in demand. 2015 was Kimpton's best ever year in terms of openings and signings and, in January 2016, we were delighted to announce the brand's first signing outside of The Americas, in Amsterdam, the Netherlands.

This year will see us celebrating the 70th anniversary of InterContinental Hotels & Resorts, the largest luxury hotel brand in the world. Holiday Inn Express, which is part of the Holiday Inn brand family, the world's largest hotel brand, will also be celebrating

completion of our major asset-disposal programme, with the sale of InterContinental Hong Kong, over which IHG retained a 37-year management contract with three 10-year extension rights. It was fitting that this iconic building should be the last major owned asset in our portfolio. Our asset-light approach is highly cash-generative and delivers a high return on capital employed. It also means that we benefit from the reduced volatility of fee-based income streams so we can focus on growing our fee revenues and fee margins with limited requirements for our capital.

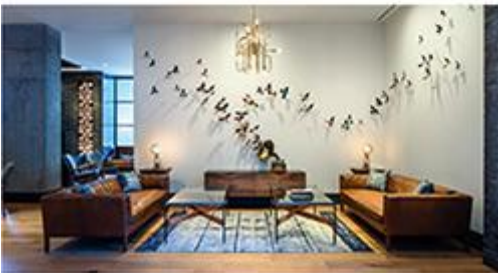
We continued to make excellent progress delivering against our technology strategy, building on our strong track record of innovation and leadership in this space. This includes successfully driving digital revenue growth. In 2015, we leveraged our highly rated mobile app, with over 40 per cent of digital visits on mobile, and we recorded annual mobile revenue of more than \$1 billion, up from less than \$50 million in 2010. This is a remarkable achievement.

its 25th birthday in 2016.

Building loyalty and meaningful membership

Building loyalty and lifetime relationships with our guests is an important part of our business and a key growth driver for us. We know that guests are looking for a rewarding relationship built on trust, and respond best to efforts that are focused on building genuine brand loyalty over a sustained period of time. We are constantly looking at ways in which we can enhance our ability to deliver a personalised experience for members, before, during and after their stay. Our insight shows us that frequent travellers want to be given an extra level of reward in return for their continued loyalty, too. As a result, we introduced a new top-tier membership level, Spire Elite, and restructured IHG Rewards Club so that it is easier for our loyal members to reach gold and platinum status.

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IHG's '5,000 Club' In 2016, we unveiled Hotel Indigo Lower East Side New York as our 5,000th hotel globally (top). InterContinental London – The O2 (centre) and Hotel Van Zandt, a Kimpton Hotel in Austin (TX) (bottom) formed part of our '5,000 Club', a series of landmark hotel openings that contributed to IHG surpassing the 5,000-hotel milestone.

Loyalty was a key theme in the latest IHG Trends Report, which we published in January 2016. The report challenges brands to engage in a way that builds membership communities in 'The Age of I' – that is, to encourage consumers to share opinions and insights as they connect around their experience of a brand, while at the same time allowing them to maintain their individuality (see page 22).

Responsible business agenda

Doing business responsibly is integral to life at IHG and is a principle that guides how all of our colleagues around the world behave from day to day. It helps us build trust and preference for our brands, operate more effectively and create long-term value for our shareholders and stakeholders. Our global scale also means that our influence extends across thousands of communities around the world and sees us interact with millions of people on a daily basis. Our view is that growth is not just about short-term financial and operational performance; it is about nurturing the health of the organisation into the future and staying true to our values. I am very proud of our achievements in 2015, all of which are a result of the efforts of each and every one of the 350,000 colleagues who work in IHG-branded hotels and corporate offices worldwide.

We completed the global roll-out of our successful group-wide sustainability programme, the IHG Green Engage™ system; we celebrated the 10th year of the pioneering IHG® Academy programme, a global collaboration between IHG hotels, local education providers and community organisations, which now has more than 1,200 programmes in 68 countries; and, finally, IHG® Shelter in a Storm responded to 27 disasters in 17 countries in 2015, including supporting the relief work in Nepal following the devastating earthquakes.

In addition, we developed and launched a human rights e-learning module, which is available to all colleagues worldwide, and we led the roll-out of IHG Marketplace, a hotel procurement platform, which incorporates our Vendor Code of Conduct as well as responsible business criteria.

In February 2016, we launched the IHG® Foundation, which will build on the hugely positive impact we have driven through our corporate responsibility initiatives over a number of years. IHG Academy and the IHG Green Engage system will continue to be delivered in IHG's hotels. Disaster-relief activity, previously activated through IHG Shelter in a Storm, will be incorporated into the IHG Foundation.

Our awards

Independent recognition is an important endorsement of our success, and we are proud of the many awards we won in 2015. *Fortune Magazine* ranked IHG as a world's 'Most Admired Company 2015'; *Forbes* named us one of the world's most reputable companies for 2015; and we were accredited as a 'Top Employer' in 2015 for both the UK and Greater China by the Top Employers Institute.

Our brands have been in the spotlight too. InterContinental Hotels & Resorts won an impressive 28 awards at the World Travel Awards Asia & Australasia 2015, including the coveted Asia's Leading Luxury Business Hotel Brand Award; Holiday Inn won Best Mid-Market Hotel Brand in the World at the 2015 Business Traveller Asia-Pacific Awards; and IHG was named World's Leading Hotel Brand at the World Travel Awards 2015.

Looking ahead to 2016

We go into 2016 with confidence and in a position of strength. We have a compelling and proven strategy that is delivering. We will continue to focus on building scale where it matters, and on executing our strategy at pace.

As ever, I would like to close by thanking the talented and passionate people who bring IHG's brands to life for our guests each and every day.

Richard Solomons
Chief Executive Officer

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Industry overview

Where the industry is now

The global hotel industry

The global hotel industry comprises approximately 15.9 million rooms, broadly segmented into branded (multiple hotels under the same brand) and independent (non-branded) hotels. Growth in demand is primarily driven by economic growth and an increasing trend for domestic and global travel. Over the long term, the lodging industry has grown broadly in line with gross domestic product (GDP). However, in the US, the largest market in terms of room numbers, growth in consumer spend on lodging has exceeded GDP growth by 2.6 percentage points per annum over the last 50 years.

There are several industry metrics that are widely recognised and used to track performance, including revenue per available room (RevPAR) and rooms supply growth. Globally, both of these indicators have seen robust growth in the last five years. In the US, our largest market, supply growth in the last five years has been significantly below the long-term average of 2 to 2.1 per cent. This, coupled with strong hotel demand in this market (3.3 per cent year-on-year growth over the past five years), has led to RevPAR growth.

The branded hotel market

Within the global hotel market, branded hotels account for 53 per cent of total rooms supply. However, in spite of ongoing consolidation, the market remains fragmented, with five of the leading branded hotel companies (Hilton, Marriott, IHG, Accor and Starwood) accounting for 36 per cent of total open branded rooms, and 61 per cent of the branded development pipeline (hotels in planning and under construction but not yet opened).

According to Smith Travel Research, branded hotel companies have consistently increased their share of the global hotel market over the past 10 years, in addition to showing an increased resilience through the economic cycles. Larger players are also driving clear revenue outperformance, as well as benefiting from advantages in terms of economies of scale across a broad portfolio of hotels.

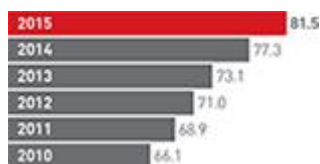
The different business models within the hotel industry

Depending on whether a hotel is branded or independent, there are different business models it can adopt. The four models typically seen in the industry are franchised, managed, owned and leased:

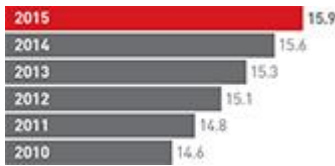
- owned hotels are owned and operated by an owner who bears all the costs associated with the hotel but benefits from all of the income;
- a leased model is similar, except the owner-operator of a hotel does not have outright ownership of the hotel but leases it from the owner of the property;
- under a managed model, the owner of a hotel will use a third-party manager to operate the hotel on its behalf and will pay the manager management fees and, if the hotel is operated under a third-party brand name, brand licensing fees; and
- a franchised hotel is owned and operated by an owner under a third-party brand name and the owner will pay a brand licensing fee to the brand owner.

Whilst an owner-operated hotel enables the owner to have full control over hotel operations, it requires high capital investment. In contrast, for hotel-brand owners, a franchised or managed model enables quicker rooms growth due to lower capital investment, but this requires strong relationships with third-party hotel owners.

Global industry RevPAR (\$)



Global rooms supply (millions of rooms)



Key trends shaping the industry

In addition to growth drivers, we also see a number of key trends shaping the hotel industry. Developments in digital technology, combined with evolving and ever-changing consumer needs, are transforming guest behaviours and creating a more dynamic competitive environment.



Technology-based transformation

Technology continues to have a multifaceted and substantial impact on our industry:

- The prevalence of mobile devices and the accessibility of the internet continue to change how guests engage with, and what they expect from, lodging providers across the entire 'Guest Journey' (which we describe as 'Dream, Plan, Book, Stay and Share'). Technology is enabling guests to book their travel with greater control and immediacy, and share their travel experiences in more practical and engaging ways. Mobile, for example,

is expected to deliver more than half of all online travel bookings in the US in 2016, and a growing number of guests now book their rooms within 24 hours of their arrival.

- Enabled by technology, travel companies, hotels, review sites and online travel agents have been able to grow their presence online, providing travellers globally with access to compelling content, price transparency and the ability to compare a wealth of travel options.
- Technology is fuelling the growth of alternative lodging providers, who have also been effective at opening up a large supply of private urban accommodation by developing and marketing online distribution platforms.
- Advances in big data and data analytics are allowing travel companies to develop richer insights into guest needs, enabling more personalised services and tailored offers.

- Owners are increasingly benefiting from new tools and technology applications offered by hotel companies. For example, sophisticated online training platforms and revenue management tools, accessible via cloud computing, are helping hotel companies to drive a more consistent service for guests and more profitable revenue for owners.
- Advancements within hotel technology are also improving the guest experience. For example, mobile check-in and apps for room service and housekeeping are providing guests with greater flexibility and choice around their stay experience.



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Where the industry is heading

Major underlying drivers supporting growth in our industry

At a local-market level, industry performance is impacted by short-term economic and political factors. However, in the long term, growth in the global hotel industry is driven by the following three major underlying drivers.

Economic

Long-term macroeconomic trends substantially benefit the hotel industry. Global GDP growth of circa 2.6 per cent per annum in the last 10 years has contributed to an increase in disposable income and a rise in middle-class households, making travel affordable for more people. This trend can be observed in China, where the number of households earning above \$35,000 per annum (a key income level, at which international travel becomes accessible), rose by 21 million from 2003 to 2013, with an additional 61 million households expected to pass this threshold by 2023.

Demographic

The growth of an ageing population, which has the desire and means to travel, is another favourable driver shaping the industry. The global population over the age of 60 is expected to increase from approximately 800 million in 2013 to 2 billion by 2050, increasing overall demand for travel services.

Social

Increased competition and capacity amongst airlines, lower fares, and the relaxation of travel and immigration restrictions in many regions are making international travel more viable for more people. International tourist travel is expected to increase by 3.3 per cent a year from 2010 to 2030, reaching 1.8 billion arrivals by 2030.



Multi-generational families are a growing guest segment

The Future of Chinese Travel

In 2015, we partnered with global research company Oxford Economics to produce a comprehensive report evaluating the Chinese outbound travel opportunity.

In this report, we examine historical and current trends in Chinese outbound travel and how economic and demographic developments will shape demand for Chinese travel over the next decade.

Our industry-leading research provides a unique insight into which countries, and, for the first time, which cities, will benefit most from significant growth in Chinese outbound travel globally.

Visit www.ihgplc.com/chinesetravel to download the full report.



Trips per year by millennials by 2020 (predicted):

320m

a 47% increase from 2013
(Source: Forbes)



Continually evolving consumer needs

The demographic profile of our guests continues to evolve and, in conjunction with the developments in digital technology, these trends are driving different accommodation needs and stay expectations.

This is evident across all age groups, and in

the sharing economy to meet their accommodation needs.

In addition, there has been a diversification of family travel needs as a result of an ageing population and changes to the traditional family unit. Multi-generational families, for example, are a growing guest segment, with over a third of respondents in a 2014 US AAA survey planning to make at least one multi-generational holiday in the upcoming year.

Another trend we are seeing is the blurring of business and leisure travel, with a growing number of professionals adding leisure days onto

industry. Hotels compete with each other and with travel intermediaries and companies offering alternative lodging solutions, such as peer-to-peer home rental companies.

While the long-term growth of branded hotels has outpaced that of the home rental market, some peer-to-peer home rental companies have capitalised on the small but fast-growing segment of urban short- to medium-term rentals, offering personalised, home-like stay experiences.

At IHG, we cater for these guest demands through our extended-stay hotel brands, boutique brand portfolio and branded residences offer. We are also investing heavily in our people to ensure they deliver unique and personalised stay experiences. Meanwhile, our proactive approach to

particular amongst millennials, who are becoming an increasingly important guest group.

This group is also challenging some of the well-established norms of travel by having more flexible working patterns, seeking more personalised and unique guest experiences, and being more open to using

business trips.

Furthermore, as a result of these trends, accommodation providers increasingly need to cater for a more diverse set of guest needs and expectations.



A more dynamic competitive environment

These key trends are changing the competitive landscape within the travel

building preferred brands, targeted at guest occasion segments, is enabling us to enhance our competitive position.

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Our business model

We predominantly franchise our brands to, and manage hotels on behalf of, third-party hotel owners. Our asset-light strategy enables us to grow our business while generating high returns on invested capital.

For definitions in this section, please refer to the Glossary on pages 176 and 177.

We franchise and manage hotels depending largely on market maturity, owner preference and, in certain cases, the particular brand. For example, in the US, a mature market, we operate a largely franchised business. By contrast, in Greater China, an emerging market, we operate a predominantly managed business where we are responsible for operating hotels on behalf of our third-party hotel owners. The business model is adapted by market as necessary.

In a few instances, we also own hotels through recyclable investments in order to drive the growth of our brands and to expand our

presence in priority markets. The key differences between our three main models are summarised below.

Business model	Hotel ownership	IHG capital intensity	Employees ^a	Brand ownership, marketing and distribution
Franchised	Third party	Low	Third party	IHG
Managed	Third party	Low	IHG and third party	
Owned and leased	IHG	High	IHG	

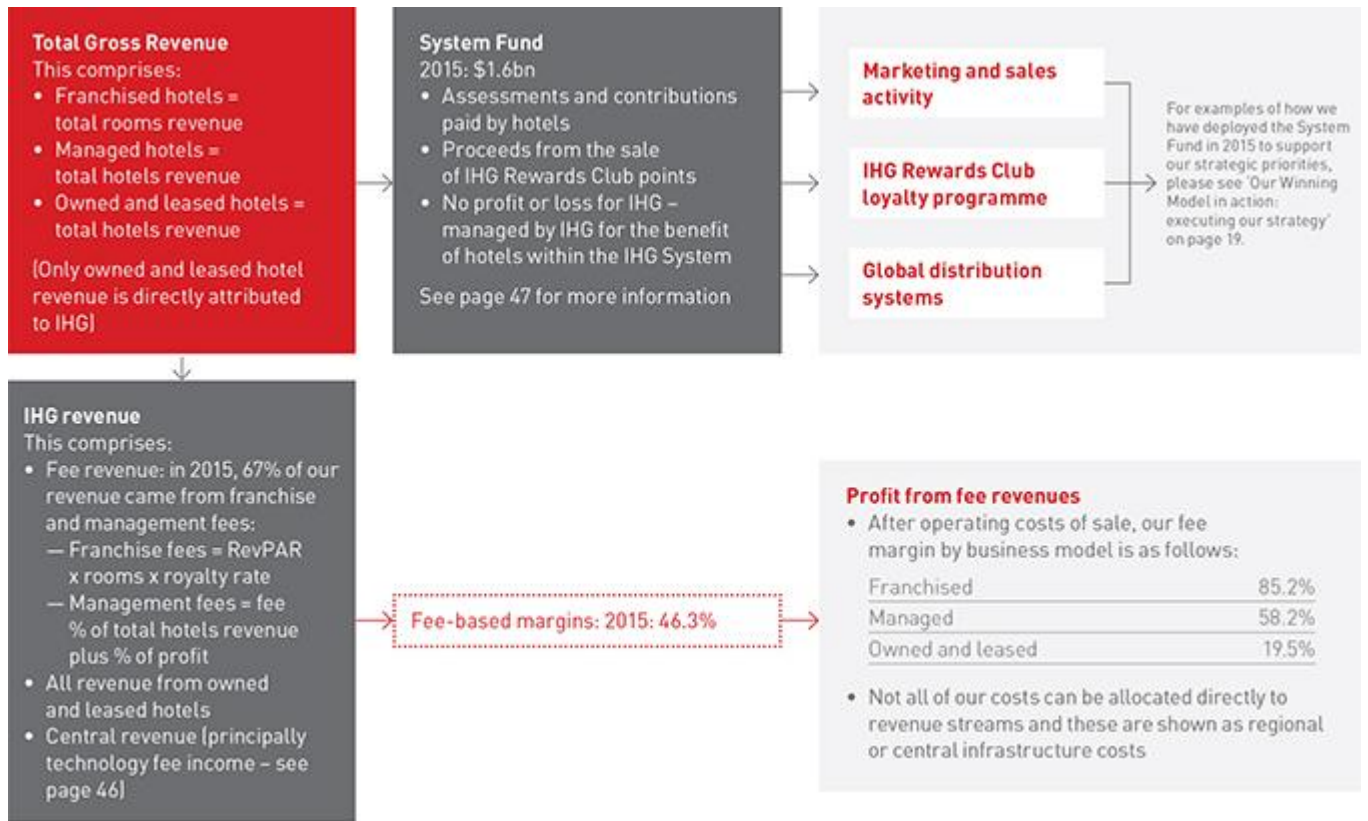
^a For information on who are our employees, see page 153.

IHG revenue and the System Fund

Third-party hotel owners pay:

(i) fees to IHG in relation to the licensing of our brands and, if applicable, hotel management services; and

(ii) assessments and contributions (other than for Kimpton and InterContinental) which are collected by IHG for specific use within the System Fund.



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In 2015, over

90%

of our operating profit was generated from our asset-light franchise and management contracts.

In 2015, approximately

85%

of our fee revenue was derived from hotel revenues.

IHG's fee revenues are derived from payments made by our third-party hotel owners under the terms of their franchise and, where applicable, management agreements with us.

Our asset-light, principally franchised and managed business model:

- is highly cash-generative, with a high return on capital employed; and
- means IHG benefits from the reduced volatility of fee-based income streams and allows us to focus on growing our fee revenues and fee margins with limited requirements for IHG's capital.

Disciplined approach to allocation of capital

Our focus on an asset-light business model is supported by a disciplined, long-term approach to allocating capital and reducing the asset intensity of the business. During 2015, we completed the disposal of InterContinental Paris – Le Grand for €330 million, and sold InterContinental Hong Kong for \$928 million (after final working capital adjustments and cash tax). We seek to maintain an efficient balance sheet with an investment-grade credit rating.

Our business is highly cash-generative (see page 49), and we have three primary uses for this cash:

- Invest in the business to drive growth: this includes acquisitions of businesses and our day-to-day capital expenditures. In 2015, we completed the acquisition of Kimpton Hotels & Restaurants for \$430 million (before working capital).
- Maintain sustainable growth in the ordinary dividend: our 2015 full-year dividend will be 85.0 cents (58.0 pence) per share (subject to shareholder approval of the 2015 final dividend) – up 10.4 per cent on 2014 (see page 48).
- Return surplus funds to shareholders (see page 48): in February 2016, the Board proposed a further \$1.5 billion return of funds to shareholders via a special dividend with share consolidation.

IHG's outlook on capital expenditure

Capital expenditure incurred by IHG can be summarised as follows.

Capital expenditure	Examples
Maintenance capital expenditure and key money to access strategic growth	<ul style="list-style-type: none"> • Maintenance of our owned and leased hotels, which is now reducing as we have become increasingly asset-light. • Corporate infrastructure maintenance – for example, in respect of our offices and systems. • Deployment of key money, which is used to access strategic opportunities, particularly in high-quality and sought-after locations when returns are financially and/or strategically attractive.

Recyclable investments to drive the growth of our brands and our expansion in priority markets

- Through the acquisition of real estate, investment through joint ventures or via equity capital.
- We aim to recycle this capital by selling these investments when the time is right and to reinvest elsewhere in the business and across our portfolio, as we are currently doing for our EVEN and Hotel Indigo brands.

System-Funded capital investments

for strategic investment to drive growth at hotel level

- The development of tools and systems, such as our revenue management offer, that hotels use to drive performance.
-

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Our strategy for high-quality growth

We are focused on delivering high-quality growth, which for us means delivering consistent, sustained growth in cash flows and profits over the long term.

*Our purpose is to
create Great Hotels
Guests Love®*



Through our Winning Model, we focus on value-creation through building preferred brands, leveraging scale and delivering revenue through the lowest-cost, direct channels. Our Targeted Portfolio, together with Disciplined Execution and a commitment to doing business responsibly, will drive superior returns for our shareholders. We measure our performance with a set of carefully selected key performance indicators (KPIs), which monitor our success in achieving our strategy and delivering high-quality growth.

<i>Value creation</i>		<i>Superior shareholder returns</i>	
<p>Winning Model</p> <p>See page 15</p>	<p>Targeted Portfolio</p> <ul style="list-style-type: none"> Attractive markets Highest opportunity segments Managed and franchised model <p>See page 16</p>	<p>How we measure our performance (KPIs) Further details on key performance indicators are set out on pages 28 to 31.</p> <ul style="list-style-type: none"> Net rooms supply Growth in fee revenues Total gross revenue from hotels in IHG's System System contribution to revenue Global RevPAR growth Guest HeartBeat 	
<p>Disciplined Execution</p> <ul style="list-style-type: none"> Scale and efficiency of operations Investment in developing strong technology platforms Investment in developing great talent <p>See pages 17 and 18</p>		<ul style="list-style-type: none"> Fee margins Employee Engagement survey scores 	
<p>Whilst doing business responsibly</p> <p>See pages 19 to 23 for details of how we have executed key commercial initiatives across our Winning Model in 2015</p> <p>See page 24</p>		<ul style="list-style-type: none"> IHG Shelter in a Storm donations IHG Academy participation Carbon footprint per occupied room Water use per occupied room in water-stressed areas <p>Management of our principal risks: see pages 25 to 27 for how we manage our risks and uncertainties</p>	

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Winning Model

IHG's Winning Model is our framework for delivering superior value-creation through our brands, our people and our systems.



Preferred brands delivered through our people

Having a strong portfolio of preferred brands is fundamental to our success. In a highly competitive industry, powerful, well-defined, consistent and well-known brands are influential in ensuring both guests and owners choose an IHG brand over a competitor's. Our talented people play a critical role in providing consistently high standards of guest service and delivering each brand promise, and our 'winning culture' encourages and empowers them to bring each of our preferred brands to life.

Strong brands result in increased RevPAR, through higher occupancy rates and guests' greater willingness to pay a premium to stay at their preferred brand. In turn, higher RevPAR results in better returns for our owners and fees for IHG. Informed by guest and owner insights, we are focused on driving brand preference for each of our brands.

See pages 20 and 21 for examples of our actions to build preferred brands in 2015.



Build and leverage scale

Scale provides significant advantages in the hotel industry at the global, national and city level. The size of the IHG System, and our concentration in attractive markets and key gateway cities, allows us to benefit from economies of scale, which lead to higher margins and operating leverage. Scale also enables us to invest in our brands, including the technology required to support their continued growth, and to implement efficient sales and marketing and procurement practices, thereby increasing the advantages an IHG brand brings to owners.

IHG already benefits from substantial scale advantages, having over 744,000 rooms open at the end of 2015, a top-five market share position by rooms in eight out of our 10 priority markets, and System Funds contributed in 2015 totalling \$1.6 billion. To achieve further targeted-scale benefits, we focus on delivering high-quality growth in the most attractive geographic markets, along with building distribution in global cities that benefit from very large international travel flows, focusing on the luxury segment.

See page 17 for examples of how we maximise the scale and efficiency of our operations and page 38 for details of our key openings in the luxury segment in 2015.



Strong brand portfolio and loyalty programme

A portfolio of strong, complementary brands allows us to offer solutions for every guest need, which promotes cross-selling across different hotel brands. This, combined with a strong loyalty programme, increases awareness and recognition of the IHG brand, as well as each of the individual hotel brands, helping us to drive business. Whilst we continue to grow our brands to meet the differentiated needs of our guests, we are also focused on driving long-lasting and deep relationships with guests by recognising and rewarding them for their loyalty. In turn, this is helping to ensure that IHG Rewards Club, which has more than 92 million members worldwide, is one of the largest and most preferred loyalty programmes in the market.

See page 22 for examples of our actions to build a strong brand portfolio and loyalty programme in 2015.



Effective channel management

We drive demand to our hotel brands through strong brand awareness and effective revenue management practices, reducing distribution costs and delivering better returns for our owners. Our direct channels (digital and voice) are less costly to owners than third-party intermediaries and we therefore drive demand for our hotels through these channels and also manage revenue per booking, delivering the highest-quality revenues to IHG hotels at the lowest possible cost.

See page 23 for examples of our actions to build strong channels in 2015.



Superior owner proposition

A strong owner proposition, preferred brands, effective operational support and long-standing owner relationships play a vital role in making us the brand of choice for owners. We are committed to delivering a compelling and preferred owner offer, and we continually review and enhance our owner proposition in many ways. Specific examples include the following:

- Evolving our hotel support model in The Americas and Europe to deliver a more owner-centric, customised offer. In The Americas, for example, we have introduced dedicated franchise performance support leads who act as a single point of contact for owners, helping to establish strategies and activities that drive superior hotel performance. These leads will also help to navigate owners to IHG specialists in the fields of Revenue Management, Sales and Marketing, Operations and Guest Experience.
- Continuing to invest heavily in our training platforms, including 'IHG Frontline', which will provide critical training to the circa 90,000 employees who will be recruited by IHG in the managed estates, in addition to a large number of staff in our franchised properties. In addition, we also continue to invest in developing our range of proprietary revenue-driving tools and services, such as Revenue Management for Hire, Price Optimisation and IHG Way of Sales.

- Running our annual, global Owner HeartBeat satisfaction survey, which yields valuable insight from our owners on the relative strengths and weaknesses of our proposition and enables us to deliver targeted enhancements to our offer.
 - Maintaining strong owner relationship management and working with the IHG Owners Association (which represents the interests of our hotel owners globally) to deliver joint initiatives.
- See www.ihgplc.com/ihgowners for more information.

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Targeted Portfolio

We operate in the most attractive markets for IHG and in the highest opportunity segments based on guests' occasion needs, with an asset-light business model – franchising and managing hotels rather than owning them.

Attractive markets

Achieving scale and driving growth requires IHG to focus on the most attractive markets, where there is the best fit with our strategy and business model. These markets have large inbound and domestic demand for branded hotels or show great potential to have this in the future. Whilst we operate in nearly 100 countries and continue to expand our presence globally, we primarily focus our efforts on 10 priority markets in which we either have a strong existing competitive position or have a compelling opportunity to build one. These include a number of key emerging and developed markets – US, Middle East, Germany, UK, Canada, Greater China, India, Russia, Mexico and Indonesia. These currently represent 87 per cent of the IHG System and approximately 90 per cent of the pipeline.

Our focus on 10 priority markets ensures that we are able to concentrate investment in brand-building and developing critical infrastructure – for instance, by adapting our websites to the local language and deploying dedicated sales teams. This approach helps to drive greater brand awareness, stronger channels and economies of scale, which, in turn, deliver margin growth. Outside of these 10 markets, we are also focused on building hotel distribution in a network of key global cities with high numbers of international travellers, where we benefit from global brand awareness.

Highest opportunity segments

Typically, the hotel industry is segmented according to price point, and IHG is focused on the three segments that generate over 61 per cent of branded hotel rooms revenue – namely, upper midscale, upscale and luxury. We believe these segments have the highest growth opportunity and strongest resilience to industry and economic cycles. However, we also recognise that guests choose a hotel based on their needs and the occasion, resulting in the possibility of the same guest, at different times, staying across multiple hotel segments.

Our portfolio of brands is targeted around differing occasion segments. We tailor each of our brands to meet guests' needs, looking at the occasion they are travelling for and their need for travelling. This approach and segmentation analysis has been used to refine the brand positioning of our existing brand portfolio, was used to develop brand propositions for both the HUALUXE Hotels and Resorts and EVEN Hotels brands, and was an important consideration in the acquisition of Kimpton Hotels & Restaurants.

Franchised and managed model

We focus our business model on franchising and managing hotels, thereby enabling us to concentrate on building strong, preferred brands based on guest needs. As discussed

Priority markets

10

US, Middle East, Germany, UK, Canada, Greater China, India, Russia, Mexico and Indonesia

Representation of the IHG System

87%

Representation of the IHG pipeline

90%

on pages 12 and 13, we will choose to franchise or manage hotels depending on a range of factors, including market maturity, owner preference and, in certain cases, the particular brand. We also seek to adapt this business model by market as necessary – for example, through the use of managed leases, partnerships and joint ventures.



High-quality growth in the most attractive markets (from top to bottom) Holiday Inn Hotel & Suites Bengaluru Whitefield, India; Holiday Inn Express Jakarta Wahid Hasyim, Indonesia; and InterContinental Chennai Mahabalipuram Resort, India, all of which opened in 2015.

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Disciplined Execution

We recognise that successful delivery of our strategy for high-quality growth requires Disciplined Execution. We prioritise investment in our technology platforms and our people, as well as delivering operational efficiencies.

Scale and efficiency of operations

Driving efficient operational processes and managing our costs allows us to contribute to hotel performance through efficient working practices, tools and systems. It also helps us strengthen our revenue delivery systems – for example, our reservations website and offices –

To deliver the highest-quality digital content for our guests, we are ensuring that we have the right technology foundations and infrastructure in place. In 2015, we:

- announced in April the second phase of our strategic relationship with Amadeus to develop a next-

Investment in developing great talent

Our people are fundamental to achieving our ambition – they bring our brands to life on a daily basis, delivering on each individual brand promise to enhance the guest experience. They are also, therefore, a critical part of our success. Accordingly, we recognise the

which means an increase in System contribution to hotel revenue, supporting our owner proposition and maximising our investment in building preferred brands. Careful cost management, leveraging our scale and focusing on productivity improvements also allow us to drive continued improvement in our margin.

To maximise the scale and efficiency of our operations, we:

- focus investment on initiatives which support strategic priorities – for example, in 2015 we launched Procure to Pay, a comprehensive and fully automated online procurement system, allowing us to monitor and control spend, and use our scale to deliver buying advantage;
- have made further improvements to our 'Hotel Ready' processes, to ensure that General Managers and other colleagues in our hotels are focused on embedding the most critical initiatives, such as our 'IHG Frontline' training platform and enhancements to IHG Rewards Club, in our 5,032 hotels; and
- use analytics and data to help enhance our human resources processes – for example, in 2015 we launched an analytics dashboard for all line managers, providing greater insight into people data, helping our people make faster and smarter decisions in relation to recruitment, diversity, career progression and performance management.

Investment in developing strong technology platforms

Technology is playing an increasingly important role in shaping the travel industry and underpins everything that we do for guests, owners and colleagues around the world. We believe that keeping abreast of trends as they evolve and investing in technology systems will assist us in building brand preference, strengthening our loyalty programme and delivering compelling and engaging digital content across the 'Guest Journey', enabling us to build lifetime relationships with our guests.

- generation Guest Reservation System;
- deployed an enhanced customer relationship management system in hotels;
- continued to standardise on property hardware for all IHG hotels in the US, providing a consistent platform that allows us to develop solutions such as mobile check-in and check-out; and
- piloted new connectivity infrastructure, such as IHG Connect, an enhanced Wi-Fi solution for our hotels.

Improving our technology infrastructure gives us the foundation to transform the guest experience and make it more interactive through digital content. In 2015, we:

- introduced compelling digital content across the 'Guest Journey', allowing users to explore destinations and create personalised travel guides for more than 50 locations;
- made numerous improvements to our award-winning mobile app, with downloads of the app growing by 27 per cent, thereby increasing mobile bookings by 40 per cent to over \$1.2 billion;
- launched an Apple Watch version of our highly-rated IHG Translator app;
- rolled out single-login guest Wi-Fi for IHG Rewards Club members, allowing guests to seamlessly access hotel internet with their IHG Rewards Club profile; and
- piloted the 'Guest Request' tool in the US, giving our guests the ability to make in-hotel requests through the IHG mobile app, which has driven a five percentage point increase in guest satisfaction.

importance of attracting, retaining and developing the very best talent in the industry. To achieve this, our people strategy focuses on a number of key areas.

1. Attracting and retaining the best talent

Building a strong employer brand assists us in attracting the best possible talent to meet our strategic objectives. We ask our people to live our Winning Ways (set out below) and act in a responsible way (see page 24 for how acting responsibly is part of our culture). In turn, we offer our people our 'Room to be yourself' commitment, which is brought to life by four promises.

Room to have a great start

We know how important it is to make sure that all our colleagues have a great start to their career with IHG. We ensure that all colleagues have access to the tools and information they need to hit the ground running, and be productive and integrated into their role as quickly as possible.



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Disciplined Execution continued

Employee engagement

87.3%

of survey respondents in 2015 were engaged,
an improvement of

30ppt

since 2007.

Corporate hires

53%

of all positions filled below Executive Committee
level in 2015 have been internal moves.

Awards

15+

received in 2015 for our people practices.



Room to be involved

We communicate with employees on matters relating to the Group's business and performance, and we share information on people, policies and news across IHG through various channels, including conferences, team meetings and our intranet site. We encourage employees to give regular feedback to ensure IHG meets expectations and delivers on its commitments – this is formally done through the Employee Engagement survey, the results of which are a KPI.

Room to grow

Our people are given access to the required support, experience and training, and are provided with development opportunities.

Room for you

We reward and recognise colleagues for their contributions, and value the significance of their lives beyond work. When our people perform at their best, our business performs at its best.

2. Developing leaders to maximise individual and team performance

We are committed to developing our leaders and launched a number of programmes and tools in 2015 that will ensure that building people capability around leadership becomes an everyday part of working at IHG. One example is the IHG General Manager Development Programme, developed in conjunction with the IHG Owners Association, which develops high-performing General Managers who consistently keep our brand promises, inspire their teams, and deliver great results.

3. Building the right skills in frontline colleagues

As a service business, building the skills of our people to deliver a consistent branded guest experience is crucial. We continue to invest heavily in this area, such as by launching 'IHG Frontline' in 2015, our online platform that enables hotel colleagues to build knowledge and skills around brands, service and operations.

4. Building a strong performance culture

We have established a 'winning culture' and a framework to drive high performance, where regions and functions are aligned to the internal performance measures that most effectively drive business performance across our global organisation. This ensures that our hotels offer great guest experiences through consistent brands, which enable our brands to win and deliver returns to owners, and that our corporate colleagues focus on what matters most to deliver against our priorities.

This framework, together with our hotel and corporate talent and leadership programmes, is designed to enable our colleagues to respond with speed, agility and a strong focus on driving higher performance, which comprises our 'winning culture'.

Diversity and inclusion

As a global organisation operating in nearly 100 countries around the world, we recognise the importance and benefit of ensuring our workforce fully represents the communities in which we operate and the guests who stay in our hotels. As at 31 December 2015:

- six of the 12 Directors on the Board were female (50 per cent); however, due to recent changes to the Board, at 22 February 2016, 5 of the 11 Directors on the Board were female (43 per cent) and, after the AGM on 6 May 2016, it is anticipated that 3 of the 9 Directors on the Board will be female (33 per cent);
- 33 out of the 130 senior managers employed by the Group (including directors of subsidiaries) were female (25 per cent); and

- 7,158 out of the 12,727 people employed by the Group and whose costs were borne by the Group or the System Fund were female (56 per cent).

Please see pages 52 and 65 for more information on Board diversity and succession planning.

More information on our employees can be found on page 153 and the 'Our people' section of the Responsible Business Report (see www.ihgplc.com/responsiblebusiness).

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Our Winning Model in action: executing our strategy

In 2015, we have focused on executing key commercial initiatives across our Winning Model, in particular building preferred brands, lifetime relationships with guests and strong direct channels, helping IHG to deliver a leading guest experience.



Preferred brands delivered through our people

1. Building preferred brands

Focus areas

Throughout the year, we have executed multiple initiatives to drive preference for our established and new brands by:

- extending the scale of our brands;
- embedding innovative tools and concepts to enhance the guest experience; and
- driving quality and consistency in our hotels.

For more details, see pages 20 and 21.



Strong brand portfolio and loyalty programme

2. Transforming our loyalty proposition

Focus areas

In conjunction with building a strong brand portfolio, we have also made important changes to our guest loyalty proposition by:

- refining our engagement strategy;
- introducing new membership levels; and
- offering more relevant rewards.

For more details, see page 22.



Effective channel management

3. Making our direct channels the preferred way to book

Focus areas

We are focused on strengthening our low-cost direct channels, which deliver better owner returns, by:

- launching innovative campaigns;
- embedding revenue management practices;
- improving our digital channels; and
- continuing our strategic relationship with Amadeus.

For more details, see page 23.

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Our Winning Model in action: executing our strategy continued

1. Building preferred brands

Holiday Inn hotels refurbished since 2007

3,300+

Hotels signed up to adopt next-generation
Holiday Inn Express hotel design

475+

Crowne Plaza rooms in the pipeline

23,181

“Positioned against a differentiated set of guest needs and occasions, EVEN and HUALUXE are clear examples of IHG’s strong commitment to innovation.”

Strengthening our established brands

Holiday Inn brand family enhancements

With over 460,000 rooms, the Holiday Inn brand family is the largest midscale brand internationally. Since 2007, we have completed the industry’s largest ever brand refresh, together with our owners refurbishing over 3,300 hotels, opening 1,500 new hotels and removing 1,100 existing hotels. We continue to innovate on the guest experience for the Holiday Inn brand family, and, in 2015:

- We announced the launch of our Holiday Inn ‘H4 Hotel Design Solution’ (a room design allowing guests to work and relax with greater flexibility) and completed a pilot of a flexible new food and beverage service platform (providing training, innovative menu options, merchandising, financial tools and dedicated IHG support), which will be rolled out across the Holiday Inn estate in the US and Canada during 2016.
- In the US and Europe, we launched our next-generation Holiday Inn Express hotel design and procurement solution, aligned closely to the needs of the Holiday Inn Express target guest. Our focus has been to put sleep quality, simplicity and ease of maintenance at the centre of all design decisions, and this solution will become a brand standard for all new build properties. Since launching in 2015, we have seen strong levels of adoption, with 59 US and 10 Europe hotels adopting the full design (or incorporating key design elements). In the US, guests have shown great enthusiasm for this initiative, with 90 per cent of feedback on our brand.com websites being positive. Similarly, our Europe hotels with the new design have seen increases in guest satisfaction by up to 10 percentage points. Over 475 additional hotels have already committed to rolling out the next-generation hotel design in the next three years, and we expect further hotels to sign up in 2016.
- We continued to extend our scale in Holiday Inn Club Vacations (HICV) through our strategic relationship with Orange Lake Resorts. In May 2015, it acquired the US timeshare company Silverleaf Resorts, adding 13 properties to its resort portfolio. Three of these properties re-opened under the HICV brand in 2015 and plans are in place to convert further properties in 2016. Together with Orange Lake Resorts, we also opened the 213-unit HICV Scottsdale Resort in Arizona, a key US leisure destination.

Crowne Plaza growth

With 406 open hotels, Crowne Plaza is one of the largest upscale brands globally (source: Smith Travel Research) and our ambition to make it the preferred choice for the modern-day business traveller remains unchanged. In 2015, we made good progress in fulfilling that ambition. For example, we rolled out complimentary Wi-Fi to all our hotels in The Americas and

Europe and have begun offering 'Energy Essentials', our new food and beverage concept for guests to stay focused during the day.

We piloted our new 'WorkLife' room prototype, a flexible room designed to maximise productivity whilst also catering for all the travel needs of a business professional. In addition, we also made important enhancements to our business-to-business meetings proposition, reinforcing Crowne Plaza's position as a leading business-meetings brand.

We continue to focus on driving consistency and greater quality across our portfolio, with over 55 per cent of our US estate built or renovated since 2010. These efforts are now delivering better outcomes for Crowne Plaza, such as a 6.1 per cent increase year on year in global RevPAR and a third consecutive year of improvements in guest satisfaction.

Developing our newer brands

Positioned against a differentiated set of guest needs and occasions, EVEN Hotels (targeting wellness-minded travellers) and HUALUXE Hotels and Resorts (targeting the accomplished Chinese business elite) are clear examples of IHG's strong commitment to innovation. For both of these brands, our focus in 2015 has been on securing distribution in prime locations in order to build equity with guests and owners and to demonstrate the distinct nature of these brands.

EVEN Hotels

Following the opening of our first two EVEN Hotels in Rockville (MD) and Norwalk (CT) in The Americas in 2014, we opened a further property in New York Times Square South in 2015, and completed additional signings in attractive locations, such as Miami and Seattle. These properties, alongside additional pipeline properties in, for example, New York and Omaha, take the total hotel pipeline to eight. Our investment in developing our first two EVEN hotels has allowed us to refine the brand's proposition and commercial proof of concept, which, in turn, is helping to build momentum in signings.

HUALUXE Hotels and Resorts

In 2015, we opened our first three HUALUXE Hotels and Resorts properties in Haikou, Yangjiang and Nanchang (Greater China), which have been well-received by guests. With a further 21 hotels in the pipeline in prime cities, including Shanghai and Beijing, we are focused on building distribution in attractive locations in key cities across Greater China.

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IHG hotels in the boutique segment

126

Boutique hotels in the IHG pipeline

81



Building preferred brands We opened our first three HUALUXE Hotels and Resorts properties in 2015, in Haikou, Yangjiang and Nanchang (all in Greater China).

'China-Ready' programme

Whilst we continue to deploy brands, such as HUALUXE Hotels and Resorts, to capture growth opportunities in Greater China, we also recognise the importance of the Chinese outbound opportunity. To capture this growing group of potential guests, we have continued in 2015 the roll-out of our 'China-Ready' programme to 84 hotels in key Chinese outbound destinations across The Americas, Europe and AMEA. Our accredited hotels now have Mandarin-speaking staff and frontline teams who have received cultural training in order to better serve our Chinese guests. 'China-Ready' hotels have already seen a 1.5 per cent increase in guest satisfaction, and we expect more hotels to adopt this programme in 2016.

Growing our industry-leading boutique presence

Together with Hotel Indigo, our recent acquisition of Kimpton Hotels & Restaurants (Kimpton) has given IHG a market-leading position in the boutique segment, with 126 hotels open and 81 hotels in the pipeline (source: Smith Travel Research).

Hotel Indigo

We continue to strengthen the positioning of Hotel Indigo through innovative marketing campaigns such as 'Flavours of the Neighbourhood' and 'Sounds of the Neighbourhood' – locally inspired food and music programmes for guests and the wider community. These campaigns allow guests to have unique, local experiences and also drive greater awareness of the Hotel Indigo brand.

Kimpton Hotels & Restaurants

This year, we have also been carefully managing the integration of the Kimpton business with IHG to ensure we preserve the uniqueness and ethos of the brand and its people. By maintaining Kimpton's San Francisco headquarters, we have been able to retain highly talented individuals from across the organisation. In addition, we have also focused on establishing IHG protocols and procedures in relation to our HR, Legal and Finance functions, and putting in place an effective approach to ensure successful integration of commercial platforms (such as mobile and websites).

Powered by IHG's global scale, digital and mobile platforms and complementary brand portfolio, we see significant growth opportunities for Kimpton in the US and globally in 2016. Whilst we saw the exit of seven Kimpton hotels in San Francisco due to specific issues, these exits have not impacted our broader growth plans for the brand. In 2015, we achieved record levels of hotel openings (1,157 rooms) and signings growth (1,532 rooms) for the brand. In January 2016, we also signed our first Kimpton property outside the US, in Amsterdam (the Netherlands).

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Our Winning Model in action: executing our strategy continued

2. Transforming our loyalty proposition 

“Enhancements to our loyalty programme in 2015 have enabled us to offer more personal, relevant and rewarding connections across our sizeable membership.”



Meaningful Membership: Transforming Membership in 'The Age of I' The fourth in our series of Trend Reports.

Making loyalty more customised, tailored and rewarding

By building a strong, complementary brand portfolio, we are able to offer solutions for multiple guest needs, increasing our ability to cross-sell across brands and to establish lifetime relationships with our guests. Guests with increased loyalty to IHG have a higher spend per stay, driving higher RevPAR premiums, lowering distribution costs and consequently strengthening our owner offer. In addition, a strong loyalty programme is also critical to increasing awareness and recognition of the IHG brand portfolio.

Supported by deep consumer insights, including our latest 2016 Trends Report (see box below right), we are enriching our loyalty proposition by taking a more relationship-focused approach. In 2015, we have made important enhancements to IHG Rewards Club, our loyalty programme, enabling us to offer more personal, relevant and rewarding connections across our sizeable membership base.

Introducing a new membership level

Launched in July 2015, our new IHG Rewards Club membership tier, Spire Elite, has been designed to recognise and reward our most loyal guests, building an even deeper relationship with those members who stay with us most frequently.

Through Spire Elite, we are better able to reward members who reach this status, by offering new benefits and choices. For example, these members receive 100 per cent more bonus points on every qualifying stay – an industry first – and, upon reaching Spire Elite status, the choice between receiving 25,000 points or gifting Platinum Elite level status to a friend or family member for a year. We have also restructured qualification requirements for all membership levels in 2015 to make it easier for our members to be rewarded for their loyalty and achieve Gold Elite or Platinum Elite level status.

We also announced that, from May 2016, we will expire all points for IHG Rewards Club members if they have not earned or redeemed any points at all in the previous 12 months, so that we can reward the members who stay with us most often.

More meaningful guest engagement

In 2015, we have enhanced our customer relationship management system, allowing us to offer a more personal experience. Across our hotels, new tools have been introduced to provide hotel staff with more information on arriving guests, including details of previous stay experiences and specific stay preferences. With this information, our hotels are able to provide a more tailored guest experience during the stay.

Through a series of trials with new programme members, we have also refined our communication strategy, to ensure we offer guests the most relevant and timely information across multiple channels, such as mobile, email and web. Also launched in 2015, 'Accelerate', our multi-brand promotion, is enabling us to engage with IHG Rewards Club members in more appealing ways, by offering a wide range of relevant rewards that appeal across member levels. This promotion has already seen strong uptake among our members.

Relevant rewards

Strategic promotional partnerships play an important role in enhancing, and improving the visibility of, our loyalty proposition, as well as allowing us to provide unique experiences for our members. Our relationship with Uber (US only), announced in 2015, enables IHG Rewards Club members to request cab rides and set ride reminders through the award-winning IHG App. Likewise, new Uber users in the US now receive 2,000 IHG Rewards Club points and \$20 off their first ride with Uber.

Through the launch of IHG Business Rewards in April 2015, an extension of IHG Rewards Club, we have improved our corporate loyalty offer, enabling travel managers to earn IHG Rewards Club points for their companies' business in a single global programme. IHG Business Rewards is providing opportunities for us to improve relationships with our corporate accounts.

Finally, we have relaunched our Rewarding Experiences online catalogue, which showcases a wide range of points-redemption options, ranging from electronic products through to air miles, available through IHG Rewards Club for members of all levels. Digital Rewards, for example, appeals to guests who only wish to redeem a few points by giving them the ability to instantly download music, books and movies. Meanwhile, IHG Rewards Club Auctions lets members use their points to bid on exclusive once-in-a-lifetime experiences and prize packages.

The enhancements to our loyalty proposition in 2015 are already exciting guests and leading to stronger commercial outcomes. For example, we have experienced a year-on-year increase of 1.2 per cent in the proportion of revenue contributed by loyalty members, alongside a significant acceleration in enrolments to IHG Rewards Club across all regions.

Meaningful Membership: Transforming Membership in 'The Age of I'

We have published the fourth in our series of Trends Reports, which focus on consumer insights impacting the hospitality industry and business more broadly.

Our 2016 report challenges brands to engage with consumers in a way that builds loyal membership communities. It unveils a new set of principles for doing this, as consumers increasingly demand inclusivity and individuality at the same time.

See www.ihgplc.com/trends_report for further details on our series of Trends Reports.

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3. Making our direct channels the preferred way to book

***“Our pilot
‘Lowest Price
Promise’***



'Lowest Price Promise' Our innovative campaign to increase direct bookings.

*campaign for
Holiday Inn
Express in the
UK means the
lowest rates on
our brand.com
website for IHG
Rewards Club
members.”*

Driving direct, high-quality revenues for our owners

Our global scale and the strength of our digital capabilities enable us to offer strong levels of system delivery, with direct and indirect channels delivering 73 per cent of total rooms revenue for our hotels in 2015. We are focused on driving value to our owners through our low-cost direct channels, which, in turn, deliver better owner returns. Enhancements to IHG Rewards Club in 2015 are an important way in which we are driving more profitable, direct bookings to our hotels.

In close collaboration with our owner community, we have also introduced a number of additional initiatives in 2015 (detailed below) which are helping to make our direct channels the preferred way for guests to book their stays with us.

Launching innovative campaigns

In 2015, we piloted our 'Lowest Price Promise' campaign for Holiday Inn Express in the UK and Ireland, where we guarantee the lowest rates on our brand.com website for IHG Rewards Club members, providing a clear incentive for guests to become part of IHG Rewards Club and book through IHG's direct channels. This pilot has driven a material increase in direct bookings, driving a 19 per cent shift to our web channel, and we will be extending this initiative to other markets in 2016.

Embedding revenue management practices

We have delivered revenue management training across each of our regions in 2015, providing hotel staff with insight and guidance on how to optimise the mix of bookings from different sales channels, in order to deliver the most profitable revenues to hotels. In addition, we continue to grow usage of our revenue management service, 'Revenue Management for Hire', which provides hotels with dedicated revenue management experts, supported by our proprietary strategic pricing tools, such as 'Perform with Price Optimisation'.

Improving digital channels and driving digital innovation

Our direct digital channels (which include our brand.com websites and mobile app) deliver over 20 per cent of our rooms revenue and have now collectively become IHG's largest channel. During the year, we have continued to invest in developing compelling content and innovative functionality for these channels, in order to drive more profitable direct bookings and to enhance the guest experience. For example, in 2015 we launched content-rich websites for five brands which provide a more engaging booking experience. We also made multiple enhancements to our award-winning mobile app, such as piloting Mobile Folio (allowing guests to view hotel bills in real time) and IHG Guest Request (allowing guests to make in-stay service requests).

Strategic relationship with Amadeus

In April 2015, we announced the second phase of our strategic relationship with Amadeus to develop a next-generation, cloud-based Guest Reservation System (GRS) to replace HOLIDEX, IHG's proprietary reservation system. The new state-of-the-art guest reservation solution will be a first for the hotel industry, and will enable us to deliver an enhanced and more personalised guest experience across every stage of the 'Guest Journey', along with enriched commercial outcomes for owners. The system is currently in development, and a phased roll-out will start in 2017. It will provide our hotels with a robust global platform to manage guest interaction and the personalisation of their experience, and will deliver a standardised, scalable and flexible global technology ecosystem.

A better digital experience

The IHG Translator app, which is now available on the Apple Watch, provides travellers with access to real-time translations across the world.

Users can speak directly into the watch or select from a range of pre-loaded phrases to translate from English into 13 different languages instantaneously.



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Doing business responsibly

A commitment to operating our business responsibly underpins our entire strategy. It is brought to life through our culture and is embedded in all aspects of the way we work.

See www.ihgplc.com/responsiblebusiness for further information about our commitment to responsible business practices.

Doing the right thing in the right way allows us to have a positive impact on the lives of all those who interact with IHG.

Corporate responsibility

We are committed to making our communities a better place for all. Our colleagues around the world genuinely care about the well-being of our guests and the impact we have on local communities and businesses. We work to develop new and better ways to assist owners to build and operate IHG-branded hotels, creating sustainable shared value for our brands and our stakeholders, as well as addressing social and environmental challenges. Our five-year corporate responsibility targets, released in September 2013, focus on measuring the positive impact we have, which is part of our commitment to responsible business practices (see box to the right).

Social and community

Each one of our hotels is a central part of its community, from creating jobs and stimulating local economic opportunities, to providing shelter in times of need. Our social and communities agenda focuses on two core programmes:

- **IHG® Academy:** a collaboration between our hotels and education providers that helps people develop the skills they need to improve their employability and secure a job in the hotel industry; and
- **disaster relief and preparedness (IHG® Shelter in a Storm):** we empower our hotels to support guests, colleagues and local communities in times of need with financial support, vital supplies and accommodation.

Environment

We take steps to manage our environmental impact in a responsible way. By delivering more environmentally sustainable hotels, we can drive cost efficiencies for owners as well as meet the expectations of all our stakeholders. We achieve this objective through our core environmental initiative:

- **the IHG Green Engage™ system:** our group-wide online sustainability programme helps hotels manage the use of energy, carbon, water and waste, and minimise their overall environmental impact.

Human rights

We focus on those areas of human rights most relevant to our activities, and we work to ensure our values are reflected consistently across our business. Building on our launch of the human rights standard in 2014, in 2015 we launched an e-learning module to raise further awareness of our human rights approach. We are a signatory to the UN Global Compact, aligning our operations and strategies with the 10 universal principles, which include commitments to human rights and labour standards. We are part of the Business in the Community cross-industry working group on human rights, as well as the International Tourism Partnership's Human Trafficking Working Group.

We report on diversity in our supply chain and set targets to ensure that corporate responsibility criteria, including human rights standards, are integrated into the selection and evaluation process for preferred suppliers. Our Vendor Code of Conduct sets out those standards to which we require our supply-chain operators to adhere.

Our culture of responsible business

In a climate where employees, guests and other stakeholders are seeking confirmation that companies share their values, the things we do to embed a culture of responsible business across the Group contribute to the credibility and value of IHG's brands. These include:

- strong governance and leadership, which promote responsible business attitudes and behaviours throughout IHG;
- ensuring our colleagues understand key legal and reputational issues and our Winning Ways (see page 17);
- engaging in responsible procurement;
- ensuring the safety and security of employees, guests and other visitors to our hotels and offices; and
- operating effective risk management and internal controls.

More details on how we manage these areas in order to enhance and protect IHG's reputation are provided on pages 25 to 27 and in the Responsible Business Report (see URL above).

The IHG® Foundation

Launched in 2016, the IHG Foundation sets the foundations for stronger, healthier, and more prosperous communities around the world. It is an independent charitable trust founded to help individuals in need develop skills in the hospitality industry, ensure support for those impacted by disasters, facilitate local community investment and protect the environment. The IHG Foundation will also be the focus of the Group's employee and community fundraising efforts.



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Risk management

Our robust and effective risk management system continues to evolve, enabling our business to achieve its strategic objectives, and deliver sustainable, long-term growth and a commitment to responsible business practices.

Our Winning Model and risk

The combination of our strategy (see pages 14 and 15) and business model (see pages 12 and 13) creates both opportunities and inherent risks and uncertainties. The Board is ultimately accountable for the effectiveness of the risk management and internal control systems, and is supported by the Audit Committee, the Executive Committee and other delegated committees, which oversee our risk management system and ensure that risks are appropriately identified and managed within IHG's risk appetite.

Risk appetite

IHG's risk appetite is reflective of the nature and extent of risk that the Board and IHG are willing to take and manage in pursuit of our strategic and other objectives. This is then cascaded through the goals we set, the strategy we choose, the decisions we make and how we allocate resources. Specific limits and guidelines for risk-taking are reflected in our governance committees and structures, our policies (eg our delegation of authority policy), and the targets we select.

Our risk management system

Our system for managing risk is fully integrated with the way we run the business through our culture, our management controls and our reporting. Our Global Risk Management function is responsible for the support, enhancement and monitoring of the effectiveness of this system, which encompasses the key areas below.

Risk and culture

Tone, attitudes, ethical values and policies

IHG's culture is supportive of considered and conscious risk-taking in pursuit of business objectives, and is embedded through, for example, our Winning Ways (see page 17) and our Code of Conduct, which consolidates and clarifies our ethical values and expected standards of behaviour.

The Code of Conduct, available at www.ihgplc.com/investors under corporate governance, is applicable to all Directors, officers and employees. It is supported by an e-learning programme and key policies in areas such as bribery, gifts and entertainment, and handling personal data. We also have a confidential disclosure channel to provide employees with a means to report any ethical concerns they may have.

Governance and committee structures

IHG has an operational committee structure in place, which includes regional operating and expenditure committees, franchise and management deal approval committees, and compliance committees, to ensure effective oversight and review of the Group's activities. These committees oversee, manage and mitigate risk in relation to their activities.

We continue to review and adjust management committees in light of changing business needs and to ensure they support effective and efficient decision-making, including appropriate consideration of risk.

In 2015, we have confirmed and reinforced committee accountabilities in relation to our brand and marketing activities, our programme portfolio management, and our owner strategy.



Risk and control management

Three lines of defence

As well as continued reinforcement of 'first line' accountability for risk management, we have continued to enhance our capability in 'second line' subject matter expertise. In 2015, this has included enhancements to procurement and HR processes, and continuing focus on regulatory compliance. 'Third line' independent assurance is primarily provided by Global Internal Audit, whose audit plan is aligned with the Group's principal risks.

Risk and strategy

In developing our strategy, we seek to mitigate or exploit a number of strategic risks to our business. Our strategic planning process involves the Executive Committee and relevant regions and functions, who develop plans that consider and address strategic risks, business-as-usual operational risks and financial control and compliance considerations within the framework of our broader risk appetite.



Risk monitoring and reporting

Risk and performance monitoring

Risk and performance information is crucial to effective management of known risks. Through regular review of key risk indicators and progress against our KPIs (see pages 28 to 31), and our internal performance measures monitored in connection with delivering our 'winning culture' (see page 18), we are able to monitor risk trends and emerging risks effectively.

Principal risk reporting

IHG's principal risk review process engages management to identify, assess, manage and monitor the principal risks and uncertainties affecting the Group, considering risks related to our strategy, operations and to our financial reporting and compliance responsibilities, reporting to the Board and Audit Committee on a biannual basis. Our principal risk review is described overleaf.

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Risk management continued

IHG's principal risks, uncertainties and review process





The external risk environment remains dynamic, with changes in political, economic, social, technological, legal and environmental risks. However, the Group's asset-light business model, diverse brand portfolio and wide geographical spread contribute to IHG's resilience to events that could affect specific segmental or geographical areas. Our Risk Working Group, chaired by the General Counsel and Company Secretary and comprised of the heads of Global Risk Management, Global Strategy, and Global Internal Audit, provides input on, and oversight of, the principal risk review process, which identifies and assesses risks for ongoing monitoring and review by senior management.







The Directors have carried out an assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. These risks are reviewed formally by the Directors on a biannual basis and are considered in more detail through the activities of the Board and Committees (see pages 61 and 62). The table below describes our principal risks and uncertainties, which align with our strategic priorities (see page 14). These principal risks are supplemented by a broader description of risk factors set out on pages 156 to 159.

How the external environment for each principal risk has changed over the past year (risk trends)

 Increased risk
  No change in risk

How each principal risk links to our strategic priorities

 Winning Model
  Targeted Portfolio
 Disciplined Execution
  Responsible Business

Risk description	Trend	Impact	How do we manage these risks?
<p>Preferred brands and loyalty A portfolio of clearly defined and consistently delivered brands which meet increasingly personalised guest needs and occasions is crucial for creating brand preference, loyalty and advocacy, and failure to deliver this could impact our competitive positioning, our ability to drive growth and our reputation with guests, owners and investors.</p>		 	<ul style="list-style-type: none"> Each of the brands in our portfolio is designed to meet specific guest needs and occasions through distinct and complementary brand propositions informed by guest research and insights (see pages 4 and 5). We continually review ways to increase awareness of, and loyalty to, our brands through our loyalty programme, IHG Rewards Club, as well as global and local marketing promotions, sponsorships and specific brand initiatives (see page 20). We manage brand consistency through the entire hotel life cycle, supported by clear contractual terms, new hotel opening processes, brand standard requirements and compliance processes. Tools, training and guidance assist owners and those working at our hotels to deliver brand consistency. We continue to evaluate our brand portfolio and extend the portfolio where necessary, through developing new brands (HUALUXE, EVEN) or acquisitions (Kimpton). Additionally, significant analysis is given to brand presence in priority markets and the business' ability to grow in these markets.
<p>Leadership and talent Failure to recruit and retain the right leadership talent and to give them the tools, guidance and support to be</p>		 	<ul style="list-style-type: none"> We have in place a comprehensive global people strategy (see pages 17 and 18) to ensure we are able to recruit, retain and develop talent at our hotels, corporate offices and central reservations offices. Supplementing the global strategy, we have

successful could impact IHG's delivery and ability to drive our strategic ambition.



- developed localised people strategies for some of our priority markets.
- Our leadership framework, support tools, and training and development programmes help our people grow their careers, thereby managing internal talent. We proactively manage succession planning at all levels and consider the diversity (more broadly than gender) of our people and leadership.
- IHG Academy assists us to fill our talent pipeline whilst supporting local communities (see page 24).

Channel management and technology platforms

Failure to maintain and enhance our booking and distribution channels and technology infrastructure could impact on our ability to deliver revenue, meet evolving guest expectations and generate returns for our owners and investors.



- We recognise that technological advances, the growth of intermediaries and the sharing economy, and changing guest expectations (see pages 10 and 11) mean that we must continually invest in, and improve, our technological systems to deliver across the 'Guest Journey' and to build lifetime relationships with our guests. Our focus is on encouraging guests to use direct booking channels. However, recognising that some travellers use intermediaries, we seek to secure better terms with those intermediaries for our hotels.
- Our Global Technology function works collaboratively with specialist third-party technology providers continuously to monitor, manage and optimise our systems and channels to enhance all aspects of the 'Guest Journey', and this includes testing the resilience of our systems through business continuity practices.

Owner proposition

Failure to maintain strong relationships with owners, and to demonstrate attractive returns on investment, could impact the retention and growth of IHG's System size and development pipeline.



- We build relationships with owners through a variety of methods, including formal and informal communications and the IHG Owners Association.
- IHG works closely with the IHG Owners Association to ensure we have insight into owners' perspectives, particularly with respect to new programmes, initiatives and the use of the System Fund (described on page 47).
- Long-term franchise and management contracts, new hotel opening teams and processes, Hotel Solutions (our internal online portal which provides tools and guidance to hotels across a number of operational areas) and the wider corporate infrastructure are put in place to leverage scale, support our hotels and maintain relationships with owners throughout the life cycle of the hotel.
- We closely monitor the performance of our revenue delivery systems and are focused on delivering a strong return on investment for our hotel owners.

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In 2015, we have assessed in further detail the principal risks relating to IHG's reputation and how we will enable future performance.

Risk description	Trend	Impact	How do we manage these risks?
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Safety and security

Safety and security risks are inherent to all hotel operations, complicated by continuing geopolitical instability threats in markets where IHG operates. Failure to operate an appropriate risk management system which safeguards our guests and employees could impact IHG's reputation.



- Safety and security is of paramount importance to IHG and an extensive safety and security risk management system is in place.
- The safety and security risk management system includes risk and threat assessment, policies and standards, training programmes, performance and risk monitoring, and reporting and analysis.
- Our operational safety and security teams comprise team members with extensive subject matter expertise and experience, who provide support to line management to equip them to plan for, and respond to, incidents when they occur.

Cybersecurity and information governance

Threats to the security of guest and other sensitive information held and used by IHG are increasing and failure to manage these could impact our operations, result in fines and undermine stakeholder trust in our business.



- We take cybersecurity and information governance very seriously and have applied risk-based methods to build capability and resilience into our systems and processes. We manage information security to contain the risk and reduce the Group's exposure, tightly controlling sensitive information through limited and monitored access.
- We continue to aim to be fully compliant with Payment Card Industry – Data Security Standards (PCI – DSS), using tools and services with respect to payment-card processing from leading specialist third-party providers.

Programme and project delivery

IHG is currently delivering a number of large and complex business change programmes and failure to manage these effectively could impact the value realised from our investments.



- Our programme management capability is overseen by our Strategic Portfolio Management team who ensure strategic alignment and prioritisation of key programmes, develop organisational capability through training and implementation of the Group's project delivery approaches and tools, and independently monitor the progress of key organisational change programmes.
- This team is supported by regional and functional project management teams, who manage and monitor specific programmes and projects.

Legal, regulatory and ethical compliance

While the hotel sector is not subject to stringent industry-specific regulations, the global business environment is evolving, with regulators enhancing their enforcement activity.



- Our regulatory compliance programme works to identify and respond to relevant regulatory requirements. These include, but are not limited to, anti-bribery and corruption, data privacy and antitrust. These programmes consist of policies, communications and training, and are supported by confidential disclosure channels and ongoing monitoring procedures.
- Additionally, we continue to monitor key legal and ethical developments relevant to our business model, intellectual property and operations.

Financial management and control

Increased public scrutiny, litigation and regulatory investigation have once again highlighted the need for companies to ensure that their financial reporting, controls and management systems are robust.



- The maintenance of a sound financial reporting and control environment is achieved through an effective policy framework, training programmes, and layered performance and review processes.
- IHG has a mature, experienced and stable global finance function, encompassing specialist groups including, but not limited to, the following teams: Group Tax, Group Treasury, Procurement and Cost Efficiency; Global BSC Operations; Global and Regional Financial Planning and Analysis; Global Financial Reporting; and Governance and Compliance (including compliance with the Sarbanes-Oxley Act 2002).

Viability statement

In assessing the viability of the Group, the Directors have reviewed a number of scenarios, weighting downside risks that would threaten the business model, future performance, solvency and liquidity of the Group more heavily than opportunities. The scenarios included a severe but plausible downturn similar to the financial crisis that occurred from 2008 to 2009 and a reverse stress test of the business starting from the presumption of the Group having insufficient liquidity to continue trading. In the severe scenarios, the Directors also considered actions that would be taken if such events became a reality. The Directors have determined that the three-year period to 31 December 2018 is an appropriate period to be covered by the viability statement as each year the Group's planning process builds into a robust three-year plan. The detailed three-

year plan takes into consideration the principal risks outlined on pages 26 to 27, the Group's strategy, and current market conditions. The plan then forms the basis for strategic actions taken across the business. The plan is reviewed annually by the Directors and approved towards the end of the calendar year. Once approved, the plan is then cascaded to the business and used to set performance metrics and objectives. Performance against those metrics and objectives is then regularly reviewed by the Directors.

The Directors have assessed the viability of the Group over a three-year period to 31 December 2018, taking account of the Group's current position, the Group's strategy and the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018.

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Key performance indicators (KPIs)

We measure our performance through a set of carefully selected KPIs, which monitor our success in achieving our strategy and the progress of our Group to deliver high-quality growth. The KPIs are organised around the framework of our strategy – our Winning Model and Targeted Portfolio – underpinned by Disciplined Execution and doing business responsibly.

KPIs	2015 status	2016 specific priorities
------	-------------	--------------------------

Winning Model and Targeted Portfolio

Net rooms supply

Net total number of IHG rooms in the IHG System



87%

of open rooms are in priority markets

90%

of pipeline rooms are in

- Continue to accelerate growth in our 10 priority markets and key city locations in order to achieve further scale benefits.
- Support growth of EVEN and HUALUXE brands in The Americas and Greater China respectively, and Kimpton in The Americas and internationally.

Growth in fee revenues



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

priority markets

78.4k

rooms signings, the highest in seven years

Total gross revenue from hotels in IHG's System



Total rooms revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels. Other than for owned and leased hotels, it is not revenue wholly attributable to IHG, as it is mainly derived from hotels owned by third parties

\$4.2bn

digital revenues delivered in 2015, up by 12% on 2014

58%

of hotels in The Americas adopting IHG's revenue management service

- Continue to drive adoption and impact of our revenue management tools, systems and processes amongst our owners.
- Work collaboratively with Amadeus on the development of our next-generation Guest Reservation System, whilst continuing to build cutting-edge digital technology.
- Following our successful pilot in Europe, roll out our 'Lowest Price Promise' initiative in other markets to make our direct channels the preferred way to book.
- Focus on driving greater revenue contribution from IHG Rewards Club members.

System contribution to revenue



The percentage of room revenue delivered through IHG's direct and indirect systems and channels.

a Excluding the acquisition of Kimpton (11,325 rooms), net rooms growth was 3.2%.

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Link between KPIs and Directors'

remuneration

KPIs which could have an impact on the performance measures for remuneration plans:

(A) Annual Performance Plan

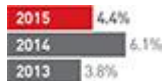
(LT) Long Term Incentive Plan

KPIs

2015
status

2016
specific
priorities

Global RevPAR growth



Revenue per available room: rooms revenue divided by the number of room nights that are available.

(LT)

Guest HeartBeat



IHG's guest satisfaction measurement indicator.

(A)

69

Holiday Inn Express hotels with the next-generation room design opened in 2015

- Accelerate the roll-out and adoption of our IHG Frontline training platform across all IHG hotels, enabling our people to deliver consistently great guest experiences that build brand preference.
- Focus on driving consistency and quality across our Crowne Plaza portfolio in the US.
- Continue to invest in brand innovation, such as the Holiday Inn Open Lobby, the Holiday Inn Express next-generation room design, and the Crowne Plaza 'WorkLife' room.
- Embed further improvements to measuring guest satisfaction in our hotels.

200+

external recognitions for our brands and hotels in 2015

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Key performance indicators (KPIs) continued

KPIs

2015
status

2016
specific
priorities

Disciplined Execution

Fee margins



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

1.6ppt
growth in fee margin
in 2015

- Accelerate the roll-out of our online procurement system (Procure to Pay), allowing us to monitor and control spend and use our scale to deliver buying advantage.
- Continue to enhance our 'Hotel Ready' processes and communications with hotels, to ensure effective delivery of the most critical hotel initiatives.

Employee
Engagement



2.6ppt
increase in

- Continue to focus on developing our 'winning culture', in particular encouraging more

survey scores

Average of our biannual Employee Engagement survey, completed by employees and those who work in our managed hotels (excluding our joint ventures).

Employee Engagement scores in 2015

regular and open performance conversations, and on embedding performance management processes.

- Drive adoption of improvements to our human resources systems to further our ability to develop and retain talent.



Doing business responsibly

Number of people participating in IHG® Academy programmes



1,215

IHG Academy programmes across 68 countries

- Continue to provide skills and improved employability to people via IHG Academy, ensuring a positive impact for local people, our owners and IHG.
- Roll out the enhanced IHG Academy online tool to enable quality growth in the programme, including increased engagement with our franchise hotels.

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Link between KPIs and Directors' remuneration
KPIs which could have an impact on the

performance measures for remuneration plans:

- A Annual Performance Plan
- LT Long Term Incentive Plan

KPIs

2015
status

2016 specific
priorities

Doing business responsibly continued

Value of monetary donations and in-kind support to communities, including through IHG® Shelter in a Storm



27

disasters in 17 countries responded to by IHG Shelter in a Storm

- Continue to enable our hotels to respond quickly and effectively in times of disaster.

Carbon footprint per occupied room



* Restated
See page 154 for further information on scope and methodology

3.9%

reduction in carbon footprint per occupied room (to 31.53 kgCO₂e) on a 2012 baseline across our entire estate

- Continue to reduce our carbon footprint across our entire estate.
- Continue to drive adoption and quality use of the IHG Green Engage system across our entire estate.

Water use per occupied room in water-stressed areas

2015	0.66m ³ ^a
2014	0.67m ³ ^a
2013	0.67m ³ ^a
2012	0.69m ³ ^a

^a Restated

^b We calculate water performance to 15 decimal places. Using a full decimal place calculation results in a 4.8% reduction

4.8%^b

reduction in water use per occupied room (by 0.03m³) on a 2012 baseline in water-stressed areas

- Continue to reduce water use across our entire estate, with a particular focus on hotels in water-stressed areas.
- Work with the Water Footprint Network to identify actions that hotels can adopt to improve their water stewardship, enabling further reductions in water use.

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Performance

Group

Group results

	12 months ended 31 December				
	2015 \$m	2014 \$m	2015 vs 2014% change	2013 \$m	2014 vs 2013% change
Revenue					
Americas	955	871	9.6	916	(4.9)
Europe	265	374	(29.1)	400	(6.5)
AMEA	241	242	(0.4)	230	5.2
Greater China	207	242	(14.5)	236	2.5
Central	135	129	4.7	121	6.6
Total	1,803	1,858	(3.0)	1,903	(2.4)
Operating profit					
Americas	597	544	9.7	550	(1.1)
Europe	78	89	(12.4)	105	(15.2)
AMEA	86	84	2.4	86	(2.3)
Greater China	70	89	(21.3)	82	8.5
Central	(151)	(155)	2.6	(155)	–
Operating profit before exceptional items	680	651	4.5	668	(2.5)
Exceptional operating items	819	29	–	5	480.0
	1,499	680	120.4	673	1.0
Net financial expenses	(87)	(80)	(8.8)	(73)	(9.6)
Profit before tax	1,412	600	135.3	600	–
Earnings per ordinary share					
Basic	520.0¢	158.3¢	228.5	140.9¢	12.3
Adjusted	174.9¢	158.3¢	10.5	158.3¢	–
Average US dollar to sterling exchange rate	\$1: £0.65	\$1: £0.61	6.6	\$1: £0.64	(4.7)

Accounting principles

The Group results are prepared under International Financial Reporting Standards (IFRS). The application of IFRS requires management to make judgements, estimates and assumptions, and those considered critical to the preparation of the Group results are set out on pages 98 and 99 of the Group Financial Statements.

The Group discloses certain financial information both including and excluding exceptional items. For comparability of the periods presented, some of the performance indicators in this Performance review are calculated after eliminating these exceptional items. Such indicators are prefixed with 'adjusted'. An analysis of exceptional items is included in note 5 on page 107 of the Group Financial Statements.

Highlights for the year ended 31 December 2015

During the year ended 31 December 2015, revenue decreased by \$55m (3.0%) to \$1,803m primarily as a result of the disposal of owned hotels in line with the Group's asset-light strategy. Operating profit before exceptional items increased by \$29m (4.5%) to \$680m.

On 16 January 2015, the Group completed the acquisition of Kimpton Holding Group LLC (Kimpton) for cash consideration of \$430m before working capital adjustments and cash acquired, resulting in the addition of 62 hotels (11,325 rooms) into the IHG System.

On 20 May 2015, the Group completed the sale of InterContinental Paris – Le Grand for gross proceeds of €330m and, on 30 September 2015, the Group completed the sale of InterContinental Hong Kong for proceeds of \$928m after final working capital adjustments and cash tax.

On an underlying basis, revenue and operating profit increased by \$113m (8.0%) and \$67m (11.5%) respectively. The underlying results exclude the impact of owned hotel disposals in 2015 and the prior year, the results of managed-lease hotels, Kimpton, and significant liquidated damages receipts (2015: \$3m; 2014: \$7m).

Comparable Group RevPAR increased by 4.4% (including an increase in average daily rate of 3.1%), with growth across all regions. IHG System size increased by 4.8% (3.2% excluding the Kimpton acquisition) to 744,368 rooms, whilst Group fee revenue increased by 7.5% (3.0% excluding Kimpton).

At constant currency, net central overheads increased by \$5m (3.2%) to \$160m compared to 2014 (but at actual currency decreased by \$4m (2.6%) to \$151m).

Group fee margin was 46.3%, up 1.6 percentage points (up 1.3 percentage points at constant currency) on 2014, after adjusting for owned and leased hotels, managed leases, Kimpton, and significant liquidated damages. Group fee margin benefited from strong growth in IHG's scale markets, reflecting scale benefits and tight overhead control.

Profit before tax increased by \$812m to \$1,412m, primarily due to the gain on the sale of InterContinental Paris – Le Grand and InterContinental Hong Kong. Basic earnings per ordinary share increased by 228.5% to 520.0¢, whilst adjusted earnings per ordinary share increased by 10.5% to 174.9¢.

For definitions in this section, please refer to the Glossary on pages 176 and 177.

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Highlights for the year ended 31 December 2014

Revenue decreased by \$45m (2.4%) to \$1,858m and operating profit before exceptional items decreased by \$17m (2.5%) to \$651m during the year ended 31 December 2014, due in part to the disposal of owned hotels in line with the Group's asset-light strategy.

On 27 March 2014, IHG completed the disposal of its freehold interest in InterContinental Mark Hopkins San Francisco for gross proceeds of \$120m and a long-term contract to manage the hotel. On 31 March 2014, IHG completed the disposal of 80% of its interest in InterContinental New York Barclay for gross proceeds of \$274m and a 30-year management contract with two 10-year extension rights, retaining the remaining 20% in a joint venture set up to own and refurbish the hotel.

On 7 August 2014, the Group received a binding offer to acquire InterContinental Paris – Le Grand for gross proceeds of €330m and a 30-year management contract with three 10-year extension rights. The offer was subsequently accepted on 8 December 2014, with the transaction expected to complete by the end of the first half of 2015, subject to the satisfaction of certain standard conditions.

On an underlying basis, revenue and operating profit increased by \$94m (6.0%) and \$57m (9.6%) respectively. The underlying results exclude InterContinental Mark Hopkins San Francisco and InterContinental New York Barclay whilst under IHG ownership, the results of managed-lease hotels, and the benefit of \$7m liquidated damages receipts in 2014 and \$46m liquidated damages receipts in 2013.

Comparable Group RevPAR increased by 6.1% (including an increase in average daily rate of 2.7%), led by particularly strong growth of 7.4% in The Americas. Group System size increased by 3.4% to 710,295 rooms, whilst Group fee revenue increased by 6.7%.

At constant currency, net central overheads decreased by \$3m (1.9%) to \$152m compared to 2013 (but at actual currency remained flat at \$155m), helped by continued cost control, as well as additional technology fee income.

Group fee margin was 44.7%, up 1.5 percentage points on 2013, after adjusting for owned and leased hotels, managed leases, and significant liquidated damages. Group fee margin benefited from strong growth in IHG's scale markets.

Profit before tax of \$600m was unchanged on 2013. Basic earnings per ordinary share increased by 12.3% to 158.3¢, whilst adjusted earnings per ordinary share remained flat at 158.3¢.

Global total gross revenue

	12 months ended 31 December		
	2015 \$bn	2014 \$bn	% change
InterContinental	4.5	4.7	(4.3)
Kimpton	1.1	–	–
Crowne Plaza	4.2	4.2	–
Hotel Indigo	0.3	0.3	–
Holiday Inn	6.2	6.4	(3.1)
Holiday Inn Express	6.1	5.7	7.0
Staybridge Suites	0.8	0.7	14.3
Candlewood Suites	0.7	0.6	16.7
Other	0.1	0.2	(50.0)
Total	24.0	22.8	5.3

One measure of IHG System performance is the growth in total gross revenue, defined as total rooms revenue from franchised hotels, and total hotel revenue from managed, owned and leased hotels. Other than owned and leased hotels, total gross revenue is not revenue attributable to IHG, as it is derived mainly from hotels owned by third parties.

Total gross revenue increased by 5.3% (11.4% increase at constant currency) to \$24.0bn, driven by IHG System size and comparable RevPAR growth, partially offset by the negative impact of foreign exchange movements.

- a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.
- b Fee revenue is defined as Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages.

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Global hotel and room count

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	184	4	62,040	805
Kimpton	61	61	10,976	10,976
HUALUXE	3	3	798	798
Crowne Plaza	406	–	113,284	(278)
Hotel Indigo	65	4	7,664	933
EVEN Hotels	3	1	446	150
Holiday Inna	1,226	14	228,100	2,941
Holiday Inn Express	2,425	60	236,406	7,296
Staybridge Suites	220	15	23,964	1,555
Candlewood Suites	341	19	32,328	1,620
Other	98	11	28,362	7,277
Total	5,032	192	744,368	34,073

Analysed by ownership type

Franchised	4,219	123	530,748	15,764
Managed	806	71	211,403	19,282
Owned and leased	7	(2)	2,217	(973)
Total	5,032	192	744,368	34,073

a Includes 47 Holiday Inn Resort properties (11,518 rooms) and 16 Holiday Inn Club Vacations properties (5,231 rooms) (2014: 42 Holiday Inn Resort properties (9,904 rooms) and 12 Holiday Inn Club Vacations properties (4,027 rooms)).

During 2015, the global IHG System (the number of hotels and rooms which are franchised, managed, owned or leased by the Group) increased by 192 hotels (34,073 rooms) to 5,032 hotels (744,368 rooms).

Openings of 273 hotels (44,427 rooms) were 8.2% higher than in 2014 and the highest level since 2009. Openings in The Americas included 130 hotels (14,963 rooms) in the Holiday Inn brand family and seven Kimpton hotels (1,157 rooms). 32 hotels (9,380 rooms) were opened in Greater China in 2015, with the Europe and AMEA regions contributing openings of 36 hotels (5,493 rooms) and 22 hotels (6,612 rooms) respectively. 143 hotels (21,679 rooms) were removed in 2015, an increase from the previous year (123 hotels, 17,630 rooms), demonstrating our continued commitment to quality.

Global pipeline

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	52	2	15,676	12
Kimpton	18	18	3,366	3,366
HUALUXE	21	(3)	6,632	(919)
Crowne Plaza	84	(8)	23,181	(2,155)
Hotel Indigo	63	–	9,208	112

EVEN Hotels	8	5	1,262	678
Holiday Inn	256	(13)	52,204	(509)
Holiday Inn Express	602	80	75,605	12,651
Staybridge Suites	114	15	12,641	1,733
Candlewood Suites	98	9	8,720	1,003
Other	14	4	5,421	4,172
Total	1,330	109	213,916	20,144

Analysed by ownership type

Franchised	905	62	102,169	7,439
Managed	424	47	111,545	12,707
Owned and leased	1	–	202	(2)
Total	1,330	109	213,916	20,144

b Includes 14 Holiday Inn Resort properties (3,548 rooms) (2014: 18 Holiday Inn Resort properties (4,412rooms)).

At the end of 2015, the global pipeline totalled 1,330 hotels (213,916 rooms) including 18 Kimpton hotels (3,366 rooms), an increase of 109 hotels (20,144 rooms) on 31 December 2014. The IHG pipeline represents hotels where a contract has been signed and the appropriate fees paid. Approximately 90% of the closing pipeline at 31 December 2015 is in our 10 priority markets.

Group signings increased from 463 hotels (69,696 rooms) in 2014 to 474 hotels (78,438 rooms) in 2015, the strongest level since 2008. This included 306 hotels (47,676 rooms) signed for the Holiday Inn brand family, up by 4.7% compared to 2014, 27.0% of which were contributed by Greater China (48 hotels, 12,878 rooms).

Active management of the pipeline to remove deals that have become dormant or no longer viable reduced the pipeline by 108 hotels (17,004 rooms), compared to 96 hotels (15,333 rooms) in 2014.

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The Americas

Maximise the performance and growth of our portfolio of preferred brands, focusing on our core upper midscale and upscale segments, mostly through franchise agreements, over the next three years.



Industry performance in 2015

In 2015, industry RevPAR in The Americas increased by 6.7%, driven by a 2.3% increase in demand and a 5.5% increase in average daily rate. On the supply side, the number of available rooms increased by 1.3%, the first time in five years that supply growth has exceeded 1%. All industry segments experienced robust RevPAR growth driven by growth in average

daily rate. RevPAR in the upper midscale segment, where the Holiday Inn and Holiday Inn Express brands operate, increased by 5.5%, driven by a 4.0% increase in average daily rate.

In the US, the lodging industry demand continued to outpace GDP, which increased 2.4% – the same level as 2014. Industry room demand set records in all months this year apart from August, while supply growth continued to move upwards, reaching 1.1%, (still below the 1.9% per annum historic average). Average daily rate growth of 4.4% drove a 6.3% increase in US RevPAR. US upper midscale RevPAR increased 6.3%, while US upscale RevPAR increased 5.6%. In Canada, industry RevPAR increased by 3.4%, driven by a 4.2% increase in average daily rate, and in Mexico, RevPAR increased by 19.1%, due to an 18.6% increase in average daily rate.

IHG's regional performance in 2015

IHG's comparable RevPAR in The Americas increased 4.6%, driven by 3.8% average daily rate growth. The region is predominantly represented by the US, where comparable RevPAR increased 4.7%. RevPAR in our upper midscale brands in the US increased slightly behind the segment, with RevPAR for the Holiday Inn brand increasing 5.0% whilst that for the Holiday Inn Express brand increased by 4.3%, however our absolute occupancy was higher than the industry. Our US upscale brands (Crowne Plaza and Hotel Indigo) performed ahead of the upscale segment, increasing RevPAR by 6.6% and 7.5% respectively. Our US upper upscale brand, Kimpton, saw RevPAR increase by 4.1%. In Canada, our RevPAR increased by 0.9%, and Mexico increased by 10.1%, both behind industry growth.

Strong demand for IHG-branded hotels continued, with 37,655 rooms signed, and the pipeline increasing by 10,189 rooms during 2015. We continued to demonstrate our commitment to quality, with 14,709 rooms leaving the IHG System.

Americas comparable RevPAR movement on previous year

		12 months ended 31 December 2015	
Franchised		Managed	
Crowne Plaza	6.7%	InterContinental	2.4%
		Kimpton	4.1%
Holiday Inn	4.6%	Crowne Plaza	9.6%
Holiday Inn Express	4.1%	Holiday Inn	5.7%
All brands	4.6%	Staybridge Suites	4.2%
		Candlewood Suites	6.7%
		All brands	4.7%
		Owned and leased	
		All brands	6.7%

Progress against 2015 regional priorities

- Increased System size by opening 183 new hotels (including 93 Holiday Inn Express and 33 Holiday Inn hotels) and signing 325 additional hotels.
- Expanded distribution in New York City by opening three key hotels (under the EVEN, Hotel Indigo and Holiday Inn brands) and also commenced renovation of InterContinental New York Barclay. IHG now has 34 hotels open and 15 hotels in its pipeline in New York City.
- Progressed the multi-year Crowne Plaza transformation by adding five pipeline hotels, achieving a record level of guest satisfaction for the brand and driving improved revenue performance through new marketing campaigns and focused hotel action-planning.
- Built strong momentum with Holiday Inn Express through implementation of the brand's new hotel design (see page 20). 59 open hotels have adopted the full design or incorporated key design elements in 2015 and an additional 318 hotels signed up during the year.

IHG's 2016 regional priorities

1. Grow quality System size through driving signings, working with owners to accelerate openings, assisting hotels to improve their performance, and continuing to support hotel performance.
2. Increase brand quality and differentiation with a focus on installing new room designs across Holiday Inn and Crowne Plaza (see page 20), implementing a full hotel design for Holiday Inn Express and continuing to increase the quality and delivery of food and beverage offerings.
3. Deliver superior revenue contribution through an improved owner-centric hotel support model and sales and revenue management capabilities.

Source: Smith Travel Research for all of the above industry facts.

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The Americas continued

Americas results

	12 months ended 31 December				
	2015 \$m	2014 \$m	2015 vs 2014% change	2013 \$m	2014 vs 2013% change
Revenue					
Franchised	661	630	4.9	576	9.4
Managed	166	103	61.2	128	(19.5)
Owned and leased	128	138	(7.2)	212	(34.9)
Total	955	871	9.6	916	(4.9)
Percentage of Group revenue	53.0	46.9	6.1	48.1	(1.2)
Operating profit before exceptional items					
Franchised	575	544	5.7	499	9.0
Managed	64	47	36.2	74	(36.5)
Owned and leased	24	18	33.3	30	(40.0)
	663	609	8.9	603	1.0
Regional overheads	(66)	(65)	(1.5)	(53)	(22.6)
Total	597	544	9.7	550	(1.1)
Percentage of Group operating profit before central overheads and exceptional items	71.9	67.5	4.4	66.8	0.7

Highlights for the year ended 31 December 2015

With 3,840 hotels (479,575 rooms), The Americas represented 64% of the Group's room count and 72% of the Group's operating profit before central overheads and exceptional operating items for the year ended 31 December 2015. The key profit-producing region is the US, although the Group is also represented in Latin America, Canada, Mexico and the Caribbean. 88% of rooms in the region are operated under the franchise business model, primarily in the upper midscale segment (the Holiday Inn brand family). In the upscale segment, Crowne Plaza is predominantly franchised whereas, in the luxury segment, InterContinental-branded hotels are operated under both franchise and management agreements. Kimpton operates under the managed model within the upper upscale segment. 11 of the Group's 12 hotel brands are represented in The Americas.

Revenue and operating profit before exceptional items increased by \$84m (9.6%) to \$955m and by \$53m (9.7%) to \$597m respectively. On an underlying basis, revenue increased by \$71m (8.8%), while operating profit increased by \$53m (9.9%), driven predominantly by strong RevPAR growth in the fee business and an increase in net rooms. The underlying results exclude both InterContinental Mark Hopkins San Francisco and InterContinental New York Barclay whilst under IHG ownership, managed leases, Kimpton, and the benefit of significant liquidated damages receipts (2015: \$3m; 2014: \$7m).

Franchised revenue increased by \$31m (4.9%) to \$661m, including the impact of the \$7m liquidated damages receipts in 2014 (7.9% excluding these liquidated damages and on a constant currency basis). Royalties growth of 5.1% was driven by comparable RevPAR growth of 4.6%, including 4.6% for Holiday Inn and 4.1% for Holiday Inn Express, together with 1.2% rooms growth. Operating profit increased by \$31m (5.7%) to \$575m, including an \$8m increase in fees associated with the initial franchising and relicensing of hotels. Excluding the benefit of significant liquidated damages (2015: \$nil; 2014: \$7m), and on a constant currency basis, operating profit increased by \$47m (8.8%) to \$584m.

Managed revenue increased by \$63m (61.2%) to \$166m, and operating profit increased by \$17m (36.2%) to \$64m. Revenue and operating profit included \$38m (2014: \$38m) and \$nil (2014: \$nil) respectively from one managed-lease property. Kimpton contributed \$59m to managed estate revenue and \$18m to operating profit, including \$3m of significant liquidated

damages. Managed operating profit was impacted by costs relating to our 20% interest in InterContinental New York Barclay during its refurbishment (2015: \$4m; 2014: \$5m). Excluding results for both Kimpton and managed-lease hotels and on a constant currency basis, revenue increased by \$9m (13.8%) and operating profit increased by \$2m (4.3%).

Owned and leased revenue decreased by \$10m (7.2%) to \$128m, and operating profit increased by \$6m (33.3%) to \$24m, following the disposal of two owned hotels (InterContinental Mark Hopkins San Francisco and an 80% interest in InterContinental New York Barclay) during 2014. Excluding these two hotels and on a constant currency basis, owned and leased revenue and operating profit increased by \$13m and \$5m, respectively, reflecting improved trading at InterContinental Boston and at Holiday Inn Aruba.

Highlights for the year ended 31 December 2014

Revenue and operating profit before exceptional items decreased by \$45m (4.9%) to \$871m and by \$6m (1.1%) to \$544m respectively. On an underlying basis, revenue increased by \$71m (9.7%), while operating profit increased by \$39m (7.8%), driven predominantly by strong RevPAR growth in the fee business and an increase in net rooms. Regional overheads increased by 22.6% to \$65m following investment in IHG's development and quality teams and unusually high healthcare costs. Revenue and operating profit were negatively impacted by the disposal of an 80% interest in InterContinental New York Barclay and the disposal of InterContinental Mark Hopkins San Francisco during the year, by a combined \$95m and \$21m respectively compared to 2013. Conversely, revenue and operating profit were positively impacted by the benefit of \$7m liquidated damages receipts in 2014 in the franchised business relating to two exited hotels, compared to \$31m in the managed business in 2013.

Franchised revenue increased by \$54m (9.4%) to \$630m including the benefit of the \$7m liquidated damages receipts (8.2% excluding these liquidated damages). Royalties growth of 7.6% was driven by comparable RevPAR growth of 7.2%, including 7.9% for Holiday Inn and 7.0% for Holiday Inn Express, together with 2.0% rooms growth. Operating profit increased by \$45m (9.0%) to \$544m.

Managed revenue decreased by \$25m (19.5%) to \$103m and operating profit decreased by \$27m (36.5%) to \$47m. Revenue and operating profit included \$38m (2013: \$34m) and \$nil (2013: \$nil) respectively from one managed-lease property. Excluding results from this hotel, as well as the \$31m liquidated damages in 2013 (2014: \$nil), revenue increased by \$3m (4.8%) and operating profit increased by \$4m (9.3%) on a constant currency basis.

Owned and leased revenue decreased by \$74m (34.9%) to \$138m and operating profit decreased by \$12m (40.0%) to \$18m. The decrease in revenue and operating profit were driven by the disposal of an 80% interest in InterContinental New York Barclay, and the disposal of InterContinental Mark Hopkins San Francisco (combined negative impact of \$95m and \$21m respectively). Excluding these two hotels, owned and leased revenue and operating profit increased by \$21m and \$9m respectively reflecting strong trading at InterContinental Boston and post refurbishment performance at Holiday Inn Aruba.

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Americas hotel and room count

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	50	–	17,109	212
Kimpton	61	61	10,976	10,976
Crowne Plaza	172	(9)	46,316	(2,050)
Hotel Indigo	40	1	5,071	520
EVEN Hotels	3	1	446	150
Holiday Innc	772	2	135,995	(285)
Holiday Inn Express	2,106	46	186,972	4,371
Staybridge Suites	211	14	22,662	1,462

Candlewood Suites	341	19	32,328	1,620
Other	84	6	21,700	2,582
Total	3,840	141	479,575	19,558

Analysed by ownership type

Franchised	3,548	71	422,230	5,015
Managed	287	70	55,715	14,543
Owned and leased	5	–	1,630	–
Total	3,840	141	479,575	19,558
Percentage of Group hotel and room count	76.3	(0.1)	64.4	(0.4)

c Includes 23 Holiday Inn Resort properties (5,902 rooms) and 16 Holiday Inn Club Vacations properties (5,231 rooms) (2014: 20 Holiday Inn Resort properties (4,864 rooms) and 12 Holiday Inn Club Vacations properties (4,027 rooms)).

The Americas System size increased by 141 hotels (19,558 rooms), including the acquisition of 62 Kimpton hotels (11,325 rooms), to 3,840 hotels (479,575 rooms) during 2015. 183 hotels (22,942 rooms) opened in the year, compared to 178 hotels (20,823 rooms) in 2014. Openings included 130 hotels (14,963 rooms) in the Holiday Inn brand family, representing 65.2% of the region's openings, and seven Kimpton hotels (1,157 rooms).

104 hotels (14,709 rooms) were removed from The Americas System in 2015, demonstrating our continued commitment to quality, compared to 95 hotels (12,230 rooms) in 2014. 44.0% of 2015 room removals were Holiday Inn rooms in the US (31 hotels, 6,466 rooms) compared to 45.0% in 2014 (34 hotels, 5,499 rooms). Eight Kimpton hotels (1,506 rooms) exited The Americas System in 2015.

Americas pipeline

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	4	(3)	1,545	(792)
Kimpton	18	18	3,366	3,366
Crowne Plaza	15	(3)	2,490	(716)
Hotel Indigo	30	(1)	4,024	(235)
EVEN Hotels	8	5	1,262	678
Holiday Innd	125	(14)	18,203	(1,952)
Holiday Inn Express	449	60	43,945	6,820
Staybridge Suites	105	15	11,230	1,636
Candlewood Suites	98	9	8,720	1,003
Other	13	3	1,599	381
Total	865	89	96,384	10,189

Analysed by ownership type

Franchised	809	69	85,863	6,883
Managed	55	20	10,319	3,308
Owned and leased	1	–	202	(2)
Total	865	89	96,384	10,189

d Includes seven Holiday Inn Resort properties (1,657 rooms) (2014: nine Holiday Inn Resort properties (1,916 rooms)).

At 31 December 2015, The Americas pipeline totalled 865 hotels (96,384 rooms), including 18 Kimpton hotels (3,366 rooms), representing an increase of 89 hotels (10,189 rooms) over the prior year. Strong signings of 325 hotels (37,655 rooms) were ahead of last year by six hotels, but lower by 453 rooms. The majority of 2015 signings were within the Holiday Inn brand family (208 hotels, 22,826 rooms) but also included 10 Kimpton hotels (1,532 rooms) and 78 hotels (7,607 rooms) for our extended-stay brands, Staybridge Suites and Candlewood Suites.

69 hotels (7,661 rooms) were removed from the pipeline in 2015, up slightly in terms of both hotels and rooms from 2014 (64 hotels, 7,108 rooms).

- a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.
- b Royalties are fees, based on rooms revenue, that a franchisee pays to the brand owner for use of the brand name.

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Performance continued

Europe

Continue to grow in priority markets and key cities, whilst driving brand preference, focusing on quality and innovation in guest experience, over the next three years.

Industry performance in 2015

The hotel industry in Europe is influenced by the larger markets in the region, in particular the UK and Germany. In 2015, RevPAR increased 7.5% across the region, driven by a 2.8% increase in demand and a 5.4% growth in average daily rate. RevPAR growth in the UK was 4.5%, driven by a 3.9% increase in average daily rate and a 2.3% increase



in demand. In Germany, RevPAR saw strong growth of 6.5%, driven by a 4.3% growth in average daily rate and a 2.8% increase in demand. Russia saw growth of 11.9% driven by a 6.0% increase in average daily rate.

IHG's regional performance in 2015

IHG's regional comparable RevPAR increased by 5.4%, driven by average daily rate growth of 3.9%. The UK achieved strong growth of 5.1%, ahead of the industry, led by average daily rate driven growth in both London and the provinces. In Germany, RevPAR increased by 4.4%, and in Russia, RevPAR declined slightly by 1.6% – both behind the market. Across the rest of Europe, our RevPAR increased by mid-single digits, despite challenging trading conditions in Paris in the last quarter of the year.

Europe comparable RevPAR movement on previous year

	12 months ended 31 December 2015
Franchised	
All brands	5.3%
Managed	
All brands	6.2%

Progress against 2015 regional priorities

- Signed 48 hotels, of which 11 are in the UK, 14 are in Germany, and 8 are in Russia and the Commonwealth of Independent States (CIS). It was our largest number of signings in Germany for the second year running.
- Achieved an excellent year for InterContinental in Europe, with five hotel signings and three openings, including the landmark InterContinental London – The O2 and InterContinental Bordeaux – Le Grand.
- Improved guest experience through the implementation of the new Holiday Inn Express hotel design (see page 20).

- Launched the 'Lowest Price Promise' campaign, providing a clear incentive for guests to become part of IHG Rewards Club and book through our direct channels.
- 10 properties completed the roll-out of the next-generation design in 2015 and an additional 83 hotels signed up during the year.
- Enhanced operations support with a dedicated Luxury and Boutique Operations division, restructured the franchise support teams and introduced a central operations support team.

IHG's 2016 regional priorities

1. Continue to build IHG System size through driving growth in our priority markets of the UK, Germany, and Russia and the CIS, and across key cities, localising our brands as necessary.
2. Continue to improve guest experience and increase satisfaction by focusing on quality and driving innovation to ensure our brands are preferred.
3. Roll out our 'Lowest Price Promise' initiative into additional markets in Europe post the successful pilot in the UK (see page 23).

Source: Smith Travel Research for all of the above industry facts.

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Europe results

	12 months ended 31 December				
	2015 \$m	2014 \$m	2015 vs 2014% change	2013 \$m	2014 vs 2013% change
Revenue					
Franchised	104	104	–	104	–
Managed	131	159	(17.6)	156	1.9
Owned and leased	30	111	(73.0)	140	(20.7)
Total	265	374	(29.1)	400	(6.5)
Percentage of Group revenue	14.7	20.1	(5.4)	21.0	(0.9)
Operating profit before exceptional items					
Franchised	77	78	(1.3)	79	(1.3)
Managed	28	30	(6.7)	30	–

Owned and leased	1	14	(92.9)	30	(53.3)
	106	122	(13.1)	139	(12.2)
Regional overheads	(28)	(33)	15.2	(34)	2.9
Total	78	89	(12.4)	105	(15.2)
Percentage of Group operating profit before central overheads and exceptional items	9.4	11.0	(1.6)	12.8	(1.8)

Highlights for the year ended 31 December 2015

Comprising 660 hotels (106,711 rooms) at the end of 2015, Europe represented 14% of the Group's room count and 9% of the Group's operating profit before central overheads and exceptional operating items for the year ended 31 December 2015. Revenues are primarily generated from hotels in the UK and continental European gateway cities. The largest proportion of rooms in Europe are operated under the franchise business model primarily in the upper midscale segment (Holiday Inn and Holiday Inn Express). Similarly, in the upscale segment, Crowne Plaza is predominantly franchised, whereas, in the luxury segment, the majority of InterContinental-branded hotels are operated under management agreements.

Revenue and operating profit before exceptional items decreased by \$109m (29.1%) to \$265m and by \$11m (12.4%) to \$78m respectively. This was primarily due to InterContinental Paris – Le Grand becoming a managed property and the negative impact of significant foreign exchange translation movement. On an underlying basis, revenue and operating profit increased by \$13m (7.5%) and \$17m (23.3%) respectively, with the transition of 61 UK managed hotels to franchise contracts driving an increase in underlying franchise fees, and cost efficiencies reducing regional overheads. Overall, comparable RevPAR in Europe increased by 5.4%, with the UK increasing by 5.1%, led by rate growth in both London and the provinces, and Germany growing by 4.4%.

Franchised revenue remained flat at \$104m, whilst operating profit decreased by \$1m (1.3%) to \$77m. On a constant currency basis, revenue and operating profit increased by \$15m (14.4%) and \$11m (14.1%) respectively, following the transition of UK managed hotels to franchise contracts.

Managed revenue decreased by \$28m (17.6%) and operating profit decreased by \$2m (6.7%). Revenue and operating profit included \$75m (2014: \$90m) and \$1m (2014: \$2m) respectively from managed leases. Excluding properties operated under this arrangement, and on a constant currency basis, revenue decreased by \$2m (2.9%) and operating profit increased by \$3m (10.7%), impacted by the transition of UK managed hotels to franchise contracts.

The one remaining hotel in the owned and leased estate, InterContinental Paris – Le Grand, was sold on 20 May 2015 for gross proceeds of €330m. Owned and leased revenue decreased by \$81m (73.0%) to \$30m and operating profit decreased by \$13m (92.9%) to \$1m.

Highlights for the year ended 31 December 2014

Revenue and operating profit before exceptional items decreased by \$26m (6.5%) to \$374m and by \$16m (15.2%) to \$89m respectively. On an underlying basis, revenue and operating profit increased by \$4m (1.4%) and \$3m (3.5%) respectively. Overall, comparable RevPAR in Europe increased by 5.1%. The UK achieved a particularly strong comparable RevPAR growth of 8.9%, with double-digit growth in the first and third quarters. Comparable RevPAR in Germany was also strong, increasing by 4.1%, driven by continued growth in domestic output and a rise in employment, whilst IHG hotels in the Commonwealth of Independent States (CIS) collectively experienced a comparable RevPAR decline of 4.0%, reflecting a challenging economic climate in the region during 2014.

Franchised revenue remained flat at \$104m, whilst operating profit decreased by \$1m (1.3%) to \$78m. Excluding the benefit of a \$9m liquidated damages receipt in 2013, revenue and operating profit increased by \$8m (8.4%) and \$8m (11.4%) respectively at constant currency. This underlying growth was mainly driven by an increase in royalties of 8.0%, reflecting comparable RevPAR growth of 5.3%, together with 5.7% rooms growth.

Managed revenue increased by \$3m (1.9%) to \$159m, whilst operating profit was flat with 2013 at \$30m. Revenue and operating profit included \$90m (2013: \$89m) and \$2m (2013: \$2m) respectively from managed leases. Excluding properties operated under this arrangement and on a constant currency basis, revenue increased by \$3m (4.5%), whilst operating profit was flat. At the end of 2014, IHG commenced a process to restructure the majority of its UK managed hotels to new franchised contracts.

In the owned and leased estate, revenue decreased by \$29m (20.7%) to \$111m and operating profit decreased by \$16m (53.3%) to \$14m. At constant currency and excluding the impact of the disposal of InterContinental London Park Lane (which contributed revenue and operating profit of \$22m and \$8m respectively in 2013), owned and leased revenue and operating profit both decreased by \$7m. These declines were driven by InterContinental Paris – Le Grand due to the refurbishment of the Salon Opera ballroom in the first half of 2014. The hotel delivered revenue and operating profit of \$111m and \$15m respectively, a decrease of 5.9% and 34.8% compared to 2013, whilst RevPAR decreased by 4.7%.

^a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

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Europe continued

Europe hotel and room count

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	32	2	9,886	514
Crowne Plaza	88	5	20,269	874
Hotel Indigo	19	2	1,790	222
Holiday Inna	285	1	46,150	428
Holiday Inn Express	228	2	27,525	387
Staybridge Suites	6	1	877	93
Other	2	–	214	(15)
Total	660	13	106,711	2,503
Analysed by ownership type				
Franchised	615	50	94,410	10,394
Managed	45	(36)	12,301	(7,421)
Owned and leased	–	(1)	–	(470)
Total	660	13	106,711	2,503
Percentage of Group hotel and room count	13.1	(0.3)	14.3	(0.4)

a 2015 and 2014 include two Holiday Inn Resort properties (212 rooms).

During 2015, Europe System size increased by 13 hotels (2,503 rooms) to 660 hotels (106,711 rooms). The Group opened 36 hotels (5,493 rooms) in Europe in 2015, compared to 35 hotels (5,353 rooms) in 2014. Openings included the landmark 453-room InterContinental London – The O2 and the 130-room InterContinental Bordeaux – Le Grand.

23 hotels (2,990 rooms) left the Europe System in the period, compared to 17 hotels (3,211 rooms) in the previous year.

Europe pipeline

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	5	2	882	37
Crowne Plaza	11	(3)	2,673	(244)
Hotel Indigo	11	(1)	1,403	35
Holiday Inn	37	–	7,834	890
Holiday Inn Express	45	1	7,198	824
Staybridge Suites	4	–	511	97
Other	–	–	31	–
Total	113	(1)	20,532	1,639
Analysed by ownership type				
Franchised	88	(7)	14,127	131

Managed	25	6	6,405	1,508
Total	113	(1)	20,532	1,639

The Europe pipeline totalled 113 hotels (20,532 rooms) at 31 December 2015, representing a decrease of one hotel (although an increase of 1,639 rooms) over 31 December 2014. New room signings reached their highest level since 2007 with 8,826 rooms, an increase of 1,022 rooms from the prior year (although number of hotels remained flat at 48). Signings included 11 hotels (2,444 rooms) in the UK and 14 hotels (2,371 rooms) in Germany, a record number in the latter country for the second year running.

13 hotels (1,694 rooms) were removed from the pipeline in 2015, compared to nine hotels (1,337 rooms) in 2014.

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Asia, Middle East and Africa (AMEA)

Execute our strategic plans to strengthen our brands and increase our revenue share through enhanced guest satisfaction and greater loyalty contribution, over the next three years.

Industry performance in 2015

RevPAR growth in AMEA was 3.6%, driven primarily by a 3.2% gain in average daily rate. In line with improving GDP growth, Japan saw strong RevPAR growth of 14.8% due to both average daily rate, which increased by 13.1%, and demand, which increased by 2.8%. In contrast, Australia saw RevPAR increase 3.2%, composed of a 1.9% growth in average daily rate and a 3.0% increase in demand. Thailand saw RevPAR increase by a strong 13.1%, driven by 15.1% demand growth.



Growth was more modest in India and Saudi Arabia, where RevPAR increased by 5.0% and 0.9% respectively. RevPAR in the United Arab Emirates (UAE) declined by 6.7%, driven by a 6.2% decrease in average daily rate. In Indonesia, RevPAR declined by 6.1% due to a 5.3ppt decrease in occupancy.

IHG's regional performance in 2015

Across this large region, IHG is widely represented both geographically and by brand, and comparisons across the industry are hard to make. Overall, IHG regional comparable RevPAR increased 4.5%, driven through both occupancy and average daily rate growth. Performance was led by strong positive trading in the mature market of Japan, where RevPAR increased by 14.6%, marginally below the market. Australia increased ahead of the industry at 4.5%; however the Middle East increased by 0.2%, impacted by declining oil prices. Our RevPAR growth in India and Indonesia was significantly ahead of the industry at 6.4% and 1.3%, respectively.

AMEA comparable RevPAR movement on previous year

12 months ended 31 December 2015	
Franchised	
All brands	(0.5)%
Managed	
All brands	5.4%

Progress against 2015 regional priorities

- Strengthened our position in the region's priority markets and gateway cities with the opening of 22 hotels, including new InterContinental hotels in the UAE, Indonesia and India.
- Increased our hotel pipeline by over 3,800 rooms with 35 new signings, eight of which were converted and rebranded within the year.
- Continued to expand our brand portfolio in AMEA with the successful launch of Hotel Indigo Bangkok Wireless Road which opened in the first quarter of 2015, with additional Hotel Indigo properties in Dubai, Bali and Phuket entering the pipeline.
- Delivered RevPAR growth of 4.5%, supported by targeted marketing investments in the Middle East and South East Asia, despite challenging economic and security conditions in parts of the region.

IHG's 2016 regional priorities

1. Further accelerate System size growth across our brand portfolio in established, and emerging, key gateway cities and resort destinations through new constructions and hotel conversions.
2. Deliver above-market RevPAR growth through enhanced levels of guest satisfaction and loyalty contribution, particularly for the InterContinental and Holiday Inn brands.
3. Continue to invest in our people across the region to enable their ability to deliver excellent guest service, innovative marketing and promotional partnerships and superior financial performance for our owners.
4. Build upon the momentum of our 'winning culture' (see page 18), which is focused on driving performance and empowering the business to respond with speed and agility in a diverse and dynamic region.

Source: Smith Travel Research for all of the above industry facts.

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Asia, Middle East and Africa (AMEA) continued

AMEA results

	12 months ended 31 December				
	2015 \$m	2014 \$m	2015 vs 2014% change	2013 \$m	2014 vs 2013% change
Revenue					
Franchised	16	16	–	16	–
Managed	189	187	1.1	170	10.0
Owned and leased	36	39	(7.7)	44	(11.4)
Total	241	242	(0.4)	230	5.2
Percentage of Group revenue	13.3	13.0	0.3	12.1	0.9
Operating profit before exceptional items					
Franchised	12	12	–	12	–
Managed	90	88	2.3	92	(4.3)
Owned and leased	3	3	–	4	(25.0)
	105	103	1.9	108	(4.6)
Regional overheads	(19)	(19)	–	(22)	13.6
Total	86	84	2.4	86	(2.3)
Percentage of Group operating profit before central overheads and exceptional items	10.4	10.5	(0.1)	10.4	0.1

Highlights for the year ended 31 December 2015

Comprising 267 hotels (72,573 rooms) at 31 December 2015, AMEA represented 10% of the Group's room count and contributed 10% of the Group's operating profit before central overheads and exceptional operating items during the year. 83% of rooms in AMEA are operated under the managed business model.

Revenue decreased by \$1m (0.4%) to \$241m, whilst operating profit before exceptional items increased by \$2m (2.4%) to \$86m, both adversely impacted by foreign exchange translation. On an underlying basis, revenue and operating profit increased by \$13m (6.5%) and \$7m (8.7%) respectively.

Comparable RevPAR increased 4.5%, driven by growth in both rate and occupancy. Performance was led by strong positive trading in the mature markets of Japan, which grew by 14.6%, and Australia, which increased by 4.5%. South East Asia exhibited growth of 5.7%, however the Middle East increased by 0.2%, impacted by declining oil prices.

Franchised revenue and operating profit remained flat at \$16m and \$12m respectively. On a constant currency basis, revenue and operating profit increased by \$1m (6.3%) and \$1m (8.3%) respectively.

Managed revenue increased by \$2m (1.1%) to \$189m and operating profit increased by \$2m (2.3%) to \$90m. Comparable RevPAR increased by 5.4%, with the majority of rooms opening in the last quarter of 2015. Revenue and operating profit included \$46m (2014: \$41m) and \$5m (2014: \$4m) respectively from one managed-lease property. Excluding results from this hotel and on a constant currency basis, revenue increased by \$9m (6.2%), whilst operating profit increased by \$6m (7.1%).

In the owned and leased estate, revenue decreased by \$3m (7.7%) to \$36m and operating profit remained flat at \$3m. On a constant currency basis, revenue increased by \$3m (7.7%) and operating profit increased by \$1m (33.3%).

Highlights for the year ended 31 December 2014

Revenue increased by \$12m (5.2%) to \$242m whilst operating profit before exceptional items decreased by \$2m (2.3%) to \$84m. On an underlying basis, revenue increased by \$5m (2.5%) and operating profit increased by \$4m (5.1%). The results

included a \$6m benefit from liquidated damages received in 2013 (2014: \$nil). AMEA is a geographically diverse region and performance was impacted by political and economic factors, affecting different countries.

Comparable RevPAR increased 3.8% driven by 2.4% rate growth. Performance was led by the Middle East, up 5.6%, driven by a solid performance in Saudi Arabia and a recovery in Egypt. This was supported by positive trading in the mature markets of Japan, which grew by 6.7%, and Australia, which grew by 3.9%. Elsewhere, both India and South East Asia exhibited steady growth, with the exception of Thailand, which suffered from political instability in the first half of the year.

Franchised revenue and operating profit remained flat at \$16m and \$12m respectively.

Managed revenue increased by \$17m (10.0%) to \$187m, whilst operating profit decreased by \$4m (4.3%) to \$88m. Revenue and operating profit included \$41m (2013: \$21m) and \$4m (2013: \$1m) respectively from one managed-lease property. Excluding results from this hotel, as well as the benefit of \$6m liquidated damages in 2013 (2014: \$nil), revenue increased by \$7m (4.9%) whilst operating profit increased by \$2m (2.4%) on a constant currency basis. Comparable RevPAR increased by 4.4%, with room count increasing by 5.9%.

In the owned and leased estate, revenue and operating profit decreased by \$5m (11.4%) to \$39m and by \$1m (25.0%) to \$3m respectively, due to a 6.3% decrease in RevPAR.

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AMEA hotel and room count

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	68	1	21,238	(186)
Crowne Plaza	71	2	20,011	323
Hotel Indigo	1	1	192	192
Holiday Inn ^b	91	6	20,984	1,234
Holiday Inn Express	27	3	5,886	591
Staybridge Suites	3	–	425	–
Other	6	1	3,837	2,543
Total	267	14	72,573	4,697
Analysed by ownership type				
Franchised	52	2	11,924	355
Managed	213	12	60,062	4,342
Owned and leased	2	–	587	–
Total	267	14	72,573	4,697
Percentage of Group hotel and room count	5.3	0.1	9.8	0.3

^b Includes 15 Holiday Inn Resort properties (3,169 rooms) (2014: 14 Holiday Inn Resort properties (3,003 rooms)).

The AMEA System size increased by 14 hotels (4,697 rooms) to 267 hotels (72,573 rooms) as at 31 December 2015. Openings increased by three hotels (2,384 rooms) to 22 hotels (6,612 rooms) in 2015, the highest level of room openings in AMEA since 2006. Openings in 2015 included Hotel Indigo Bangkok Wireless Road, the first Hotel Indigo in the region.

Eight hotels (1,915 rooms) were removed from the AMEA System in 2015, compared to 10 hotels (1,190 rooms) in 2014.

AMEA pipeline

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	22	–	5,349	(455)
Crowne Plaza	19	3	5,301	889
Hotel Indigo	13	3	2,281	458
Holiday Innc	45	(5)	11,529	(1,701)
Holiday Inn Express	43	4	9,344	1,167
Staybridge Suites	5	–	900	–
Other	–	–	3,512	3,512
Total	147	5	38,216	3,870

Analysed by ownership type

Franchised	8	–	2,179	425
Managed	139	5	36,037	3,445
Total	147	5	38,216	3,870

c Includes four Holiday Inn Resort properties (1,071 rooms) (2014: seven Holiday Inn Resort properties (1,729 rooms)).

At 31 December 2015, the AMEA pipeline totalled 147 hotels (38,216 rooms) compared to 142 hotels (34,346 rooms) as at 31 December 2014. Room signings in AMEA were at their highest since 2008 with 35 hotels (12,441 rooms), an increase of three hotels (4,411 rooms) from the level seen in 2014. Signings in 2015 included 17 hotels (5,650 rooms) in the Holiday Inn brand family and five InterContinental hotels (833 rooms).

Eight hotels (1,959 rooms) were removed from the pipeline in 2015, compared to eight hotels (1,530 rooms) in 2014.

^a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

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Performance continued

Greater China

Further grow System size, particularly in tier 2 and 3 cities and in the growing midscale segment, whilst developing a strong local talent pipeline for our hotels, over the next three years.

Industry performance in 2015

GDP in mainland China increased by 6.9% in 2015, continuing to slow from the 2010-2014 average of 8.6%. The decline can be attributed to decreased exports caused by slowing global demand and a strong Renminbi; however, private consumption remains solid, which helped to mitigate this trend. Hotel industry RevPAR in Greater China declined 3.4% in the year, predominately driven by average daily rate, which declined by 3.3%. Industry rooms supply growth of 4.0% slightly exceeded rooms demand growth of 3.9% in the year, resulting in an occupancy decline. RevPAR in the People's Republic of China (excluding Taiwan) decreased by 3.5% in 2015, driven by average



daily rate declining by 3.4%. The country's two largest cities in terms of hotel rooms, Beijing and Shanghai, both increased RevPAR. The former increased on robust demand growth and the latter on growth in both demand and average daily rate. The two other largest markets in the country, the wider East China and South Central China, both saw a decline in RevPAR in the year. RevPAR in Hong Kong and Macau declined by 11.5% and 13.7% respectively, both driven by declines in average daily rate and demand. In Hong Kong, average daily rate and demand decreased by 8.8% and 2.4% respectively, whilst Macau average daily rate and demand decreased by 8.6% and 0.3% respectively.

IHG's regional performance in 2015

IHG's regional comparable RevPAR increased 0.3% in 2015, significantly ahead of the industry. Our RevPAR growth was driven by occupancy, which increased by 3.4%, whilst average daily rate decreased by 3.0% – both better than the industry, reflecting our scale and management strength in the region. Trading in mainland tier 1 cities was strongest, up 6.0% whilst trading in the rest of mainland China showed only marginal increases. Hong Kong and Macau experienced significant trading declines of 9.4% and 12.8% respectively. Total RevPAR was down 2.3% impacted by our strategy of using mainstream brands in less-developed cities.

Greater China comparable RevPAR movement on previous year

12 months ended 31 December 2015	
Managed	
All brands	1.1%

Progress against 2015 regional priorities

- Opened 32 hotels in 2015, with more than 90% of rooms in tier 2 and 3 cities – we also signed 28 Holiday Inn Express and 20 Holiday Inn hotels, driving further growth in the Chinese midscale segment.
- Expanded our new HUALUXE brand with three openings, all of which received strong guest feedback both in terms of overall guest satisfaction scores and ratings from external review sites – there are now 21 properties in the pipeline (including Beijing and Shanghai).
- Implemented a talent secondment programme for our hotel General Managers and hotel leadership teams, so that our high-potential talent can learn best practices from high-performing hotels. 39 IHG Academy programmes were completed in 2015, helping to enhance our local talent pipeline.

IHG's 2016 regional priorities

1. Further increase IHG System size, with deeper penetration in tier 2 and 3 cities and strengthen the distribution of the Holiday Inn and Holiday Inn Express brands to capture the growing midscale segment opportunity.
2. Continue to build awareness and a strong pipeline for the HUALUXE brand (see page 20) and drive operational performance of opened hotels.
3. Further grow our talent and build a strong local talent pipeline, particularly in tier 2 and 3 cities.

Source: Smith Travel Research for all of the above industry facts.

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Greater China results

	12 months ended 31 December				
	2015 \$m	2014 \$m	2015 vs 2014% change	2013 \$m	2014 vs 2013% change
Revenue					
Franchised	4	4	–	3	33.3
Managed	105	99	6.1	92	7.6
Owned and leased	98	139	(29.5)	141	(1.4)
Total	207	242	(14.5)	236	2.5
Percentage of Group revenue	11.5	13.0	(1.5)	12.4	0.6
Operating profit before exceptional items					
Franchised	5	5	–	5	–

Managed	59	63	(6.3)	51	23.5
Owned and leased	29	42	(31.0)	47	(10.6)
	93	110	(15.5)	103	6.8
Regional overheads	(23)	(21)	(9.5)	(21)	–
Total	70	89	(21.3)	82	8.5
Percentage of Group operating profit before central overheads and exceptional items	8.4	11.0	(2.6)	10.0	1.0

Highlights for the year ended 31 December 2015

Comprising 265 hotels (85,509 rooms) at 31 December 2015, Greater China represented approximately 12% of the Group's room count and contributed approximately 9% of the Group's operating profit before central overheads and exceptional operating items for the year ended 31 December 2015. 97% of rooms in Greater China are operated under the managed business model.

Revenue and operating profit before exceptional items decreased by \$35m (14.5%) to \$207m and by \$19m (21.3%) to \$70m respectively. On an underlying basis, revenue increased by \$8m (7.8%) due to the addition of over 20,000 rooms into the managed estate over the last two years. Underlying operating profit decreased by \$5m (10.6%), impacted by \$5m of ongoing investment into building long-term people capability, as well as the year-on-year impact from \$5m of previously disclosed one-off upsides in 2014. Overall, the region achieved comparable RevPAR growth of 0.3%, significantly ahead of the industry, reflecting our scale and management strength in the region. Trading in mainland tier 1 cities was particularly strong, whilst the rest of mainland China showed marginal increases. Trading in Hong Kong and Macau significantly declined. Total RevPAR in Greater China decreased by 2.3% as more hotels opened into developing markets.

Franchised revenue and operating profit remained flat at \$4m and \$5m respectively.

Managed revenue increased by \$6m (6.1%) to \$105m, whilst operating profit decreased by \$4m (6.3%) to \$59m, impacted by the above-mentioned investment in people capability and previously disclosed one-off upsides in 2014. Comparable RevPAR increased by 1.1%, whilst the Greater China System size grew by 10.4%, driving a 4.8% increase in total gross revenue derived from rooms business. Total gross revenue derived from non-rooms business increased by 7.9%, due primarily to increased food and beverage revenue. On a constant currency basis, revenue increased by \$8m (8.1%) to \$107m, whilst operating profit decreased by \$3m (4.8%) to \$60m.

The one remaining hotel in the owned and leased estate, InterContinental Hong Kong, was sold on 30 September 2015 for proceeds of \$928m after final working capital adjustments and cash tax. Owned and leased revenue decreased by \$41m (29.5%) to \$98m and operating profit decreased by \$13m (31.0%) to \$29m.

Highlights for the year ended 31 December 2014

Revenue and operating profit before exceptional items increased by \$6m (2.5%) to \$242m and by \$7m (8.5%) to \$89m respectively. Overall, the region achieved comparable RevPAR growth of 1.6%, slightly stronger than the 1.0% growth achieved in 2013. This performance was significantly ahead of the industry, reflecting IHG's scale and management strength in the region, and was achieved in a challenging environment with slower macroeconomic conditions, government austerity measures and protests in Hong Kong. Trading was strongest in tier 1 cities, especially Shanghai and Guangzhou, with good levels of transient and corporate business. Performance in tier 2 and 3 cities continues to be impacted by new supply as these markets develop. Total RevPAR in the region decreased by 3.4% as hotels opened in these lower RevPAR markets.

Franchised revenue increased by \$1m (33.3%) to \$4m whilst operating profit was flat at \$5m. Operating profit was higher than revenue in both 2014 and 2013 due to joint-venture dividend income received from a hotel in Hong Kong.

Managed revenue increased by \$7m (7.6%) to \$99m, whilst operating profit increased by \$12m (23.5%) to \$63m, reflecting improvements in operating margin, net rooms growth, and a small number of one-off items that contributed approximately \$5m to the result. Comparable RevPAR increased by 1.3%, whilst the Greater China System size grew by 14.7%, driving a 8.5% increase in total gross revenue derived from rooms business. Total gross revenue derived from non-rooms business increased by 7.8%.

Owned and leased revenue decreased by \$2m (1.4%) to \$139m, driven by a RevPAR decrease of 1.0% at InterContinental Hong Kong. Operating profit decreased by \$5m (10.6%) to \$42m. The decrease in revenue and operating profit at the hotel was driven primarily by the ongoing development of the area adjacent to the hotel and protests in central Hong Kong.

a Underlying excludes the impact of owned-asset disposals, significant liquidated damages, Kimpton, and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates.

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Performance continued

Greater China continued

Greater China hotel and room count

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	34	1	13,807	265
HUALUXE	3	3	798	798
Crowne Plaza	75	2	26,688	575
Hotel Indigo	5	–	611	(1)
Holiday Inna	78	5	24,971	1,564
Holiday Inn Express	64	9	16,023	1,947
Other	6	4	2,611	2,167
Total	265	24	85,509	7,315

Analysed by ownership type

Franchised	4	–	2,184	–
Managed	261	25	83,325	7,818
Owned and leased	–	(1)	–	(503)
Total	265	24	85,509	7,315
Percentage of Group hotel and room count	5.3	0.3	11.5	0.5

a Includes seven Holiday Inn Resort properties (2,235 rooms) (2014: six Holiday Inn Resort properties (1,825 rooms)).

The Greater China System size increased by 24 hotels (7,315 rooms) in the year to 265 hotels (85,509 rooms). 32 hotels (9,380 rooms) opened during 2015, two hotels and 1,268 rooms lower than 2014. Recent growth in the region has focused on tier 2 and 3 cities, which now represent approximately 68% of our open rooms. The first three HUALUXE Hotels and Resorts properties (798 rooms) opened in the year. 19 Holiday Inn brand family hotels (4,567 rooms) were also added in the year, compared to 19 hotels (4,445 rooms) in 2014.

Eight hotels (2,065 rooms) were removed in 2015, compared to one hotel (999 rooms) in 2014.

Greater China pipeline

At 31 December	Hotels		Rooms	
	2015	Change over 2014	2015	Change over 2014
Analysed by brand				
InterContinental	21	3	7,900	1,222
HUALUXE	21	(3)	6,632	(919)
Crowne Plaza	39	(5)	12,717	(2,084)
Hotel Indigo	9	(1)	1,500	(146)
Holiday Innb	49	6	14,638	2,254
Holiday Inn Express	65	15	15,118	3,840
Other	1	1	279	279
Total	205	16	58,784	4,446

Analysed by ownership type

Managed	205	16	58,784	4,446
Total	205	16	58,784	4,446

b Includes three Holiday Inn Resort properties (820 rooms) (2014: two Holiday Inn Resort properties (767 rooms)).

At 31 December 2015, the Greater China pipeline totalled 205 hotels (58,784 rooms) compared to 189 hotels (54,338 rooms) at 31 December 2014. Signings (66 hotels, 19,516 rooms) were the highest since 2007, and increased from 64 hotels (15,754 rooms) in 2014. 48 hotels (12,878 rooms) were signed for the Holiday Inn brand family, with the Holiday Inn Express pipeline increasing to 65 hotels.

18 hotels (5,690 rooms) were removed from the pipeline in 2015, compared to 15 hotels (5,358 rooms) in 2014.

Central

Central results

	12 months ended 31 December				
	2015 \$m	2014 \$m	2015 vs 2014% change	2013 \$m	2014 vs 2013% change
Revenue	135	129	4.7	121	6.6
Gross central costs	(286)	(284)	(0.7)	(276)	(2.9)
Net central costs	(151)	(155)	2.6	(155)	–

Highlights for the year ended 31 December 2015

Net central costs decreased by \$4m (2.6%) compared to 2014 (a \$5m or 3.2% increase to \$160m at constant currency).

Central revenue, which mainly comprises technology fee income, increased by \$6m (4.7%) to \$135m, driven by increases in both comparable RevPAR (4.4%) and IHG System size (4.8%, 3.2% excluding Kimpton). At constant currency, gross central costs increased by \$13m (4.6%) compared to 2014 (a \$2m or 0.7% increase at actual currency).

Highlights for the year ended 31 December 2014

Central revenue, which mainly comprises technology fee income, increased by \$8m (6.6%) to \$129m, driven by increases in both comparable RevPAR (6.1%) and IHG System size (3.4%) in 2014 compared to 2013. At constant currency, gross central costs increased by \$4m (1.4%) compared to 2013 (an \$8m or 2.9% increase at actual currency).

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System Fund

System Fund assessments

	12 months ended 31 December				
	2015	2014	2015 vs 2014% change	2013	2014 vs 2013% change

	\$m	\$m	change	\$m	change
Assessment fees and contributions received from hotels	1,351	1,271	6.3	1,154	10.1
Proceeds from sale of IHG Rewards Club points	222	196	13.3	153	28.1
Total	1,573	1,467	7.2	1,307	12.2

In addition to franchise or management fees, hotels within the IHG System pay assessments and contributions (other than for Kimpton and InterContinental) which are collected by IHG for specific use within the System Fund. The System Fund also receives proceeds from the sale of IHG Rewards Club points. The System Fund is managed for the benefit of hotels in the IHG System with the objective of driving revenues for the hotels.

The System Fund is used to pay for marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System. The operation of the System Fund does not result in a profit or loss for the Group and consequently the revenues and expenses of the System Fund are not included in the Group Income Statement.

Highlights for the year ended 31 December 2015

In the year to 31 December 2015, System Fund income increased by 7.2% to \$1,573m primarily as a result of a 6.3% increase in assessment fees and contributions from hotels resulting from increased hotel room revenues, reflecting increases in RevPAR and IHG System size. Continued strong performance in co-branded credit card schemes drove the 13.3% increase in proceeds from the sale of IHG Rewards Club points.

Highlights for the year ended 31 December 2014

In the year to 31 December 2014, System Fund income increased by 12.2% to \$1,467m, primarily as a result of a 10.1% increase in assessment fees and contributions from hotels resulting from increased hotel room revenues, reflecting increases in RevPAR and IHG System size. Continued strong performance in co-branded credit card schemes drove the 28.1% increase in proceeds from the sale of IHG Rewards Club points.

Other financial information

Exceptional operating items

Exceptional operating items totalled a net gain of \$819m. The gain included \$871m related primarily to the profit on sale of InterContinental Paris – Le Grand and InterContinental Hong Kong, and \$9m related to the sale of an associate investment. Exceptional charges included \$6m reorganisation costs relating to the completion of a project to implement more efficient processes and procedures in the Global Technology function; \$5m corporate development costs; \$10m Kimpton integration costs; and \$36m impairment charges relating to two hotels in The Americas and an associate investment in the AMEA region. See note 5 to the Group Financial Statements which provides further detail.

Exceptional operating items are treated as exceptional by reason of their size or nature and are excluded from the calculation of adjusted earnings per ordinary share in order to provide a more meaningful comparison of performance.

Net financial expenses

Net financial expenses increased by \$7m to \$87m, reflecting the issue of £300m 3.75% public bonds in August 2015, that were used to refinance the bridging loan used to acquire Kimpton.

Financing costs included \$2m (2014: \$2m) of interest costs associated with IHG Rewards Club where interest is charged on the accumulated balance of cash received in advance of the redemption of points awarded. Financing costs in 2015 also included \$20m (2014: \$19m) in respect of the InterContinental Boston finance lease.

Taxation

The effective rate of tax on operating profit excluding the impact of exceptional items was 30% (2014: 31%). Excluding the impact of prior-year items, the equivalent tax rate would be 36% (2014: 35%). This rate is higher than the average UK statutory rate of 20.25% (2014: 21.5%), due mainly to certain overseas profits (particularly in the US) being subject to statutory rates higher than the UK statutory rate, unrelieved foreign taxes and disallowable expenses.

Taxation within exceptional items totalled a charge of \$8m (2014: \$29m). In 2015, the charge comprised \$56m relating to the disposal of InterContinental Hong Kong and InterContinental Paris – Le Grand, a credit of \$21m in respect of the 2014 disposal of an 80% interest in InterContinental New York Barclay reflecting the judgement that state tax law changes would now apply to the deferred gain and credits of \$27m for current and deferred tax relief on other operating exceptional items of current and prior years. In 2014, the charge comprised \$56m relating to the disposal of an 80% interest in InterContinental New York Barclay, offset by a credit of \$27m relating to a restructuring of the UK hotel portfolio and other reorganisation costs.

Net tax paid in 2015 totalled \$110m (2014: \$136m) including \$1m (2014: \$nil) in respect of disposals. Tax paid represents an effective rate of 8% (2014: 23%) on total profits and is lower than the effective income statement tax rate of 30% (2014: 31%), primarily due to exceptional accounting gains taxable on a deferred basis, without which the equivalent effective rate would be 20%. The remaining difference is primarily due to the impact of deferred taxes (including the realisation of assets such as tax losses), the receipt of refunds in respect of prior years, and provisions for tax for which no payment of tax has currently been made.

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Performance continued

IHG pursues a tax strategy that is consistent with its business strategy and its overall business conduct principles. This strategy seeks to ensure full compliance with all tax filing, payment and reporting obligations on the basis of communicative and transparent relationships with tax authorities. Policies and procedures related to tax risk management are subject to regular review and update and are approved by the Board.

Tax liabilities or refunds may differ from those anticipated, in particular as a result of changes in tax law, changes in the interpretation of tax law, or clarification of uncertainties in the application of tax law. Procedures to minimise risk include the preparation of thorough tax risk assessments for all transactions carrying tax risk and, where appropriate, material tax uncertainties are discussed and resolved with tax authorities in advance.

IHG's contribution to the jurisdictions in which it operates includes a significant contribution in the form of taxes borne and collected, including taxes on its revenues and profits and in respect of the employment its business generates. IHG earns approximately 75% of its revenues in the form of franchise, management or similar fees, with almost 85% of IHG-branded hotels being franchised. In jurisdictions in which IHG does franchise business, the prevailing tax law will generally provide for IHG to be taxed in the form of local withholding taxes based on a percentage of fees rather than based on profits. Costs to support the franchise business are normally incurred regionally or globally, and therefore profits for an individual franchise jurisdiction cannot be separately determined.

Dividends

The Board has proposed a final dividend per ordinary share of 57.5¢ (40.3p). With the interim dividend per ordinary share of 27.5¢ (17.7p), the full-year dividend per ordinary share for 2015 will total 85.0¢ (58.0p), an increase of 10.4% over 2014.

In February 2016, the Board proposed a \$1.5bn return of funds to shareholders by way of a special dividend and share consolidation.

Earnings per ordinary share

Basic earnings per ordinary share increased by 228.5% to 520.0¢ from 158.3¢ in 2014. Adjusted earnings per ordinary share increased by 10.5% to 174.9¢ from 158.3¢ in 2014.

Share price and market capitalisation

The IHG share price closed at £26.58 on 31 December 2015, up from £25.95 on 31 December 2014. The market capitalisation of the Group at the year end was £6.3bn.

Liquidity and capital resources

Sources of liquidity

The Group successfully refinanced its bank debt in March 2015, putting in place a \$1.275bn revolving syndicated bank facility which matures in March 2020 (the Syndicated Facility), with two one-year extension options exercisable in 2016 and 2017. The Group also put in place a \$75m revolving bilateral facility (the Bilateral facility) in October 2015 which also matures in March 2020 and has two one-year extension options exercisable in 2016 and 2017. The facilities were undrawn at 31 December 2015.

The Syndicated and Bilateral facilities contain the same terms and two financial covenants; interest cover; and net debt divided by earnings before interest, tax, depreciation and amortisation (EBITDA). The Group is in compliance with all of the financial covenants in its loan documents, none of which is expected to present a material restriction on funding in the near future.

In August 2015, the Group issued £300m of public bonds at a 3.750% coupon rate, the lowest funding rate the Group has achieved in the sterling bond market. The bonds are repayable in 2025, extending the maturity profile of the Group's debt.

This is in addition to £250m of public bonds which are repayable on 9 December 2016 and £400m of public bonds which are repayable on 28 November 2022.

Additional funding is provided by the 99-year finance lease (of which 90 years remain) on InterContinental Boston and other uncommitted bank facilities (see note 21 to the Group Financial Statements). In the Group's opinion, the available facilities are sufficient for the Group's present liquidity requirements.

Net debt of \$529m (2014: \$1,533m) is analysed by currency as follows.

	2015 \$m	2014 \$m
Borrowings		
Sterling	1,405	1,028
US dollar	253	557
Euros	4	103
Other	4	7
Cash and cash equivalents		
Sterling	(619)	(21)
US dollar	(460)	(54)
Euros	(15)	(25)
Canadian dollar	(8)	(14)
Chinese renminbi	(4)	(8)
Other	(31)	(40)
Net debt	529	1,533
Average debt level	1,420	1,322

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Borrowings included bank overdrafts of \$39m (2014: \$107m), which were matched by an equivalent amount of cash and cash equivalents 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 daily 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 most significant balances in the US, Canada, and Singapore, and the matching overdrafts are held by the Group's central treasury company in the UK.

Cash and cash equivalents include \$1m (2014: \$4m) that is not available for use by the Group due to local exchange controls.

Information on the maturity profile and interest structure of borrowings is included in notes 20 and 21 to the Group Financial Statements.

The Group had net assets of \$319m at 31 December 2015, (net liabilities of \$717m at 31 December 2014), with the increase primarily as a result of the profit on disposal of InterContinental Hong Kong. At the end of 2015, the Group was trading significantly within its banking covenants and facilities.

Cash from operating activities

Net cash from operating activities totalled \$628m for the year ended 31 December 2015, up \$85m on the previous year (largely due to reduced cash flows relating to exceptional operating items).

Cash flow from operating activities is the principal source of cash used to fund the ongoing operating expenses, interest payments, maintenance capital expenditure and normal dividend payments of the Group. The Group believes that the

requirements of its existing business and future investment can be met from cash generated internally, disposition of assets, and external finance expected to be available to it.

Cash from investing activities

Net cash inflows from investing activities totalled \$589m, an increase of \$466m over 2014. \$1,314m of disposal proceeds primarily related to the disposal of InterContinental Paris – Le Grand and InterContinental Hong Kong. Investing expenditure includes \$438m, net of working capital adjustments and cash acquired, on the acquisition of Kimpton Hotels & Restaurants. Capital expenditure on property, plant and equipment decreased from \$84m in 2014 to \$42m, as the prior year included capital expenditure on InterContinental Paris – Le Grand and on the first two hotels under conversion to the Group's EVEN Hotels brand.

The Group had committed contractual capital expenditure of \$76m at 31 December 2015 (2014: \$117m).

Cash used in financing activities

Net cash used in financing activities totalled \$110m, which was \$626m lower than 2014, mainly due to \$763m special dividends paid and \$110m shares repurchased in 2014. Net inflows from borrowings were \$279m lower than in 2014.

Overall net debt reduced during the year by \$1,004m to \$529m as at 31 December 2015.

Off-balance sheet arrangements

At 31 December 2015, the Group had no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual obligations

The Group had the following contractual obligations outstanding as of 31 December 2015.

	\$m				
	Total amounts committed	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt obligations ^{a, b}	1,407	370	–	–	1,037
Interest payable ^b	343	62	79	79	123
Derivatives	3	3	–	–	–
Finance lease obligations ^c	3,350	17	33	32	3,268
Operating lease obligations	608	47	84	75	402
Agreed pension scheme contributions ^d	9	9	–	–	–
Capital contracts placed	76	76	–	–	–
Total	5,796	584	196	186	4,830

a Repayment period classified according to the related facility maturity date.

b Excluding bank overdrafts.

c Mainly represents the minimum lease payments related to the 99-year lease (of which 90 years remain) on InterContinental Boston. Payments under the lease step up at regular intervals over the lease term.

d Largely relates to US pension obligations.

Contingent liabilities

Contingent liabilities include performance guarantees with possible cash outflows totalling \$13m, guarantees over the debt of equity investments of \$30m, outstanding letters of credit of \$37m, and an indemnity over a \$43m bank loan made to an associate. See note 30 to the Group Financial Statements for further details.

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 Quick-read summaries of key information relating to the Group.



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Where wellness
is built in



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Chairman's overview



“Our governance framework supports IHG’s values, culture and commitment to doing business responsibly.”

Dear Shareholder

We pride ourselves on our commitment to maintaining the highest standards of corporate governance. We firmly believe that good corporate governance is about fostering the right behaviours, and that it underpins our long-term success. Our governance framework, which is led by the Board, supports IHG’s values, culture and commitment to conducting business responsibly. We have in place strong and effective practices and policies, and a robust system of governance, to maintain sound and effective controls and internal reporting. This facilitates a strong flow of information and enhanced communication at all levels across the Group.

The Board is responsible and accountable for the long-term success of the Group. It leads the Group’s strategic direction and long-term objectives and monitors Group performance, risk and internal management controls through effective oversight and review. In doing so, the Board considers both what we aim to deliver as a company and how we deliver it, recognising the importance of instilling a culture of strong values, ethics and integrity.

The Board’s annual agenda is carefully planned, allowing time to consider and review strategic, operational, financial and performance-related agenda items. See pages 60, 61 and 67 for details of the items discussed by the Board during the year, and the information and support provided to the Board to ensure meetings are run effectively.

Compliance and our dual listing

As a dual-listed company with a premium listing on the London Stock Exchange and a secondary listing on the New York Stock Exchange, we are required to file both an Annual Report in the UK and an Annual Report on Form 20-F in the US. Our statement of compliance with the UK Corporate Governance Code (the Code) is located on pages 66 and 67. I am pleased to report that, during 2015, we complied fully with all principles and provisions of the Code, with the exception of the provision relating to audit tendering (see page 66), as we believe that it would not be in the best interests of the Group to undertake an audit tender at this time (see pages 62 to 63).

To ensure continued consistency of information provided to both UK and US investors for 2015, we have again produced a combined Annual Report and Form 20-F this year. As required by the SEC, a statement outlining the differences between the Group’s UK corporate governance practices and those followed by US companies is located on pages 167 and 168.

Governance structure and Board composition

As of 31 December 2015, the Board comprised eight Non-Executive Directors, myself as Chairman, and three Executive Directors, reflecting 50 per cent female representation. During 2015, we said goodbye to Kirk Kinsell as he departed IHG in February, and, in March, we were delighted to welcome Anne Busquet as a new Non-Executive Director. Anne's impressive experience, predominantly in the financial, branded and digital-commerce sectors, is a real asset to the Board.

We were also very sorry to lose Tracy Robbins from the Board, as she stepped down from her role as Executive Vice President, Human Resources, on 15 January 2016 for health reasons. Tracy has made a tremendous contribution to the Board over the years, and we wish her all the best for the future.

Jennifer Laing and Ying Yeh will also retire from the Board following the AGM on 6 May 2016. On behalf of IHG I would like to thank both Jennifer and Ying for their invaluable contributions to IHG over the years, having served on the Board for 10 and eight years respectively. Jill McDonald, a Non-Executive Director, will succeed Jennifer as Chairman of the Corporate Responsibility Committee. We wish Jennifer and Ying all the very best for the future.

Further details of our Board structure and composition can be found on pages 53 to 57, and details of our approach to succession planning are located in the Nomination Committee Report on page 65.

Diversity

We are proud to be a diverse company and value the benefits that diversity brings. We approach diversity in its widest sense because we believe that, by ensuring that different genders, backgrounds, ages and nationalities are appropriately represented, both in the composition of the Board and throughout the organisation as a whole, we ensure that corporate decision-making is informed by the widest possible range of knowledge, skills and experience. While recent changes to the Board have reduced the level of female representation, our commitment to diversity is undiminished. Please refer to page 65 for more details.

Training, development and Board performance review

The Board's training needs are reviewed regularly as part of our agenda-setting and the annual Board performance review process. In 2015, the Directors received training on a variety of topics, including updates on technology, accounting and anti-bribery, in addition to regular briefings on legal and corporate governance developments. Directors who are newly appointed to the Board undergo a full induction programme that is tailored to their personal requirements. Further information about inductions for new Directors, including details of Anne Busquet's induction programme, and our ongoing training arrangements for all Directors can be found on page 59. In 2015 we conducted an internal assessment of the Board's performance, supported by an external facilitator. More information on the Board's annual effectiveness evaluation, including the process, our performance against our 2014 action plan, and the recommendations made for 2016, is on page 60.

Priorities for 2016

This year, we will continue to drive the execution of our strategy, and increase our speed and agility in anticipating and responding to the challenges and opportunities facing us. The Board's agenda over the coming year will allow continued focus on shaping how we deploy our strategy, including the evolution of our brand portfolio and our emphasis on meaningful and sustainable growth.



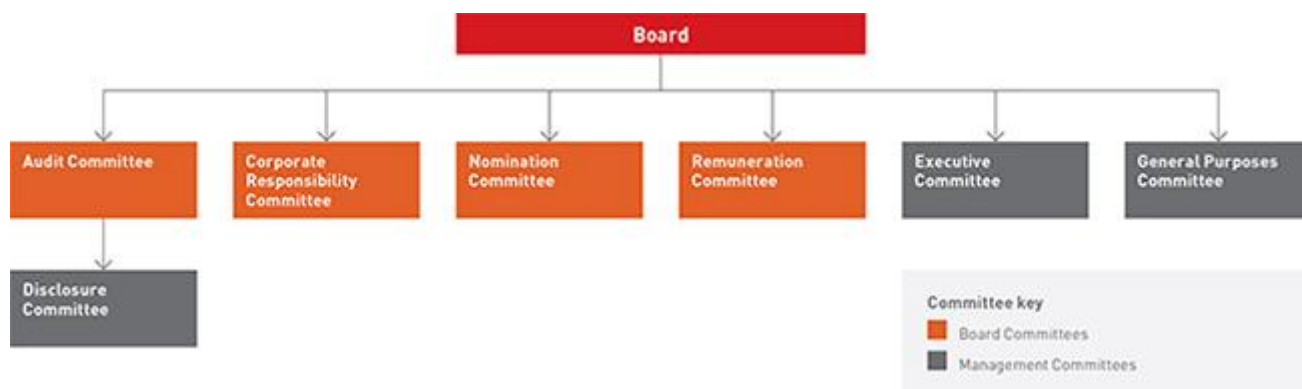
Patrick Cescau
Non-Executive Chairman
22 February 2016

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Corporate Governance

Quick read

Our Board and Committee governance structure



The Board and its Committees

The Board is responsible for ensuring leadership through effective oversight and review of the Group's activities.

Supported by its principal Committees (the Audit, Corporate Responsibility, Nomination and Remuneration Committees), the Board sets the strategic direction of the Group and aims to deliver sustainable shareholder value for the long term. See pages 60 and 61 for details on the Board and how it spent its time during 2015.

The Audit Committee: monitors the effectiveness of the Group's system of internal controls and risk management framework, the Group's risk appetite, and the integrity of the Group's financial reporting, whistleblowing and regulatory compliance. The Audit Committee Report is on pages 62 and 63.

The Corporate Responsibility Committee: provides direction, oversight and advice to the Board on the Group's corporate responsibility objectives and strategy, including its environmental impact, social and community impact, human rights considerations and stakeholder engagement. The Corporate Responsibility Committee Report is on page 64.

The Nomination Committee: reviews and considers the size, structure and composition of the Board and its Committees, giving due regard to ongoing succession planning, and makes recommendations to the Board. The Nomination Committee Report is on page 65.

The Remuneration Committee: reviews all aspects of Executive remuneration, reviewing trends across the industry and setting Executive remuneration policies, which are designed to incentivise and retain talent to support the delivery of our long-term strategy. The Remuneration Committee Chairman's statement is on pages 68 and 69.

Please see the corporate governance section on the Company's website at www.ihgplc.com/investors for the schedule of matters reserved for the Board, which sets out those matters that are not delegated by the Board to its Committees, and the terms of reference for each Board Committee, which set out their respective roles and responsibilities in more detail.

Our management Committees

The Executive Committee: has responsibility for implementing operational decisions. Day-to-day management of the business is delegated to the Chief Executive Officer and the Executive Committee. There is clear delegation and oversight from the Board to the Executive Committee, which strengthens decision-making across key areas of the business.

The General Purposes Committee: attends to business of a routine nature with parameters set by the Board or an appropriate Committee.

The Disclosure Committee: ensures proper procedures are in place for information disclosures required pursuant to UK and US accounting, statutory or listing requirements.

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Board Committee membership key

- A Audit Committee member
- N Nomination Committee member
- Chairman of a Board Committee
- C Corporate Responsibility Committee member
- R Remuneration Committee member

Board and Committee membership and attendance in 2015

	Appointment date	Committee appointments	Board	Meetings			
				Audit Committee ^a	Corporate Responsibility Committee ^b	Nomination Committee ^c	Remuneration Committee ^d
Total meetings held			8	5	3	3	5
Chairman							
Patrick Cescau	01/01/13	N	8			3	
Chief Executive Officer							
Richard Solomons	10/02/03	C	8		3		
Executive Directors							
Paul Edgecliffe-Johnson	01/01/14		8				
Tracy Robbinse	09/08/11		2				
Kirk Kinsell	01/08/10		1				
Senior Independent Non-Executive Director							

Dale								
Morrisong	01/06/11	A N R	8	5	1	3	4	
Non-Executive Directors								
Anne								
Busqueth	01/03/15	A C H	7	4	2	2		
Ian Dyson	01/09/13	A N R	8	5		3	5	
Jo Harlow	01/09/14	A H R	8	5		3	5	
Jennifer								
Laing	25/08/05	A C H	8	5	3	3		
Luke								
Mayhew	01/07/11	C N R	8		3	3	5	
Jill								
McDonaldi	01/06/13	A C H	8	5	2	3		
Ying Yehj	01/12/07	C H R	7		3	3	5	

a At the invitation of the Committee, the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Head of Global Internal Audit (GIA), Group Financial Controller and external Auditor, EY, attended all meetings in 2015. EY provided a report on the progress of, and insights from, the annual audit in 2015. Other attendees are invited to meetings as appropriate, to provide a deeper insight into, and understanding of, key decisions. At each meeting, GIA and EY have had the opportunity to meet with the Non-Executive Directors without the presence of management.

b The Heads of Corporate Responsibility and the Chairman of the Board also attended all meetings in 2015.

c The Chief Executive Officer also attended all meetings in 2015.

d The Chairman of the Board and the Chief Executive Officer also attended all meetings in 2015. The Executive Vice President, Human Resources is invited to attend all meetings, but attended one meeting in 2015 due to health reasons. The Senior Vice President, Global Reward & HR Capability provided advice to the Committee on remuneration issues as required.

e Tracy Robbins was present at two Board meetings in 2015 prior to her resignation in 2016 due to health reasons.

f Kirk Kinsell was present at one Board meeting prior to his resignation from the Board in 2015.

g Dale Morrisson was present at one Corporate Responsibility Committee meeting prior to, and four Remuneration Committee meetings following, changes to his Board Committee duties in 2015.

h Anne Busquet was present at seven Board meetings, four Audit Committee meetings, two Corporate Responsibility meetings, and two Nomination Committee meetings during 2015, as she was appointed to the Board during the year.

i Jill McDonald was present at two Corporate Responsibility Committee meetings following her appointment to that Committee in 2015.

j Ying Yeh was absent from one Board meeting in 2015 due to conflicting commitments.

Details of changes to the Board and Executive Committee during 2015 and to 22 February 2016 are set out on page 55.

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Our Board of Directors



Patrick Cescau

Non-Executive Chairman



Appointed to the Board: 1 January 2013

Skills and experience: From 2005 to 2008, Patrick was Group Chief Executive of Unilever Group, having previously been Chairman of Unilever PLC, Vice-Chairman of Unilever NV and Foods Director, following a progressive career with the company, which began in France in 1973. Prior to being appointed to the board of Unilever PLC and Unilever NV in 1999, as Finance Director, he was Chairman of a number of the company's major operating companies and divisions, including in the US, Indonesia and Portugal. He was formerly a Senior Independent Director and Non-Executive Director of Pearson plc and Tesco PLC, and a Director at INSEAD.

Board contribution: Patrick has held board positions for nearly 15 years in leading global businesses and brings extensive international experience in strategy, brands, consumer products, and finance. As Chairman, Patrick is responsible for leading

the Board and ensuring it operates in an effective manner, and promoting constructive relations with shareholders. As Chairman of the Nomination Committee, he is responsible for reviewing and making recommendations on the Group's leadership needs.

Other appointments: Currently a Non-Executive Director of International Airlines Group, Patrick is also a trustee of The Leverhulme Trust, Patron of the St Jude India Children's Charity and Member of the TEMASEK European Advisory Panel.




Paul Edgecliffe-Johnson
Chief Financial Officer
 Appointed to the Board: 1 January 2014

Skills and experience: Paul is a chartered accountant and a fellow of the Institute of Chartered Accountants. He was previously Chief Financial Officer of IHG's Europe and Asia, Middle East and Africa regions, a position he held since September 2011. He joined IHG in August 2004 and has held a number of senior-level finance positions, including Head of Investor Relations, Head of Global Corporate Finance and Financial Planning & Tax, and Head of Hotel Development, Europe. Paul also acted as Interim Chief Executive Officer of the Europe, Middle East and Africa region (prior to the reconfiguration of our operating regions).

Board contribution: Paul is responsible, together with the Board, for overseeing the financial operations of the Group and setting its financial strategy.



Richard Solomons
Chief Executive Officer 
 Appointed to the Board: 10 February 2003

Skills and experience: Richard has led the continued growth of IHG, including the launch of our two newest brands, HUALUXE Hotels and Resorts and EVEN Hotels, and IHG's acquisition of Kimpton Hotels & Restaurants. Before being appointed Chief Executive Officer, Richard served as Chief Financial Officer and Head of Commercial Development. Richard was integral in shaping and implementing IHG's asset-light strategy, which has helped the business grow significantly since it was formed in 2003, as well as supporting the return of \$10.4 billion to shareholders. In 2008, he served as Interim President of our Americas region. Richard is a member of the Industry Real Estate Financing Advisory Council and a Governor of the Aviation and Travel Industry Group of the World Economic Forum.

Board contribution: Richard is responsible for the executive management of the Group and ensuring the implementation of Board strategy and policy.

Other appointments: Currently a Non-Executive Director of Marks and Spencer Group plc.

Changes to the Board and Executive Committee

Kirk Kinsell	Kirk resigned as President, The Americas effective as of 13 February 2015.
Anne Busquet	Anne was appointed as a Non-Executive Director of IHG effective as of 1 March 2015. Anne joined the Audit Committee, Corporate Responsibility Committee and Nomination Committee on her appointment.
Dale Morrison	Dale was appointed to the Remuneration Committee, and resigned from the Corporate Responsibility Committee, on 19 March 2015.
Jill McDonald	Jill was appointed to the Corporate Responsibility Committee on 19 March 2015.
Tracy Robbins	Tracy resigned from the Board and her role as Executive Vice President, Human Resources on 15 January 2016 due to health reasons.
Lori Gaytan	Due to Tracy's resignation, Lori was appointed as interim Executive Vice President, Human Resources on 15 January 2016.
Jennifer Laing	Jennifer will retire from the Board following the AGM on 6 May 2016.
Ying Yeh	Ying will retire from the Board following the AGM on 6 May 2016.

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Our Board of Directors continued



Dale Morrison
Senior Independent
Non-Executive Director 
Appointed to the Board: 1 June 2011



Anne Busquet
Independent
Non-Executive Director 
Appointed to the Board: 1 March 2015

Skills and experience: Dale is a founding partner of TriPointe Capital Partners, a private equity firm. Dale was previously President and Chief Executive Officer of McCain Foods Limited and President and Chief Executive Officer of Campbell Soup Company.

Board contribution: Dale has over 10 years' experience in sales and marketing positions, and over 25 years' experience in general management, having held senior positions in the branded foods sector. Dale's role as Senior Independent Non-Executive Director is fundamental to the successful operation of the Board; more details are provided on page 66.

Other appointments: Currently a Non-Executive Director of International Flavors & Fragrances Inc., and Non-Executive Chairman of Young's Seafood International Holdings Ltd.

Skills and experience: Anne began her career at Hilton International in Paris, before joining American Express Company in New York, where she held several executive positions and served for 23 years. Anne was also the Chief Executive Officer of Local and Media Services at InterActiveCorp, an internet commerce conglomerate.

Board contribution: Anne brings more than 20 years' experience in senior positions in multinational companies, predominantly in the financial, branded and digital-commerce sectors.

Other appointments: Anne is currently the President of AMB Advisors, an independent consulting firm, and Managing Director at Golden Seeds LLC, an angel investment company. She also serves on the boards of Pitney Bowes, MTBC and Provista Diagnostics, Inc. and on the advisory boards of JEGI and SheSpeaks.



Ian Dyson
Independent
Non-Executive Director 
Appointed to the Board: 1 September 2013



Jo Harlow
Independent

Non-Executive Director 
Appointed to the Board: 1 September 2014

Skills and experience: Ian has held a number of senior executive and finance roles, including Group Finance & Operations Director for Marks and Spencer Group plc for five years from 2005 to 2010, where he oversaw significant changes in the business. In addition, Ian was Chief Executive Officer of Punch Taverns plc, Finance Director for the Rank Group Plc, a leading European gaming business, and Group Financial Controller and Finance Director for the hotels division of Hilton Group plc.

Board contribution: Ian has gained significant experience from working in various senior finance roles, predominantly in the hospitality sector. Ian became Chairman of the Audit Committee on 1 April 2014, and, as such, is responsible for leading the Committee to ensure effective internal controls and risk management systems are in place.

Other appointments: Currently a Non-Executive Director of Punch Taverns plc, a Non-Executive Director and Chairman of the Audit Committee of SSP Group plc and Senior Independent Non-Executive Director and Chairman of the Audit Committee of ASOS plc and Betfair Group plc.

Skills and experience: Jo most recently held the position of Corporate Vice President of the Phones Business Unit at Microsoft Corporation. She was previously Executive Vice President of Smart Devices at Nokia Corporation, following a number of senior management roles at Nokia from 2003. Prior to that, she held marketing, sales and management roles at Reebok International Limited from 1992 to 2003 and at Procter & Gamble Company from 1984 to 1992.

Board contribution: Jo has over 25 years' experience working in various senior roles, predominantly in the branded and technology sectors.

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Jennifer Laing
Independent

Non-Executive Director 
Appointed to the Board: 25 August 2005



Luke Mayhew
Independent

Non-Executive Director 
Appointed to the Board: 1 July 2011

Skills and experience: Jennifer was Associate Dean, External Relations at London Business School until 2007, and is a fellow of the Marketing Society and of the Institute of Practitioners in Advertising. She spent 16 years with Saatchi & Saatchi, where she rose to Chairman of the London office and subsequently Chief Executive Officer and Chairman of Saatchi & Saatchi North America. Until May 2014, she was also a Non-Executive Director of Hudson Global.

Board contribution: Jennifer has over 30 years' experience in marketing and advertising and is Chairman of the Corporate Responsibility Committee, responsible for corporate responsibility objectives and strategy and approach to sustainable development.

Other appointments: Currently a Non-Executive Director and Chairman of the Remuneration Committee of Premier Foods plc.

Skills and experience: Luke served for 12 years on the board of John Lewis Partnership plc, including as Managing Director of the Department Store division. Luke also spent five years at British Airways Plc and seven years at Thomas Cook Group plc in senior positions. He was also a Non-Executive Director of WHSmith PLC and Chairman of Pets at Home Group Plc.

Board contribution: Luke has over 30 years' experience in senior roles in the branded sector and was Remuneration Committee Chairman at Brambles Limited from 2006 to 2014. As Chairman of the IHG Remuneration Committee, he is responsible for setting the remuneration policy.

Other appointments: Currently a Non-Executive Director of DFS Furniture Holdings plc, a Director of Tate Enterprises Ltd, and a trustee of BBC Children in Need.



Jill McDonald
Independent
Non-Executive Director 
Appointed to the Board: 1 June 2013



Ying Yeh
Independent
Non-Executive Director 
Appointed to the Board: 1 December 2007

Skills and experience: Jill started her career at Colgate-Palmolive Company, spent 16 years with British Airways Plc and held a number of senior marketing positions in the UK and overseas. Jill was previously Chief Executive Officer UK and President for the North West Europe division for McDonald's, and held a number of other senior roles in the company from 2006.

Board contribution: Jill has nearly 30 years' experience working with high-profile international consumer-facing brands at both marketing and operational level.

Other appointments: Currently Chief Executive Officer of Halfords Group plc.

Skills and experience: Until 2014, Ying was a member of the board of AB Volvo, Sweden. She also occupied senior positions at Nalco Company, including Chairman, Greater China Region, and Vice President. Previously, she acted as Chairman and Vice President, North Asia Region at Eastman Kodak, as well as Vice President at the same company. Ying acted as a foreign diplomat with the US Foreign Service in Hong Kong and Beijing for 15 years, until 1997.

Board contribution: Ying has over 20 years' experience gained from working in senior positions in global organisations across a broad range of sectors.

Other appointments: Currently a Non-Executive Director of ABB Ltd and Samsonite International S.A.



**The Board is supported by
the Company Secretary:**
George Turner
**Executive Vice President,
General Counsel and Company Secretary**
Appointed to the Executive Committee:
January 2009 (Joined the Group: 2008)

Skills and experience: George is a solicitor and qualified to private practice in 1995. Prior to joining the Group, George spent over 10 years with Imperial Chemical Industries PLC, where he held a number of key positions including Deputy Company Secretary and Senior Legal Counsel.

Key responsibilities: These include corporate governance, risk management, insurance, regulatory, internal audit, legal, corporate responsibility, public affairs and hotel standards.

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Our Executive Committee



Keith Barr
Chief Commercial Officer
Appointed to the Executive Committee:
April 2011 (Joined the Group: 2000)



Angela Brav
Chief Executive Officer, Europe
Appointed to the Executive Committee:
August 2011 (Joined the Group: 1988)

Skills and experience: Keith has over 20 years' experience in the hospitality industry. He has held senior appointments at IHG, including Vice President of Sales and Revenue Management; Vice President of Operations; Chief Operating Officer, Australia, New Zealand and South Pacific; and Managing Director, Greater China. He became an Executive Committee member in April 2011 and, prior to becoming Chief Commercial Officer, was Chief Executive Officer, Greater China until May 2013. Keith is currently a member of The Leland C. and Mary M. Pillsbury Institute for Hospitality Entrepreneurship Advisory Board.

Key responsibilities: These include global sales, marketing and brand functions, to drive consistent brand strategies across all regions and leverage IHG's scale and systems to deliver continued industry outperformance.

Skills and experience: Angela has over 25 years' experience in the hospitality industry, including hotel operations, franchise relations and technology solutions. She held various senior roles in IHG's North American and European regions prior to becoming Chief Operating Officer, North America. She was appointed Chief Executive Officer, Europe in August 2011.

Key responsibilities: These include business development and performance of all the hotel brands and properties in Europe.



Elie Maalouf
Chief Executive Officer, The Americas
Appointed to the Executive Committee:
February 2015 (Joined the Group: 2015)



Kenneth Macpherson
Chief Executive Officer, Greater China
Appointed to the Executive Committee:
April 2013 (Joined the Group: 2013)

Skills and experience: Elie was appointed Chief Executive Officer, The Americas at IHG in February 2015, with over 14 years' experience working in a major global franchise business. He joined the Group having spent six years as President and Chief Executive Officer of HMSHost Corporation, a global travel and leisure company, where he was also a member of the board of directors. Elie brings broad experience to IHG spanning development, branding, finance, real estate and operations management, as well as highly relevant food and beverage expertise. He was most recently a Senior Advisor with McKinsey & Company.

Key responsibilities: These include business development and performance of all the hotel brands and properties in The Americas region.

Skills and experience: Kenneth joined IHG as Chief Executive Officer, Greater China in April 2013. Prior to joining the Group, he worked for Diageo plc for nearly 20 years and held senior management positions, including serving as Executive Managing Director of Diageo Greater China. Kenneth has extensive management experience, with a background in sales, marketing strategy, business development and operations. Kenneth also brings substantial knowledge and expertise in Chinese and international business operations.

Key responsibilities: These include business development and performance of all the hotel brands and properties in the Greater China region.



Eric Pearson
**Executive Vice President
and Chief Information Officer**
Appointed to the Executive Committee:
February 2012 (Joined the Group: 1997)



Jan Smits
**Chief Executive Officer,
Asia, Middle East and Africa**
Appointed to the Executive Committee:
April 2011 (Joined the Group: 2002)

Skills and experience: Eric has a background in engineering and technology and started his career at IHG nearly 20 years ago. Since then he has held various senior positions in the field of emerging technologies and global e-commerce. Prior to being appointed Chief Information Officer, Eric most recently held the position of Chief Marketing Officer for The Americas region.

Key responsibilities: These include global technology, including IT systems and information management, throughout the Group.

Skills and experience: Jan has more than 30 years' experience in the hospitality industry. He held various senior positions in the Asia and Australasia region. He became Managing Director, Asia Australasia in June 2009. Following the amalgamation of our Middle East and Africa region with our Asia Australasia region, he became Chief Executive Officer, Asia, Middle East and Africa in April 2011.

Key responsibilities: These include business development and performance of all the hotel brands and properties in Asia, Middle East and Africa.

Director induction, training and development

New Director inductions

All new Directors undergo a comprehensive and formal induction programme which is tailored to meet their individual needs. We believe this is crucial in ensuring our Directors have an in-depth understanding of the Group's business and our business model, our principal activities, and our strategy, which is key in enabling all Directors to contribute to the Board effectively with their knowledge, skills, experience and expertise.

The Company Secretary develops an induction programme in consultation with each new Director, the Chairman and the Chief Executive Officer, and the induction is led by the Chairman in accordance with best-practice principles.

Our inductions provide new Directors with the information necessary to familiarise them with the Group's governance framework, their duties as Directors, and the Group's business, including our operations and KPIs, as well as our approach to internal controls and risk management. New Directors are also equipped with a full understanding of our history, brands, regional structures and the IHG Owners Association.

Meetings take place with members of the Board and the Executive Committee, senior executives and regional and central management from various functions across the Group, including but not limited to Business Reputation and Responsibility; Human Resources; Corporate Affairs; Global Strategy; Global Internal Audit and Group Finance, and the external Auditor. In addition, Directors have the opportunity to visit our global corporate offices and hotels to provide further insight into our business.

Ongoing Director training and development

We believe that updating skills and knowledge via ongoing training and development to understand the Group's business and its operations is of great importance. At IHG, this is a progressive exercise. The Chairman regularly reviews and agrees any training and development needs with each Director and the Board is made aware of training opportunities. Additional information is provided as necessary to enable the Board to keep up to date with, and enhance their knowledge of, the business, and to keep abreast of any regulatory and corporate governance developments.

Board and Committee meetings are regularly used to keep Directors formally up to date on developments in the environment in which the business operates, with in-depth discussion and presentations provided by senior management on key topical areas as required.

Board meetings are intentionally held at IHG hotels in different locations to provide first-hand experience of the different brands across our portfolio, to broaden the Board's exposure to the geographical markets in which we operate and to provide opportunities to meet frontline staff and other colleagues. In 2015, Board members attended meetings held at various IHG hotels in London, including InterContinental London Park Lane and Crowne Plaza Kensington, in addition to meetings held at the Group's head offices in Denham, UK and Atlanta, US. As part of our annual two-day strategy meeting, Board members attended meetings at InterContinental Shenzhen and Crowne Plaza Guangzhou City Centre, China, and received a presentation from the General Manager of HUALUXE Yangjiang City Centre, Vincent Liang.

The Company Secretary regularly updates the Board on regulatory and legal matters, or relevant changes, as part of meetings, and Directors are encouraged to visit hotels across our brands, both formally as part of meetings and informally.

Anne Busquet's induction

Anne's induction provided her with an understanding of IHG and our business to enable her to contribute her knowledge, skills and experience effectively to the Board, and a recap of her responsibilities as a director of a public limited company. The key areas included:

- information on the Group, its business and the markets in which we operate, including the Group's strategy, business model and KPIs, key regions and operations, a financial overview and financial segmental information, details of the Group's principal assets, liabilities and significant contracts, and an overview of our brands;
- our approach to internal controls and our risk management strategy;
- information on the Board, its Committees and IHG's governance processes, with a particular focus on the Audit, Nomination and Corporate Responsibility Committees in light of her appointment to these Committees;
- a reminder of the rules relating to maintaining the confidentiality of inside information and restrictions in dealing in IHG shares, together with a briefing of the policies and procedures IHG has in place to ensure compliance with such rules;
- meetings with members of the Board and the Executive Committee, senior management from functions across the Group, the external Auditor, our broker and capital advisers; and
- visits to IHG hotels across our brands, touring the hotels and spending time with our General Managers.

As Anne's corporate governance exposure at the time of her appointment focused on US rules and requirements, her induction also included a face-to-face session with the Company Secretary on the key differences in corporate governance standards followed by US companies and companies operating in the UK regulatory environment.

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Board effectiveness evaluation

IHG has always recognised the importance of evaluating the performance of the Board as a whole, its main Committees and its Directors, in line with the Code recommendations. The objective of these evaluations is to create a truly effective Board that is not only fit for purpose but that adds real value to the Group.

Progress against our 2014 evaluation

In 2014, we conducted an internal evaluation as detailed in our 2014 Annual Report. Our progress in 2015 against the actions identified is set out below.

Our 2015 evaluation process

Our 2015 evaluation was also conducted internally, with support from an independent external facilitator with no connection to IHG. Each member of the Board was invited to complete an effectiveness questionnaire, which centred both on the progress against actions identified in our 2014 Board effectiveness evaluation, and questions on other topics to draw out additional suggestions and comments. Key areas included Board working processes, the Board's areas of focus and engagement, and Board dynamics. It also invited Directors to make other general or specific observations. The results were analysed and the report was presented for discussion at the Board's February 2016 meeting.

Internal performance evaluations of Directors were also undertaken, as follows.

Director being appraised	Appraiser
Chairman	Non-Executive Directors excluding the Chairman and facilitated by the Senior Independent Non-Executive Director
Chief Executive Officer	Chairman and all Non-Executive Directors
Executive Directors	Chief Executive Officer
Non-Executive Directors	Chairman

Outcome

The evaluation confirmed that the Board and its Committees were operating effectively and that each Director continues to bring relevant knowledge, diversity of perspective, an ability and willingness to challenge, and a strong commitment to the role.

2014 and 2015 Board effectiveness evaluations

2014 observations	Action taken during 2015	2015 observations	Recommendations for 2016
Increase the Board's focus on brands.	Deep dives into the strategy for the Holiday Inn, Holiday Inn Express, InterContinental and Crowne Plaza brands provided.	Much improved. The Board would still benefit from a regular review of the progress of each brand against its strategy.	Provide regular updates on each brand, setting out plans and key initiatives for the year across the globe and by region, and the progress made.
Enhance the Board's understanding of competitors' strategy and performance.	Presentations on competitors' strategies and offerings provided. Competitive analysis included in both financial results and strategic reviews.	Very clear mapping and assessment. Enhanced analysis in 2015 has achieved greater understanding of relative financial and operational performance.	As a result of the progress made in 2015, no further enhancements to our current practice are suggested.
Increase the Board's exposure to the Group's US business.	Meetings with the Chief Executive Officer for The Americas, with a focus	Although the presentations provided have been helpful, more frequent	Provide regular updates on The Americas in relation to operational

	on our franchise operations and our strategy for the progress of the EVEN Hotels brand.	focus on our US business and strategy is requested. There is a concern that there has been a lack of progress in relation to the Kimpton integration.	delivery, performance by brand, and the Kimpton integration, as well as a full review at the June Board meeting.
n/a	n/a	Increase the Board's understanding of consumer trends and behaviour.	Provide the Board with industry reports and consumer trends on a global and a regional basis.

Board meetings

The role of the Board

The Board leads the Group's strategic direction and long-term objectives and monitors Group performance, and risk and internal management controls, through effective oversight and review.

There are a number of key decisions and matters that are reserved for the Board's approval and these include matters relating to Group business and commercial strategy; significant investment proposals; maintenance of oversight and control of the Group's operating and financial performance; monitoring the Group's overall systems of internal controls; risk management and appetite; and governance and compliance.

As part of general monitoring and oversight of Group performance and compliance within the governance framework, certain matters are routinely considered and addressed at Board meetings. Meetings begin with an update from the Chairman and Chief Executive Officer and include finance updates from the Chief Financial Officer (which include a financial review of the Group). Executive Committee members and other senior management present deep dives on each region and function throughout the year.

In addition to the routine financial and operating reports and updates that the Board considers, substantial time is also spent considering Group strategy, performance and oversight, including a dedicated annual strategy meeting, which is a minimum two-day event each year.

The Board held eight scheduled meetings during the year, and individual attendance is set out on page 54. Sufficient time is provided at the start and end of each meeting for the Chairman to meet privately with the Senior Independent Non-Executive Director and Non-Executive Directors to discuss any matters arising.

So that the Board makes the best possible use of its time at meetings, all Directors are provided with detailed briefing papers (available electronically) generally at least one week in advance of every meeting to ensure that discussions are focused and relevant.

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Regular Board meetings in 2015

The matters of strategic and operational importance considered by the Board in 2015 included:

- progress against the development of our next-generation Guest Reservation System;
- the delivery of our asset-light strategy with the sale of InterContinental Hong Kong and InterContinental Paris – Le Grand this year;
- the trends that are shaping the industry, including how technology is giving guests greater control over their stays as well as offering them a broader range of lodging providers (further information can be found in the Strategic Report on pages 10 and 11);
- in-depth brand reviews for Holiday Inn, Holiday Inn Express, InterContinental and Crowne Plaza;
- an update on the work being conducted on how The Americas region is transforming the way in which we support franchised hotels; and
- the progress made on the careful integration of the Kimpton Hotels & Restaurants business with IHG to ensure we preserve the uniqueness and ethos of the brand and its people.

In addition, the Board reviewed the following routine business matters.

Governance

- Quarterly corporate governance and regulatory updates, including a review of regulatory developments and any upcoming legislative changes affecting our business, our Board and/or, its Committees across all relevant areas, including corporate reporting, governance guidelines and institutional investor reports;
- internal controls and risk management processes including the principal risk review, a risk management effectiveness review and updates on our global insurance programme;
- the composition and succession planning of the Board and its Committees, including the appointment of Anne Busquet, our new Non-Executive Director;
- the 2015 Board performance evaluation, and the action plan for 2016; and
- updates on the deliberations of each of the Board Committees (see the individual Committee Reports on key activities and priorities during 2015).

Investor relations and communications

- The review and approval of shareholder returns strategies for 2015;
- a discussion of reports on investor perceptions and shareholder relations, and considering analysts' reports and media updates; and
- our share register movements during 2015, share price performance, relative share price performance and the investor road show (including investor feedback).

Annual strategy meeting 2015

This year, we held our strategy meeting in China, one of our priority markets, giving the Board the opportunity to see first-hand the growing Chinese market and the progress we are making in building brand awareness. While China has experienced some short-term macroeconomic challenges, there is still a growing appetite for domestic and international travel observed in this region. This is mainly being driven by an increase in disposable income, a trend that is set to continue in the future. More details of this and more key trends affecting our industry can be found on pages 10 and 11.

The Board members each received a full briefing in advance of the visit to familiarise them with the cities and hotels that they were

visiting and the specifics of, and recent developments in, the Chinese market, including an overview of the key macroeconomic figures, trends (including technology), and our key international competitors' business in Greater China.

The Board spent time in both Guangzhou and Shenzhen to learn about Chinese consumers, hospitality players and industry trends. Together with senior executives in the region, the Board met with market experts and advisors and visited IHG and competitor hotels.

Following these meetings, the Board spent time discussing their observations and the opportunities and challenges that we face in the current market, as well as considering the broader strategic agenda.

Board engagement with shareholders

The Board takes its responsibility to represent and promote the interests of its shareholders seriously and believes in the importance of shareholder engagement. A formal external review of investor perceptions is presented to the Board on an annual basis and both the Executive Committee and the Board receive regular updates on shareholder relations.

Engagement during the year

The Board's engagement with shareholders in 2015 included:

- meeting shareholders at the AGM;
- half-year and full-year formal reporting and telephone conferences after the release of the first- and third-quarter interim management statements;
- presentations by Richard Solomons and Paul Edgecliffe-Johnson to institutional investors, analysts and the media following results announcements;
- a development strategy presentation and hotel tours with major institutional shareholders in New York;
- seeking feedback via an annual investor perception survey, facilitated by our capital market advisers;
- an investor and media breakfast hosted by the Corporate Responsibility Committee;
- attendance at key institutional investor conferences; and
- a programme of one-to-one meetings with major institutional shareholders.

To enable as many shareholders as possible to access conferences and presentations, telephone dial-in facilities are made available in advance and live audio webcasts are made available after presentations, together with associated data and documentation. These can be found at www.ihgplc.com/investors under financial library. Around 25 sell-side research analysts publish research on the Group; their details are available at www.ihgplc.com/investors under analysts' details.

AGM

The AGM is an opportunity for shareholders to vote on certain aspects of Group business. The Board values this as it provides a useful forum for one-to-one communication with private shareholders. At the AGM, shareholders receive presentations on the Company's performance and may ask questions of the Board.

The 2016 AGM will be held at 11:00am on Friday 6 May 2016. The notice convening this meeting will be sent to shareholders and will be available at www.ihgplc.com/investors under financial library.

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Audit Committee Report



“By ensuring that high standards of governance are embedded throughout the business, we support the long-term success of the Group.”

The Board has overall responsibility for the management of business risk. The Audit Committee plays a crucial role in assisting the Board to discharge that duty by monitoring, reviewing and challenging the effectiveness of the Group's systems of control and processes concerning financial reporting; fraud, bribery and corruption detection; whistleblowing; business continuity; and risk management, thereby ensuring that robust systems and procedures are in place to aid the long-term success of the Group as a whole. The Committee also monitors and reviews the appointment of the Group's external Auditor (including the nature and scope of the audit), the Auditor's independence and effectiveness, audit fees and the provision of non-audit services.

Governance

Details of our role and responsibilities are set out in our terms of reference (ToR), which are reviewed annually and updated accordingly. The ToR are available on the Company's website at www.ihgplc.com/investors under corporate governance/committees. Anne Busquet was appointed to the Committee on 1 March 2015, and all members are Independent Non-Executive Directors, as required under the ToR.

System of risk management and internal controls

Internal controls and risk management

The Committee supports the Board in reviewing the effectiveness of the Group's internal control and risk management systems, having oversight of the risk and control activities in operation across the Group. In support of this, the Audit Committee regularly reviews the principal risks and the operation of the risk management systems, seeking assurance that the principal risks faced by the Group are being identified, assessed, prioritised, evaluated and appropriately managed and mitigated, having regard to the Group's risk appetite.

The Committee's review is supported by the Global Internal Audit (GIA) plan, which is discussed in December each year. The Committee approves the nature and scope of the plan, and is responsible for reviewing and monitoring the activities of the GIA department in line with the agreed plan. In 2015, the agreed schedule of audits included reviews of System Fund controls, the IHG Rewards Club points redemption processes, the Kimpton integration, and project and programme management.

The Committee also considered in 2015 the Group's biannual reports on significant incidents of fraud and matters raised through the Group's confidential disclosure channel and any related investigations, and the Code of Conduct and related policies (including a report on the progress of training and awareness efforts). The Head of Information Security provided an update on our approach to, and the activities planned to mitigate against, information security risks. In addition, the Committee considered the requirements for, and approach to the preparation of, the viability statement, together with the other requirements of the 2014 UK Corporate Governance Code and other relevant regulatory changes. See pages 25 to 27 for further details.

Financial reporting and controls

During the year the Committee reviewed the interim and annual financial statements (considering the relevant accounting and reporting matters) and the Group's treasury policies and financing strategy. The Committee also received a presentation from the head of the Group's offshore, centralised accounting service, the Business Service Centre, given the significant role the Centre plays in the Group's financial controls and reporting. The key financial controls across the business continue to be monitored and tested to ensure that an appropriate framework exists and to ensure compliance with our US obligations arising from the Sarbanes-Oxley Act 2002 (SOX). The Committee assesses the approach to SOX compliance each year and the Committee regularly reviews reports on the progress of the SOX programme, which has enabled representations regarding the effectiveness of internal financial controls to be made, noting that there are no material weaknesses in the control environment. An external review of current SOX control processes was conducted in 2015 and the findings were presented to the Audit Committee in July. The review concluded that the Group has a clear framework for reviewing SOX compliance and is committed to effective internal controls. Opportunities were identified to further enhance the Group's framework and the Group is addressing these on an ongoing basis.

The Committee continues to conclude that the Group has in place an effective system of risk management and internal controls, and, through its review, has not identified any significant failings or weaknesses.

Global Internal Audit (GIA) effectiveness

An effectiveness review of GIA is undertaken annually and reported to the Committee. In 2015, GIA undertook a self-assessment against the categories identified in the last external review: GIA's positioning within the business, the appropriateness of staffing and the adequacy of GIA's processes. The Committee concluded that GIA continues to operate effectively.

External Auditor – Ernst & Young LLP (EY)

The Committee considers the appointment of its Auditor annually after assessing EY's performance (including its independence, effectiveness and objectivity) and considering the requirements for putting an audit out to tender as set out in the Code and EU and Competition and Markets Authority legislation. EY has been our Auditor since IHG's listing in April 2003.

Having reviewed the effectiveness of the audit, we concluded that it would not be in the best interests of the Group to undertake an audit tender at this time, but we will continue to monitor the performance of the Auditors and an audit tender will be undertaken when appropriate and, in any event, when required by the current legislation.

As part of its annual review, the Committee reviews the effectiveness of the relationship between EY and the Group's management (including the responses to questionnaires on EY's audit process completed by more than 30 senior IHG employees who work with EY), and receives reports from EY on its independence. As well as Group policies and procedures, which aim to safeguard EY's independence and effectiveness, EY has its own protective policies and systems in

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Significant matters in the 2015 Financial Statements

The Committee discussed with management the key judgements applied in the Financial Statements, the exceptional items arising in the year and the impact of any accounting developments or legislative changes. The main items discussed were:

Issue	What we did
Accounting for	The Committee reviewed a paper from management outlining the accounting approach adopted

the System Fund	for the System Fund and also the Company response to comment letters from the SEC on this topic. The Committee concluded that the judgement in respect of the accounting treatment for the System Fund and related disclosures were appropriate.
IHG Rewards Club points liability	The Committee reviewed the approach to the valuation of the liability and, in particular, the impact of the introduction of the new points expiry policy in the year. Management was questioned on the consistency of the valuation approach adopted, the results of the actuarial review and the increased judgement due to the expiration policy. The results of EY's audit procedures were also taken into account in reaching the conclusion that the liability is appropriately stated.
Impairment testing	The Committee reviewed a management report outlining the approach taken on impairment testing and, in particular, the key assumptions and sensitivities supporting the conclusions on the various asset categories. The impairments recorded in the year on two hotels in The Americas region and against an associate investment in AMEA (see notes 12 and 14) were discussed in detail. The Committee agreed with the conclusions reached on impairment.
Litigation	At each meeting, the Committee considered a report detailing all material litigation matters and discussed and agreed any provisioning requirements for these matters based on the factors set out on page 99.
Exceptional items	The Committee considered the consistency of the treatment and nature of items classified as exceptional over the last five years and discussed the items disclosed as exceptional and reviewed the calculations of the profits on disposal of the two significant assets sold in the year (see note 11) considering, in particular, the valuation of the associated management contracts. The Committee also discussed the disclosures in note 5 and concluded that the disclosures and the treatment of the items shown as exceptional were appropriate.
Acquisition of Kimpton Hotels & Restaurants	The Committee considered the work done to establish the fair value of the assets acquired. The Committee questioned the assumptions underlying the significant assets recognised and noted in this regard the report from a third-party valuation expert on the intangible assets. EY's views on the fair values reported were also noted and the Committee concluded that the fair values recognised were appropriate.
Capitalisation of software projects	In forming a conclusion on the appropriateness of software capitalisation, the Committee considered the following: GIA reporting on the project and programme management on GRS; a review of software assets from an impairment perspective; the conclusion from the SOX control testing in this area; and conclusions from EY's audit procedures. The Committee concluded that capitalisation is adequately controlled and that the controls on impairment are appropriate.

place, which are explained in a Transparency Report issued by EY on an annual basis. To ensure EY's independence is safeguarded, lead audit partners rotate every five years. This is the fifth year that the current audit partner has been in place and a new audit partner is being appointed for 2016 onwards.

The Committee continually reviews, and is satisfied with, the independence, objectivity and effectiveness of the relationship with EY as the external Auditor, and with the external audit process as a whole.

Non-audit services

EY provides non-audit services to the Group, which are governed, so as to safeguard their objectivity and independence, by IHG's Audit and Non-Audit Services Pre-Approval Policy.

- The policy is re-approved by the Audit Committee annually, and, for the 2015 financial year, the policy was updated and approved at the December 2014 Audit Committee meeting.
- The policy requires that pre-approval is obtained from the Audit Committee for all services before any work can be commenced, in line with US SEC requirements. The Committee is prohibited from delegating non-audit services approval to management.
- Compliance with the policy is actively managed and an analysis of audit and non-audit services is reviewed by the Committee at each meeting.

The Committee is aware of, and sensitive to, investor body guidelines on non-audit fees. During 2015, 29 per cent of services provided to the Group were non-audit services; these included areas such as advisory work and corporate tax compliance. For fees paid to EY for non-audit work during 2015, see page 106.

Annual Report – fair, balanced and understandable

A separate sub-committee meeting was held in February 2016 to consider whether the Annual Report and Form 20-F 2015 provided a fair, balanced and understandable view of the Group with the necessary information for shareholders to assess the Group's position and performance, business model and strategy. Audit Committee members provided comments on the content and considered: (i) the process for preparing and verifying the Annual Report, which included review by members of the Executive Committee and input from senior colleagues in Operations, Strategy, HR, Finance, Risk and Legal; and (ii) a report from the Chair of the Disclosure Committee, which also reviews the processes for preparing and verifying the Annual Report. The Committee also considered management's analysis of how the content benchmarked against the 'fair, balanced and understandable' communication principles.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed annually through evaluation questionnaires and interviews and, in 2015, we continued to conclude that it is operating effectively.

Our priorities for 2016

During 2016, the Committee will continue to focus on the integrity of the internal financial controls and risk management systems, IHG's information security arrangements and, in particular, the implementation of technology projects.

Ian Dyson

Audit Committee Chairman

22 February 2016

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Corporate Governance continued

Corporate Responsibility Committee Report



“The Corporate Responsibility Committee is focused on delivering positive change in the communities in which we operate.”

The Committee advises the Board on the Group’s corporate responsibility objectives and strategy and its approach to sustainable development, and ensures that IHG’s corporate responsibility priorities deliver against our core purpose: Great Hotels Guests Love.

Governance

Details of our role and responsibilities are set out in our terms of reference (ToR) which are reviewed annually and updated accordingly. In 2015, they were updated to include accountability to review and advise the Board on the Group’s approach to social and human rights issues and the annual Slavery and Human Trafficking Statement. The ToR are available on the Company’s website at www.ihgplc.com/investors under corporate governance/committees.

On 1 March 2015, Anne Busquet was appointed to the Committee and, on 19 March 2015, we welcomed Jill McDonald to the Committee, as Dale Morrison stood down to take up a new role on the Remuneration Committee. I will be stepping down as Chairman of the Committee on 6 May 2016, and Jill McDonald will take over as Chair with effect from that date.



Our corporate responsibility strategy in action The Committee, along with our Corporate Responsibility team and the rest of the Board, took part in a walk to raise awareness of our disaster relief programme.

Targets and core programmes

The Committee continually monitors its progress against IHG's five-year targets (2013-2017) – see pages 30 and 31 and www.ihgplc.com/responsiblebusiness for details.

Its activities included receiving progress updates on the key achievements in 2015 across the core corporate responsibility programmes: the IHG Green Engage system, IHG Academy and the Group's disaster relief and preparedness programme. The Committee also considered a detailed review of the progress and implementation of the core programmes in the Greater China and AMEA regions.

Other key issues reviewed by the Committee

The Committee also undertook a review of IHG's approach to responsible procurement and human rights, and reviewed the requirements of the Modern Slavery Act.

Finally, the Committee considered the establishment of the IHG Foundation, an independent charitable trust founded to help local communities address the key social, economic and environmental challenges affecting them. The IHG Foundation was launched on 3 February 2016, and it is anticipated that it will be the focus of the Group's employee and community fundraising efforts going forward.

Communication and awareness

In 2015, the Committee evaluated the Corporate Responsibility Communication Plan and the results of the Employee Engagement survey. Responsible business activities continue to drive very high levels of pride in our employees: over 93 per cent of respondents said they felt more positive about IHG as a result of our corporate responsibility programmes. More information on our responsible business programmes is on page 24.

We continue to receive good feedback from our investor and media breakfast, which we held again in 2015. It's an opportunity for us to discuss our approach to corporate responsibility as part of our wider responsible business agenda in detail, and to answer questions.

The Committee also spent time providing feedback on the 2015 Responsible Business Report, visit www.ihgplc.com/responsiblebusiness to view the report.

Our priorities for 2016

During 2016, our priorities will be to: (i) continue to drive meaningful progress on our five-year corporate responsibility targets, and consider and determine targets for the period beyond 2017; (ii) further enhance our efforts to reduce water use in our operations through developing our water stewardship strategy; (iii) accelerate the roll-out of IHG Academy across our global hotel estate and to deliver a positive impact on participants and our hotels; (iv) continue to enhance disaster preparedness efforts in IHG hotels and local communities to deliver greater community resilience; (v) continue to increase awareness of human rights, embed the human rights standard and leverage e-learning courses and other training; and (vi) continue to deliver the stakeholder engagement plan, with a focus on guest engagement.

I am incredibly proud of the progress we have already made, and I know the Committee will remain focused on delivering positive change in the communities in which we operate, and will continue to seek opportunities to make these communities better places to be for all.

Jennifer Laing

Corporate Responsibility Committee Chairman

22 February 2016

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Nomination Committee Report



“We acknowledge that a Board that is diverse in its skills, experience, knowledge, gender and background is a stronger Board.”

The Nomination Committee regularly considers the structure, size and composition of the Board, advising on succession planning and making appropriate recommendations to ensure the Board retains an appropriate mix of skills, experience, knowledge and diversity in line with our strategy. It is also responsible for reviewing the Group’s senior leadership needs.

Governance

Our role and responsibilities are set out in our terms of reference (ToR), which are reviewed and updated annually as appropriate. The ToR are available on the Company’s website at www.ihgplc.com/investors under corporate governance/committees.

All members have the experience and expertise necessary to meet the Committee’s responsibilities and are Independent Non-Executive Directors (excluding myself), as required under the ToR. On 1 March 2015, Anne Busquet was appointed to the Committee. When the Committee considers matters relating to my position, Dale Morrison, the Senior Independent Non-Executive Director, acts as Chairman of the Committee.

Board and Committee composition and appointments

The Committee continually keeps under review the tenure and qualifications of the Non-Executive Directors to ensure the Board has an appropriate and diverse mix of skills, experience, knowledge and diversity.

The Committee also concentrates on strengthening the Board’s existing capabilities. In 2015, the Committee recommended to the Board that Anne Busquet be appointed as a Non-Executive Director due to her impressive experience in finance, brands and digital commerce. Neither an external search consultancy nor open advertising was used for Anne’s appointment, as she was recommended to the Board as a potential candidate during the search that led to Jo Harlow’s appointment. Anne was subject to a rigorous selection process that included interviews with members of the Board and Executive Committee, including the Chairman and the Chief Executive Officer. On the Committee’s recommendation, the Board considered Anne’s experience and knowledge, and approved Anne’s appointment with effect from 1 March 2015. Following Anne’s appointment, the Committee considered the membership of other Board Committees, which resulted in the appointment of Dale Morrison to the Remuneration Committee and the appointment, in Dale’s place, of Jill McDonald to the Corporate Responsibility Committee.

Succession planning

The Committee has reviewed Executive Committee succession plans, to ensure we have a strong leadership pipeline.

Over the last 12 months, the majority of appointments to regional and functional leadership roles have been internal, and we have also attracted high performers from global, blue-chip organisations to improve the strength of our talent pipeline. We have also taken steps to improve the rigour of our talent management framework processes, including the introduction of a globally consistent framework for differentiating how we invest in high performers and those with great potential, a consistent model for identifying potential and a more regular and robust talent governance process.

In January 2016, Tracy Robbins stepped down from the Board and her role as Executive Vice President, Human Resources at IHG due to health reasons. Lori Gaytan, Senior Vice President of Human Resources for The Americas, is covering the role on an interim basis.

Independence and tenure

Jennifer Laing has served on the Board for 10 years, and Ying Yeh has served on the Board for eight years, and both will be stepping down following the Company's AGM to be held on Friday 6 May 2016. Jill McDonald will take up the role of Chairman of the Corporate Responsibility Committee with effect from that date. All other Directors have served for less than six years, see pages 55 to 57.

Diversity

We recognise the value of diversity in its broadest sense and, while all appointments to the Board are made on the basis of merit, experience and performance, we strongly believe that our leadership should reflect the diversity of our employees, our guests and the local communities in which we operate. We seek to ensure the Board maintains an effective balance through having the broad range of skills, experience, and knowledge that comes with a diverse mix of people. With regard to gender diversity, we are committed to maintaining a level of at least 25 per cent female Directors on the Board over the short to medium term, a record which we have sustained since 2012. While recent changes to the Board have meant that the 50 per cent female representation we had at 31 December 2015 dropped to 45 per cent as at 22 February 2016 and will be 33 per cent following the AGM on 6 May 2016, we continue to explore opportunities to redress this. The Board has made great progress in recent years to broaden the diversity of its members and senior management, and we review our policies regularly to ensure that they continue to drive the benefits of having a diverse Board and a diverse workforce across the Group (see page 18).

Our priorities for 2016

During 2016, the Committee will continue to: (i) keep in review the structure, size and composition of the Board, in line with our priorities; and (ii) ensure that the Board and its Committees has, and continues to have, the right balance of skills, knowledge, experience and diversity to meet the needs of the business.

Patrick Cescau

Nomination Committee Chairman

22 February 2016

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Corporate Governance continued

Statement of compliance with the UK Corporate Governance Code

Our statement of compliance summarises how the Group has implemented the principles and provisions of the UK Corporate Governance Code as published in 2014 (the Code). This should be read in conjunction with the corporate governance statement on pages 52 to 65 and the Directors' Remuneration Report as a whole. The Code is available to view in full on the Financial Reporting Council (FRC) website (www.frc.org.uk).

The Board considers that the Group has complied in all material respects with the Code for the year ended 31 December 2015 with the exception of Code provision C.3.7, which requires external audit contracts to be put to tender at least every 10 years. The Group has not re-tendered within that period, but the Audit Committee monitors this in line with legislation and the current Auditor's performance (further details are provided on pages 62 and 63).

A. Leadership

A.1 The role of the Board

The Board leads IHG's strategic direction and the long-term objectives and success of the Group. It approves strategic plans and capital and revenue budgets, and reviews significant investment proposals, maintaining an overview and control of IHG's operating and financial performance. It monitors the Group's overall system of internal controls and risk management, governance and compliance, considering regulatory changes and developments (where appropriate), while ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.

The Board is responsible for the overall leadership and long-term strategic aims of the Group. Details of those matters reserved for the Board and not delegated to management are available on our website at www.ihgplc.com/investors under corporate governance. Directors' biographies and the Board and Committee composition are set out on pages 53 to 58.

The Board meets formally eight times each year, with additional meetings scheduled as necessary. One of the meetings includes a strategy meeting. Details of 2015 Board meetings are set out on pages 60 and 61. The attendance by Committee members at Committee meetings can be found on page 54.

All Directors are covered by the Group's directors' and officers' liability insurance policy (see page 152).

A.2 Division of responsibilities

The separate roles of the Chairman and Chief Executive Officer are clearly established.

Chief Executive Officer

As Chief Executive Officer, Richard Solomons leads the development of the Company's strategic direction and implementation of the agreed strategy. As well as building and leading an effective Executive Committee, he oversees IHG's business operations and manages its risks.

A.3 The Chairman

As well as building and maintaining an effective Board, Patrick Cescau, as Chairman of the Board, leads the operation and governance of the Board and its Committees. This includes setting the Board's agenda and ensuring that Directors receive timely, accurate and clear information on the Group's business and that all Directors are fully informed of relevant matters. The Chairman oversees corporate governance matters, ensuring they are addressed, and leads the performance and effectiveness evaluations of the Board, its Committees and the Directors. The Chairman was independent on appointment.

A.4 Non-Executive Directors

As a strong source of advice and judgement for IHG, our Non-Executive Directors constructively challenge and help develop proposals on strategy. They provide significant external commercial experience and a broad range of skills for the Board to draw on.

Senior Independent Non-Executive Director

As Senior Independent Non-Executive Director, Dale Morrison is available to liaise with shareholders who have concerns that they feel have not been addressed through the normal channels of the Chairman, Chief Executive Officer and other Executive Directors. He also leads the annual performance review of the Chairman with the other Non-Executive Directors, and as necessary provides advice and judgement to the Chairman, and serves as an intermediary for other Directors when necessary.

After each Board meeting, our Non-Executive Directors and the Chairman meet without Executive Directors being present. During the year, if any Director has unresolved concerns about the running of IHG or a proposed action, these would be recorded in the minutes of the meeting.

Further information on each of these roles can be found on our website at www.ihgplc.com/investors under corporate governance.

B. Effectiveness

B.1 The composition of the Board

The size and composition of the Board and its Committees is regularly reviewed for the appropriate balance of skills, experience, independence and knowledge to ensure they can carry out their duties and responsibilities effectively.

Potential conflicts of interest are reviewed annually and the Board's current composition meets the requirement under the Code for at least half of the Board, excluding the Chairman, to be Independent Non-Executive Directors (see page 54). Further details of the composition of the Board and its Committees are available on pages 53 to 58.

Jennifer Laing has served on the Board for over nine years and will be stepping down following the Company's AGM to be held on Friday 6 May 2016. The Nomination Committee has reviewed her independence and is satisfied that she continues to demonstrate independence in character and judgement and is independent as required under the Code. The Board has also considered this and reached the same conclusion.

B.2 Appointments

The Board has delegated a number of responsibilities to the Nomination Committee. The Nomination Committee leads the appointment of new Directors to the Board and senior executives in accordance with its terms of reference (available on our website at www.ihgplc.com/investors under corporate governance/committees or from the Company Secretary's office on request) and supports the Board in succession planning. Further details of the role of the Nomination Committee and what it did in 2015, including details of the appointment process of Directors, are set out in the Nomination Committee Report on page 65. The overall process of appointment and removal of Directors is overseen by the Board as a whole.

Both Jennifer Laing and Ying Yeh have served on the Board for over six years and will be stepping down following the Company's AGM. In the interim, their appointments will continue to be subject to review and scrutiny by the Nomination Committee and the Board.

B.3 Commitment

The terms of appointment of our Non-Executive Directors outline the time commitment expected to fulfil their role. On appointment, Directors are advised of, and requested to make, the necessary time commitment required to discharge their responsibilities effectively. IHG's Executive Directors are not permitted to take on more than one external non-executive directorship or chairmanship in addition to their role. Biographical details of all current Directors, including their external commitments, can be found on pages 55 to 57. Richard Solomons has one non-executive directorship (see page 55).

Details of Directors' service contracts and appointment terms are set out on pages 73, 77 and 159.

The Chairman annually reviews the time each Non-Executive Director has dedicated to IHG as part of the internal performance evaluations of each Director (see page 60), and is satisfied that their other duties and time commitments do not conflict with those as Directors.

B.4 Development

A full, formal and tailored induction is developed for new Directors (see page 59).

The Chairman and Company Secretary ensure that Directors continually update their skills and have the requisite knowledge and familiarity with the Group to fulfil their roles on the Board and its Committees (see page 59). All Directors are encouraged to request further information as they consider necessary to fulfil their role.

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B.5 Information and support

The Chairman and the Company Secretary together ensure a good flow of information to the Board and its Committees and between the Executive Committee and the Non-Executive Directors. The Directors receive the administrative and logistical support of a full-time board executive assistant to ensure that each meeting is well organised. The Company Secretary also ensures that all Directors and Board Committees have access to independent advice and sufficient resources, at the expense of the Group when requested, and where it is necessary to discharge their responsibilities and statutory duties as Directors.

The role of the Company Secretary
George Turner, as Company Secretary, ensures a good flow of timely information to the Board and its Committees and between the Executive Committee and the Non-Executive Directors. He facilitates all new Director inductions. He advises the Board on corporate governance matters and keeps all Directors up to date on all relevant legal, regulatory and other developments. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

B.6 Evaluation

The Board undertakes either an internal or external annual Board effectiveness evaluation to inform further enhancements to our Board processes. It was last carried out externally in 2013 and, in 2015, it was carried out internally with external support. Performance evaluations of all Directors, including the Chairman, are also carried out and the Board considers the effectiveness of each of its Committees. See page 60 for further details.

B.7 Re-election

The Company's amended Articles of Association, approved by our shareholders on 28 May 2010 (see page 152), provide that each Director is subject to election at the first AGM following their appointment and re-election at least every three years if they wish to continue serving in office.

However, in accordance with the recommendations of the Code, the Directors retire and seek election or re-election at each AGM. All of the Directors (biographies set out on pages 55 to 57) will retire and seek election or (other than Jennifer Laing and Ying Yeh) re-election at the 2016 AGM.

C. Accountability

C.1 Financial and business reporting

Our Statement of Directors' Responsibilities (including the Board's statement confirming that it considers that the Annual Report and Form 20-F, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy) is set out on page 80.

The status of IHG as a going concern is set out in the Directors' Report on page 155. An explanation of the Group's performance, business model, strategy and the risks and uncertainties relating to IHG's prospects, including the viability of the Group, is set out in the Strategic Report on pages 2 to 49.

The statement from our Auditor, Ernst & Young LLP, about its reporting responsibilities is set out on pages 81 to 86.

C.2 Risk management and internal control

The Board has ultimate responsibility for determining the nature and extent of the risk the organisation is willing to take in achieving its strategic objectives.

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity (see pages 26 and 27 for further details of the principal risks). The Board and Audit Committee monitor the Group's risk management and internal controls systems and conduct an annual review of the effectiveness of the Group's system of internal controls and risk management. Throughout the year, the Board has directly, and through delegated authority to the Executive Committee and the Audit Committee, overseen and reviewed all material controls, including financial, operational and compliance controls.

The Board confirms that, in respect of the Group's risk management and internal control systems: (i) there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group; (ii) the systems have been in place for 2015 and up to 22 February 2016; (iii) they are regularly reviewed by the Board and Audit Committee; and (iv) the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting. Further details are set out in the Strategic Report on pages 25 to 27, and also in the Audit Committee Report on pages 62 and 63.

Details of the Directors' assessment of the prospects of the Group are set out on pages 27.

C.3 Audit Committee and Auditor

The Board has delegated a number of responsibilities to the Audit Committee. The Committee comprises entirely Independent Non-Executive Directors, with at least one member having recent and relevant financial experience. The Committee reviews the effectiveness and independence of the relationship between Ernst & Young LLP and the Group annually and monitors and reviews the effectiveness of the Global Internal Audit function. Further details of its role, responsibilities and activities in 2015 are set out in the Audit Committee Report on pages 62 and 63. The Audit Committee's terms of reference are available on our website at www.ihgplc.com/investors under corporate governance/committees.

Ernst & Young LLP has expressed its willingness to continue in office as Auditor of the Company and its reappointment will be put to shareholders at the AGM. Further details can be found in the Audit Committee Report on pages 62 and 63.

D. Remuneration

D.1 The level and components of remuneration

The activities of the Remuneration Committee during 2015, and the Annual Report on Directors' Remuneration and Implementation of the Directors' Remuneration Policy, are set out in the Directors' Remuneration Report on pages 68 to 77. The Directors' Remuneration Policy approved at our 2014 AGM is available at www.ihgplc.com/investors under corporate governance.

D.2 Procedure

The Board has delegated a number of responsibilities to the Remuneration Committee including developing policy on executive remuneration and fixing the remuneration packages of individual Directors. Further information can be found in the Directors' Remuneration Report (see pages 68 to 77) and the corporate governance statement (see page 53).

The terms of reference of the Remuneration Committee can be found on our website at www.ihgplc.com/investors under corporate governance/committees.

During 2015, no individual Director was present when his or her own remuneration was discussed.

E. Relations with shareholders

E.1 Dialogue with shareholders

The Board as a whole is responsible for ensuring a satisfactory dialogue takes place with all shareholders of the Company to promote mutual understanding of objectives. Further details of the Board's approach to relations with our shareholders are set out on page 61.

E.2 Constructive use of the AGM

The next AGM will take place on Friday 6 May 2016 and will provide an opportunity for shareholders to vote on certain aspects of Group business. The Notice of Meeting will be sent to shareholders and will be available at www.ihgplc.com/investors under financial library.

The Chairman ensures where possible that all Board members, particularly the chairmen of each of the Board Committees, attend the AGM and are available to answer questions from shareholders.

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Directors' Remuneration Report

Remuneration Committee Chairman's statement



“We are continuing our Directors' Remuneration Policy review in light of the completion of our major asset-disposal programme and the changing, global, competitive landscape, bringing it to a vote of all shareholders in 2017.”

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 Quick-read summaries of key information relating to the Group.

Dear Shareholder

Remuneration and business strategy

We have consistently looked to remunerate our executives in a way which is fair to them, competitive in the market, and encourages and rewards the behaviours and outcomes which will deliver shareholder returns. To achieve this, we pay a fixed salary and link the bulk of their potential remuneration to delivery of our annual targets and long-term business strategy. We set challenging targets and monitor performance against them closely.

The measures in the IHG 2015 Annual Performance Plan (APP) and 2013/15 Long Term Incentive Plan (LTIP) reflect our business strategy and shareholder interests:

- Earnings before interest and tax (EBIT) and Total Shareholder Return (TSR) are measures of our financial health and the returns for shareholders investing in our business. We have shareholding guidelines for the senior executive team to reinforce alignment with shareholder interests.
- Guest HeartBeat and Employee Engagement are principal measures of the delivery of our brand and people strategies. We set targets requiring year-on-year improvement on already strong performance in these areas.
- Relative growth in net rooms supply and RevPAR are recognised industry measures of the scale and strength of our portfolio. We set stretching targets requiring outperformance globally.

2015 saw a good EBIT outcome, very strong relative TSR performance and excellent results in Guest HeartBeat and Employee Engagement, both already at industry-leading levels. The business just missed out on its three-year relative net rooms supply and global RevPAR growth targets.

Directors' Remuneration Policy

In my introduction to the 2014 Directors' Remuneration Report, I said that the Remuneration Committee would revisit all aspects of the APP and LTIP during 2015. I also said that we would bring forward the Directors' Remuneration Policy (DR Policy) to a shareholder vote in 2016.

In 2015, we commenced a thorough review of the APP and LTIP measures and their relationship to our business strategy. We concluded that there is no urgent business need for any material change to the structure of the APP and LTIP awards to be made in 2016. However, we are continuing our review in light of the effective completion of our major asset-disposal programme and the changing, global, competitive landscape. We will complete our next DR Policy review in good time to consult formally with major shareholders again, and bring it to a vote of all shareholders in 2017.

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Changes to Directors' remuneration

Whilst there are no changes to the DR Policy itself for 2016, we are making a few small adjustments in Policy implementation.

The APP targets for 2013 to 2015 related to EBIT (70%), Guest HeartBeat (20%) and Employee Engagement (10%). For 2016, Employee Engagement will be replaced with IHG's personal performance measure – Overall Performance Rating (OPR) – which measures an individual's contribution to the business and the results. Employee Engagement will remain an important measure within personal performance and operational teams' targets. Going forward, we have also decided to limit the grant of LTIP awards to the most senior IHG executives – currently 49 employees in total.

Changes to the Board – Tracy Robbins

As announced on 14 January 2016, Tracy Robbins stepped down from the role of Executive Vice President, Human Resources, and from the Board, on 15 January 2016 due to health reasons. Tracy has made a substantial contribution to IHG over the years, playing an important role in IHG's development and successes.

Tracy's remuneration will be in line with her contract and within the approved DR Policy. Tracy will be treated as a good leaver and the arrangements reflect her circumstances. We have included an overview of these arrangements on pages 76 and 77. Details of payments made to Tracy in 2016 and following years, and the related financial effect of applying the agreed discretion, will be disclosed in full in the relevant future reports.

Kirk Kinsell left the Board and IHG on 13 February 2015. Full details were disclosed in last year's report.

About this report

To simplify and shorten this report, we have included an introductory 'At a glance' section to give a snapshot of key aspects of Directors' remuneration for 2015 and its link to business performance and strategy. The Annual Report on Directors' Remuneration contains the detailed disclosures which are prescribed by legislation or regulation. The full DR Policy is available at www.ihgplc.com/investors under corporate governance and was approved at the AGM on 2 May 2014.

Conclusion

The Annual Report on Directors' Remuneration and the Remuneration Committee Chairman's statement are subject to an advisory vote at the 2016 AGM.

This Directors' Remuneration Report was approved by the Board on 22 February 2016.

The Board recommends this Directors' Remuneration Report to shareholders.

Luke Mayhew

Chairman of the Remuneration Committee

22 February 2016

How to use this report

As in prior years, within the 2015 Directors' Remuneration Report we have used colour coding to denote different elements of remuneration. The colours used and the corresponding remuneration elements are:

- Salary
- Benefits
- Pension benefit
- APP cash
- APP deferred shares
- LTIP

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Audited information

Content contained within a tinted panel highlighted with an 'Audited' tab, indicates that all the information within the panel is audited.

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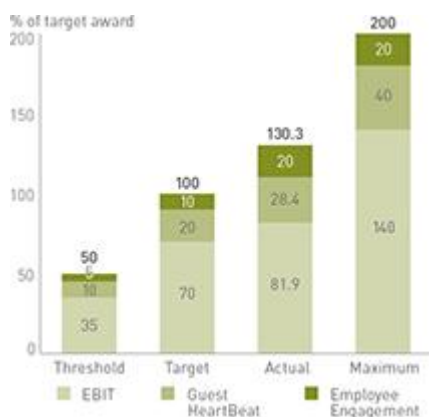
Directors' Remuneration Report continued

At a glance

How we performed in 2015

2015 Annual Performance Plan (APP)

The performance measures for the 2015 APP were determined in accordance with the DR Policy. The table below shows threshold, target and maximum opportunity, as well as weighting and actual 2015 achievement for each performance measure:

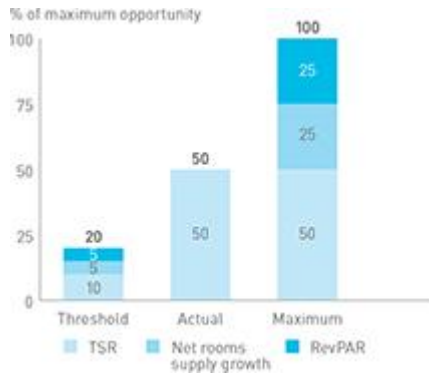


APP			
Performance	Achievement	Weighting	Weighted achievement
EBIT: performance relative to target			
Threshold	\$621.0m 50%	70%	81.9%
Target	\$690.0m 100%		
Actual	\$701.9m 117%		
Maximum	\$759.0m 200%		
Guest HeartBeat: improvement in guest survey score from prior year's baseline score of 83.60% (KPI)			
Threshold	+0.25pt 50%	20%	28.4%
Target	+0.50pt 100%		
Actual	+0.92pt 142%		
Maximum	+1.50pt 200%		
Employee Engagement: improvement in employee survey score from prior year of 84.7% (KPI)			
Threshold	-0.7pt 50%	10%	20.0%
Target	+0.3pt 100%		
Maximum	+2.0pt 200%		
Actual	+2.6pt 200%		
Total achievement (% of target award payable)			130.3%
Target award (% of salary)			115%
Total award payable (% of salary)			149.9%

In determining EBIT for APP purposes, certain adjustments to reported 2015 Group EBIT were agreed in order to ensure comparability with the APP EBIT target. These include: use of constant currency rates, the impact of certain accounting adjustments, changes to reflect the sale of InterContinental Paris – Le Grand and InterContinental Hong Kong during 2015, amounts that are ring-fenced to spend on projects that drive future growth (which are taken out of account for the purposes of the APP target so as not to disincentivise management from spending on such projects), and the impact of certain hotels exiting the IHG portfolio and generating one-off liquidated damages or compensation receipts (which the Remuneration Committee exclude from EBIT for APP purposes to reflect the resulting loss of future income to the Group).

2013/15 Long Term Incentive Plan (LTIP)

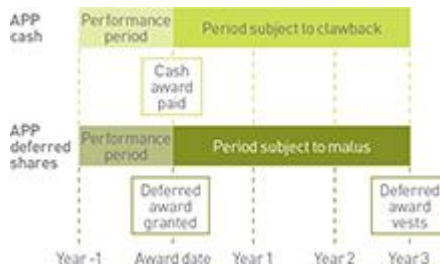
The performance measures for the 2013/15 three-year LTIP cycle were in line with the DR Policy. The table below shows threshold and maximum opportunity, as well as weighting and actual 2015 achievement, for each performance measure.



LTIP

Performance	Achievement	Weighting	Weighted achievement
Total Shareholder Return: three-year growth relative to average of competitors			
Threshold	20%	50%	50%
Actual	100%		
Maximum	100%		
Net rooms supply: three-year growth relative to average of competitors [KPI]			
Actual	0%	25%	0%
Threshold	20%		
Maximum	100%		
RevPAR: three-year growth relative to average of competitors [KPI]			
Actual	0%	25%	0%
Threshold	20%		
Maximum	100%		
Total achievement (% of maximum opportunity vested)			50%

Pay at risk



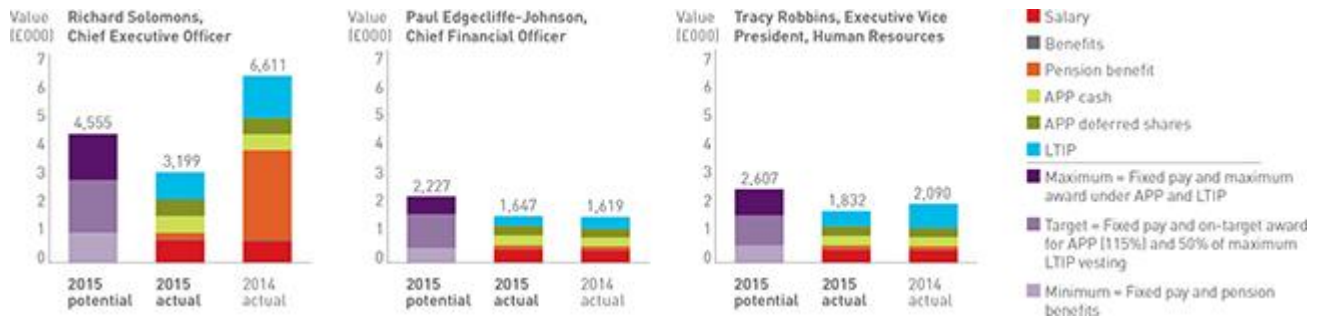
Malus allows for awards to be reduced prior to vesting; clawback allows for awards to be reduced and applies for three years after payment of cash or vesting of shares. See last year's report for full details.

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Executive Director remuneration

The table below shows the 2015 potential opportunity and the 2015 actual achievement when compared to 2014 actual achievement. The relevant figures for each of the elements that make up the single total figure of remuneration, as shown below for the current Executive Directors, can be found in the table on page 72. For Richard Solomons, the 2014 actual figure includes a one-off payment received in lieu of certain pension rights, which does not form part of usual annual remuneration and which was fully disclosed in last year's report. Further details can be found in the notes to the single total figure of remuneration on pages 72 to 74.



Current Directors' shareholdings

Director	Number of shares held outright	Number of shares held (as % of salary)	Guideline shareholding
Richard Solomons	365,625	1,227%	300%
Paul Edgecliffe-Johnson	22,014	127%	200%
Tracy Robbins	37,726	224%	200%

For further details of shares and awards held and guideline shareholdings see page 75.

Directors' Remuneration Policy

Our strategy for delivering high-quality growth (detailed on pages 14 to 24) and the key performance indicators (KPIs) (set out on pages 28 to 31) through which we monitor and measure our success, are the key drivers for the performance-related elements of our reward structure (see below):

Summary of DR Policy and remuneration architecture – Executive Directors

Implementation in 2016					Link to strategy	Framework
	2016	2017	2018	2019		
Fixed	Salary				Recognises the market value of the role and the individual's skills, performance and experience.	Generally in line with the range applying to the corporate population. Reviewed annually and fixed for 12 months from 1 April.
	Benefits				Market-competitive and consistent with role/location; helps recruit and retain.	Relevant benefits are restricted to the typical level in the market location.
	Pension benefit				Provides funding for retirement; helps recruit and retain.	Defined Contribution. Employee contributions with matching Company contributions. A maximum cash allowance of 30% is offered in lieu of pension contributions. Salary is the only part of remuneration that is pensionable.
Variable	Annual incentive cash (APP)				The KPIs that directly link remuneration to our business strategy include: guest satisfaction – a key measure of the delivery of our brand strategy; OPR – measures individual delivery of annual objectives aligned to our Winning Model; relative growth in net rooms supply and RevPAR – industry measures of the scale and strength of our portfolio and the execution of our strategy to deliver high-quality growth; EBIT and TSR – fundamental measures of our financial health and the returns for shareholders and represent the financial outcomes of the KPI goals.	APP: maximum annual opportunity is 200% of salary with 70% EBIT and 30% non-financial measures; 50% of award is deferred into shares for three years. Awards are subject to global EBIT affordability gate. Malus and clawback apply. No post-vesting holding periods. LTIP: maximum annual opportunity is 205% of salary; vesting subject to achievement of TSR (50%), net rooms supply growth (25%) and RevPAR (25%) when measured against an appropriate comparator group of companies over a three-year period. Malus and clawback apply. No post-vesting holding periods.
	Annual incentive deferred shares (APP)					
	Long Term Incentive Plan (LTIP)					
Shareholdings	Shareholding				The following guideline shareholding requirements for our Executive Directors, together with the inclusion of a TSR measure in our LTIP, align the interests of Directors with those of shareholders:	<ul style="list-style-type: none"> • 300% of salary for the Chief Executive Officer; and • 200% of salary for other Executive Directors.

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Directors' Remuneration Report continued

Annual Report on Directors' Remuneration

This Annual Report on Directors' Remuneration explains how the Directors' Remuneration Policy (DR Policy) was implemented in 2015 and the resulting payments each of the Directors received. This report is subject to an advisory vote by shareholders at the 2016 AGM. The notes to the single-figure table provide further detail, where relevant, for each of the elements that make up the total single figure of remuneration in respect of each of the Executive Directors.



Executive Directors	■ Salary		■ Benefits		■ Pension benefit		■ APP		■ LTIP		■ Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2013/15 cycle (value of shares) £000	2012/14 cycle (value of shares) £000	2015 £000	2014 £000
Richard Solomons	785	759	31	30	236	3,186	1,187	1,128	960	1,508	3,199	6,611
Paul Edgecliffe-Johnson	450	420	23	28	135	126	690	619	349	426	1,647	1,619
Kirk Kinsell	64	479	16	27	30	111	0	365	463	996	573	1,978
Tracy Robbins	445	434	30	20	134	130	672	644	551	862	1,832	2,090

Notes to single total figure of remuneration – Executive Directors

Fixed pay

■ **Salary:** salary paid for the year. Kirk Kinsell was paid in US dollars. The figure shown is the actual amount earned for the portion of the year Mr Kinsell remained employed until he left IHG on 13 February 2015. Sterling equivalents were calculated using an exchange rate of \$1=£0.65.

■ **Benefits:** for Executive Directors, this includes, but is not limited to, taxable benefits such as company car, healthcare and life cover. Provision during 2015 was in line with previous years and the approved DR Policy. No extraordinary payments were made.

Pensions

■ **Pension benefit:** for current Executive Directors, in line with DR Policy, the value of IHG contributions to pension plans and any cash allowances, equalling 30% of salary, paid in lieu of pension contributions.

- The 2014 figure for Richard Solomons included an amount of £2.958m in respect of a one-off cash payment relating to pension entitlements and was fully explained in the 2014 report.
- Richard Solomons did not participate in any IHG pension plan in 2015 and instead received a cash allowance of 30% of salary equal to £235,575. Mr Solomons also received life assurance cover of six times salary.
- Neither Paul Edgecliffe-Johnson nor Tracy Robbins participated in any IHG pension plan in 2015 and instead they both received a cash allowance of 30% of salary equal to £135,000 and £133,575 respectively. They both also received life assurance cover of four times pensionable salary.
- Kirk Kinsell participated in the US 401(k) Plan and the US Deferred Compensation Plan. The US 401(k) Plan is a tax qualified plan providing benefits on a defined contribution basis, with the member and relevant company both contributing. The US Deferred Compensation Plan is a non-tax qualified plan, providing benefits on a defined contribution basis, with the member and the relevant company both contributing.

Contributions made by, and in respect of, Kirk Kinsell in these plans, up to his date of leaving on 13 February 2015, were:

	£a
Director's contributions to US Deferred Compensation Plan	1,389
Director's contributions to US 401(k) Plan	6,943
Company's contributions to US Deferred Compensation Plan	27,177
Company's contributions to US 401(k) Plan	2,777
Age at 31 December 2015	60

a Sterling values have been calculated using an exchange rate of \$1=£0.65.

Variable Pay

■ **2015 APP** (cash and deferred shares)

Operation

Award levels were determined based on salary as at 31 December 2015 on a straight-line basis between threshold and target, and target and maximum, and are based on achievement vs target under each measure:

- Threshold is the minimum level that must be achieved for there to be an award in relation to that measure; for achievement below this, no award is made (57.5% of salary).
- Target is the target level of achievement and results in a target award for that measure (115% of salary).
- Maximum is the level of achievement at which a maximum award for that measure is received (200% of salary).

The threshold award was subject to a global EBIT affordability gate such that:

- if global EBIT was below 85% of target, no award would be made; and
- if global EBIT was between 85% and 90% of target, half of any award relating to the Guest HeartBeat and/or Employee Engagement survey scores would be made.

These measures and outcomes are set out in the 'At a glance' section on page 70.

Outcome for 2015

Awards for 2015 will be paid 50% in cash and 50% in deferred IHG shares, vesting three years after the date of grant, in February 2019. The deferred share awards are made in the form of forfeitable shares that receive dividends during the three-year vesting period and include the right to vote at shareholder meetings. They are not subject to any further performance conditions. Kirk Kinsell left IHG on 13 February 2015 and under the APP Plan rules is not entitled to an award under the 2015 APP.

Executive Director	Salary as at 31 December 2015 £	Award as % of salary	Total value of award £000
Richard Solomons	792,000	149.9	1,187
Paul Edgecliffe-Johnson	460,000	149.9	690
Tracy Robbins	448,000	149.9	672

2013/15 LTIP (shares)

Operation

Awards are made annually and eligible executives will receive shares at the end of that cycle, subject to achievement of the performance measures. Growth in net rooms supply and RevPAR is measured on a relative basis against the comparator group. This group comprises the following major, globally branded competitors: Accor Hotels, Choice Hotels International Inc., Hilton Worldwide, Hyatt Hotels Corporation, Marriott International Inc., Starwood Hotels and Resorts and Wyndham Hotels and Resorts. TSR measures the return to shareholders by investing in IHG relative to our competitors in the appropriate comparator group of global hotels, as per the data sourced from Thomson Datastream.

The share price of 2,515p used to calculate the 2013/15 LTIP cycle value shown in the single figure table is the average over the final quarter of 2015. The share price in respect of the 2012/14 LTIP cycle has been restated using the VWAP (Volume Weighted Average Price) of 2,592p on the date of actual vesting on 18 February 2015.

The corresponding values shown in the 2014 report (prior to the actual vesting) were an estimate and calculated using a share price as at 31 December 2013 of 2,013p.

The Remuneration Committee determined that Kirk Kinsell would be treated as a good leaver for the purposes of the LTIP awards, in line with the DR Policy on termination of employment. Mr Kinsell therefore retained all outstanding LTIP awards which will vest on the normal vesting dates, subject to the satisfaction of performance conditions, with the awards pro-rated to his leaving date. The Remuneration Committee has reserved the right to determine that, prior to the vesting of shares under each outstanding LTIP cycle, Mr Kinsell's entitlement to shares under the LTIP will be forfeited in full if Mr Kinsell commits a breach of his continuing post-termination contractual obligations.

Outcome for 2013/15 cycle

This cycle will vest on 24 February 2016. Performance was below the average of the comparator group on the relative growth in net rooms supply and RevPAR measures and therefore these elements will not vest. The figure for Paul Edgecliffe-Johnson includes 18,322 shares, which were granted prior to his appointment to the Board, and an additional 9,454 shares in respect of his increased award, pro-rated from the date of his appointment to the Board. This is in line with the DR Policy. The outcome figure for Kirk Kinsell is his maximum award pro-rated to his leaving date of 13 February 2015. The outcome for this cycle is shown below:

Executive Director	Maximum opportunity at grant (number of shares)	% of maximum opportunity vested	Outcome (number of shares awarded at vest)	Total value of award £000
Richard Solomons	76,319	50	38,159	960
Paul Edgecliffe- Johnson	27,776	50	13,888	349
Kirk Kinsell	53,049	50	18,419	463
Tracy Robbins	43,819	50	21,909	551

Net rooms supply and RevPAR growth were measured by reference to the three years ending 30 September 2015; TSR was measured by reference to the three years ending 31 December 2015. The measures and outcomes are set out on page 70.

Tracy Robbins

Tracy Robbins was absent for health reasons for a portion of the year, during which time any payments and awards made to her were in line with the DR Policy and her contract of employment.

Other information relating to Directors' remuneration

Non-executive directorships of other companies

The Company recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies and that such duties can broaden their experience and knowledge, and benefit the Company. IHG therefore permits its Executive Directors to accept one non-executive appointment (in addition to any positions where the Director is appointed as the Group's representative), subject to Board approval, as long as this is not, in the reasonable opinion of the Board, likely to lead to a conflict of interest. Any fees from such appointments may be retained by the individual Executive Director.

From 13 April 2015, Richard Solomons, Chief Executive Officer, served as a Non-Executive Director of Marks and Spencer PLC and received fees of £70,000 accordingly.

No other current Executive Director holds any non-executive director appointments at any other company.

Service contracts and notice periods for Executive Directors

All Executive Directors have rolling service contracts with a notice period of 12 months. All new appointments will have 12-month notice periods, unless, on an exceptional basis to complete an external recruitment successfully, a longer initial period reducing to 12 months is used. This is in accordance with the UK Corporate Governance Code.

All Directors are subject to election and annual re-election by shareholders at the AGM.

Dividends paid to Executive Directors

An interim dividend of 17.7p per ordinary share (27.5¢ per ADR) was paid on 2 October 2015 to shareholders on the Register of members at the close of business on 28 August 2015.

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Pensions entitlements

Richard Solomons built up Defined Benefit pension entitlements in the InterContinental Hotels UK Pension Plan (IC Plan) and IC Executive Top-Up Scheme (ICETUS) as a member of both plans, during his service as an Executive Director prior to the closure of both plans to future accrual of pension on 30 June 2013. As disclosed in the 2014 Annual Report, his ICETUS pension was cashed out and his IC Plan pension was transferred to an insurance company as part of the buy-out of that plan. Following the buy-out, the insurance company is responsible for the payment of pensions and any annual indexation.

The value of his IC Plan pension at the time of the completion of the buy-out was approximately £72,500 per annum and was payable at a Normal Retirement Age of 60. According to the rules of the IC Plan in place immediately prior to the completion of the buy-out, his accrued pension is to be increased each year by the insurance company prior to payment broadly in line with Retail Prices Index inflation, up to a limit of 5% a year. On this basis, the approximate value of his pension accrued in the IC Plan as at 31 December 2015 would be £74,980 per annum.

As disclosed in the 2014 Annual Report, the Company's Enhanced Early Retirement Facility (EERF), under which Mr Solomons was previously eligible to retire with no reduction to his IC Plan pension from age 55, is in the process of being phased out. As a result, Mr Solomons could retire, with no reduction to his Defined Benefit pension, from approximately age 58 and no earlier. The terms of the EERF require an executive to obtain Company consent and would also require the payment by the Group of an additional insurance premium to secure the benefit entitlement for that executive.

Scheme interests awarded during 2015

During 2015, awards were granted under the 2015/17 LTIP cycle. Awards were made to each Executive Director over shares with a maximum value of 205% of salary using the closing mid-market share price of 2,670p at the date of grant on 30 March 2015. These are in the form of conditional awards over IHG shares and do not carry the right to dividends or dividend equivalents during the vesting period.

Executive Director	Award date	Maximum shares awarded	Market price per share at grant £	Face value of award at grant £000	Number of shares received if minimum performance achieved
2015/17 cycle					
Richard Solomons	31 March 2015	60,808	26.70	1,624	12,162
Paul Edgecliffe- Johnson	31 March 2015	35,318	26.70	943	7,064
Tracy Robbins	31 March 2015	34,397	26.70	918	6,879

The vesting date for these awards is the day after the announcement of our Annual 2017 Preliminary Results in February 2018. These awards will vest and shares will be transferred to the award-holder in February 2018, to the extent performance targets are met. The performance measures are the same for the 2013/15 cycle as shown on page 70. Relative growth in net rooms supply and RevPAR will be measured by reference to the three years ending 30 September 2017; TSR will be measured by reference to the three years ending 31 December 2017. Minimum performance is equal to 20% of the maximum award.

Other outstanding awards

During 2014, awards were granted under the 2014/16 LTIP cycle (shown below) on the same basis as the 2015/17 LTIP cycle. Share price was the closing mid-market share price of 1,908p at the date of grant on 7 April 2014. These awards will vest in February 2017 to the extent performance targets are met.

Executive Director	Award date	Maximum shares awarded	Market price per share at grant £	Face value of award at grant £000	Number of shares received if minimum performance achieved
2014/16 cycle					
Richard Solomons	8 April 2014	82,193	19.08	1,568	16,439
Paul Edgecliffe- Johnson	8 April 2014	45,125	19.08	861	9,025
Kirk Kinsell	8 April 2014	18,570	19.08	981	3,714
Tracy Robbins	8 April 2014	46,952	19.08	896	9,390

The vesting date for these awards is the day after the announcement of our Annual 2016 Preliminary Results in February 2017. The performance measures are the same for the 2013/15 cycle as shown on page 70. Relative growth in net rooms supply and RevPAR will be measured by reference to the three years ending 30 September 2016; TSR will be measured by reference to the three years ending 31 December 2016.

Following Kirk Kinsell's resignation with effect from 13 February 2015, his award will vest in line with the LTIP rules. Mr Kinsell's initial maximum award of 51,426 has been reduced accordingly on a pro-rated basis for the proportion of the performance period in which he remained employed, as determined by the Committee. The pro-rated award is shown in the table above. Vesting will not be accelerated.

Current position on outstanding awards

Details of the performance measures and potential vesting outcomes for outstanding awards as at 31 December 2015 are as follows:

Performance measure	Threshold performance	Maximum performance	Threshold/maximum vesting	Weighting	Maximum award (% of salary)	Potential vesting outcome	
						2015/17 cycle	2014/16 cycle
Net rooms supply growth	Average of the comparator group	First in the comparator group	20%/100%	25%	51.25%	Between threshold and maximum based on current performance	Improved performance needed to achieve threshold
RevPAR growth	Average of the comparator group	First in the comparator group	20%/100%	25%	51.25%	Improved performance needed to achieve threshold	Threshold achievement if current performance maintained
Relative TSR	Growth equal to the global hotels index	Growth exceeds the index by 8% per year or more	20%/100%	50%	102.5%	Between threshold and maximum based on current performance	Maximum vesting if current performance maintained

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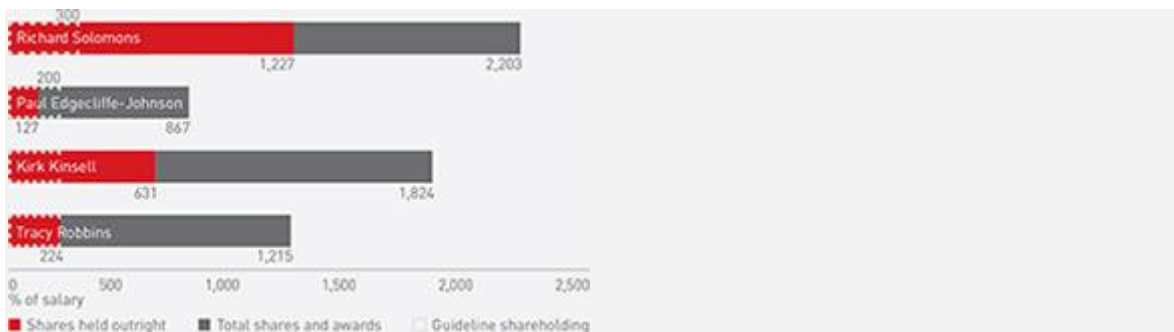
Statement of Directors' shareholdings and share interests

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

Guideline Executive Director shareholding requirement

Executive Directors are required to hold shares equal to 300% of salary for the Chief Executive Officer and 200% for others, and are expected to hold all shares (net of share sales required to meet tax) until this is achieved. The number of shares held outright includes all Directors' beneficial interests and those held by their spouses and other connected persons. The APP deferred share awards are not subject to performance conditions. Details on the performance conditions to which the unvested LTIP awards are still subject can be found on page 70. We do not consider it necessary at this time to require a further holding period. Percentages are calculated using the number of shares held outright and the 31 December 2015 share price of 2,658p.

Shares and awards held by Executive Directors as at 31 December 2015: % of salary



Shares and awards held by Executive Directors as at 31 December 2015: number of shares

Executive Director	Number of shares held outright		APP deferred share awards		LTIP share awards (unvested)		Total number of shares and awards held	
	2015	2014	2015	2014	2015	2014	2015	2014
Richard Solomons	365,625	382,533	71,552	81,240	219,320	262,234	656,497	726,007
Paul Edgecliffe-Johnson	22,014	10,583	19,821	12,860	108,219	102,223	150,054	125,666
Kirk Kinsell	117,640a	117,640b	49,580	49,580	172,938	172,938	340,158	340,158
Tracy Robbins	37,726	51,418	41,808	48,932	125,168	150,041	204,702	250,391

a For 2015, the shareholdings shown for Mr Kinsell are as at his date of departure from IHG on 13 February 2015.
b Comprised 117,092 ordinary shares and 548 American Depositary Receipts.

Chief Executive Officer's remuneration

The table below shows the Chief Executive Officer's single figure of total remuneration for the seven years to 31 December 2015. For Richard Solomons, the 2014 figure includes a one-off cash payment in respect of pension entitlements which was fully explained in last year's report.

		Single figure £000	Annual incentive received (% of maximum)	Shares received under the LTIP (% of maximum)
2015	Richard Solomons	3,199	75.0	50.0
2014	Richard Solomons	6,528	74.0	56.1
2013	Richard Solomons	3,149	74.0	59.0
2012	Richard Solomons	4,881	68.0	100.0
2011	Richard Solomons	4,724	83.0	73.9
	Andrew Cosslett	3,770	43.0	61.6
2010	Andrew Cosslett	5,430	100.0	73.8
2009	Andrew Cosslett	1,953	0	46.0

Percentage change in remuneration of Chief Executive Officer

The table below shows the percentage change in the remuneration of the Chief Executive Officer compared with UK employees between 2014 and 2015. We believe that a group comprised of UK-based employees is an appropriate comparator for salary and taxable benefits because the structure and composition of remuneration for that group most closely reflects that of the UK-based Chief Executive Officer. Therefore, the same UK market dynamics will apply to salary movements providing for a better like-for-like comparison.

The salary figure for the UK employee population has been calculated using the 2015 budget for the annual pay review taking into account any promotions/marked adjustments made during the year. The taxable benefits figure is based on P11D taxable benefits for tax year ending 5 April in the relevant year. For the UK employee population, this increase was due to a significant increase in the cost of healthcare cover during the year.

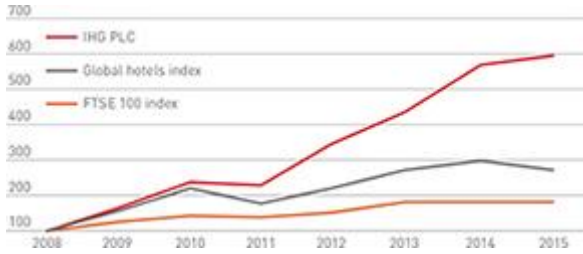
For the annual incentive, a group of global executives, who sit directly below Executive Committee level, is used as a comparator group as they are subject to the same performance measures as the Chief Executive Officer.

	Chief Executive Officer	UK employees
Salary	+3.5%	+3.0%
Taxable benefits	+3.3%	+60.6%
Annual incentive	+5.2%	+4.8%

Relative performance graph

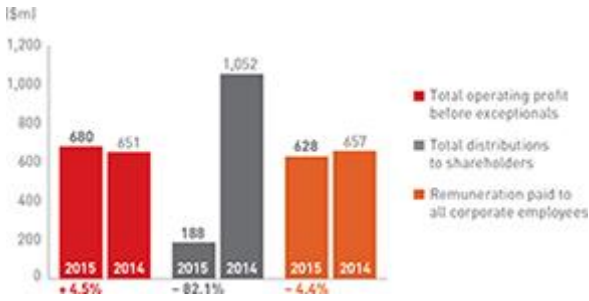
For LTIP purposes, a TSR comparator group of a global hotels index was used. IHG was a member of the FTSE 100 share index and the graph below shows the Company's TSR performance from 31 December 2008 to 31 December 2015, assuming dividends are reinvested, compared with the TSR performance achieved by the FTSE 100 and global hotels indices. All indices are shown in sterling. This data is sourced directly from Thomson Datastream for IHG.

TSR: the Company vs FTSE 100 and global hotels index



Relative importance of spend on pay

The table below sets out the actual expenditure of the Group in 2015 and 2014 on corporate employee remuneration and distributions to shareholders and shows the difference in spend between those years. For 2014, total distributions included a special dividend and share buyback, neither of which were applicable in 2015.



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Payments to past Directors – benefits

Sir Ian Prosser, who retired as a Director on 31 December 2003, had an ongoing healthcare benefit of £1,832 during the year.

Payments for loss of office

No payments were made to any Executive Directors during 2015 for loss of office.

**Single total figure of remuneration:
Non-Executive Directors**

Non-Executive Director	Committee appointments ^a	Date of original appointment	Fees (£000)		Taxable benefits (£000)		Total (£000)	
			2015	2014	2015	2014	2015	2014
Patrick Cescau		1 January 2013	412	412	34	15	446	427
Anne Busquet		1 March 2015	61	n/a	5	n/a	66	n/a
Ian Dyson		1 September 2013	97	88	3	2	100	90
Jo Harlow		1 September 2014	73	23	3	0	76	23
Jennifer Laing		25 August 2005	85	83	2	3	87	86
Luke Mayhew		1 July 2011	97	94	1	3	98	97
Jill McDonald		1 June 2013	73	71	4	2	77	73
Dale Morrison		1 June 2011	97	84	14	22	111	106
Ying Yeh		1 December 2007	73	71	83	72	156	143
David Kappler	n/a	21 June 2004	n/a	47	n/a	1	n/a	48
Jonathan Linen	n/a	1 December 2005	n/a	71	n/a	81	n/a	152

^a See page 54 for Board and Committee membership key and attendance.

Fees: for Non-Executive Directors, these may be pro-rated according to their start date or date of role change where appropriate.

Benefits: for Non-Executive Directors, benefits include taxable travel and accommodation expenses to attend Board meetings away from the designated home location; under concessionary HM Revenue & Customs rules, non-UK-based

Non-Executive Directors are not subject to tax on travel expenses for the first five years. This is reflected in the taxable benefits figures for Jonathan Linen, Dale Morrison and Ying Yeh.

Incentive awards: Non-Executive Directors are not eligible for any incentive awards.

Pension benefit: Non-Executive Directors are not eligible for any pension contributions or benefit.

Further details on changes to the Board can be found on page 54.

Shares held by Non-Executive Directors as at 31 December 2015: number of shares

The only Non-Executive Directors who held shares are listed in the table below.

Non-Executive Director	Shares held outright	
	2015	2014
Jennifer Laing	2,905	2,905
Luke Mayhew	1,722	1,722
Dale Morrison	3,907	3,907

Implementation of Directors' Remuneration Policy in 2016

This section explains how the DR Policy will be applied in 2016. It is subject to an advisory vote by shareholders at the 2016 AGM.

Salary: Executive Directors

Directors' salaries are agreed annually in line with the DR Policy. The following salaries will apply from 1 April 2016:

Executive Director	% increase	2016 £	2015 £
Richard Solomons	3	815,706	792,000
Paul Edgecliffe-Johnson	11.5	512,900	460,000
Tracy Robbins	2	456,960	448,000

Paul Edgecliffe-Johnson was appointed on 1 January 2014 on a salary significantly below benchmark policy level. The DR Policy provides that salary increases for newly appointed or promoted Executive Directors may be higher than that of the corporate UK and US employee population until the target positioning is achieved. Following strong performance again this year, an increase of 11.5% has been agreed by the Remuneration Committee for 2016 in order to bring the salary level closer to the target policy level. The overall targeted average salary increase for 2016 for UK and US corporate employees is 3%.

LTIP and APP performance measures and targets

From 2016, we will be limiting LTIP awards to the top levels of executives, currently 49 employees in total. Other less senior executives who currently receive LTIP awards will move to smaller, restricted stock units with a three-year time vesting. The executives and awards impacted are not covered by the DR Policy. This move will bring us more in line with the market and help recruitment and retention in key markets such as the US. It will also allow our further review of the LTIP during 2016 to focus on what is appropriate for our most senior employees.

The APP targets for 2015 related to EBIT (70%), Guest HeartBeat (20%) and Employee Engagement (10%). For 2016, Employee Engagement will be replaced with OPR – the measure of an individual's performance for the year. Employee Engagement will remain a key measure within the personal performance measure and operational teams' targets. The business is refining the way it measures overall guest satisfaction from 2016, and this will be reflected in the way it is measured for the purposes of the APP. The measures will, therefore, be:

- 70% EBIT retained as the financial measure;
- 20% guest satisfaction measure retained; and
- 10% OPR (replaces Employee Engagement survey scores).

Both incentive plans remain in line with the current DR Policy and details of the 2016 measures for each plan are included in the 'At a glance' section on page 70. Targets are determined by the Board to be commercially sensitive and will be disclosed at the end of the performance period.

Tracy Robbins

Ms Robbins stepped down as Executive Vice President, Human Resources and from the Board on 15 January 2016 due to health reasons. In line with her contract, Ms Robbins will remain an employee of the Group until 31 March 2016, at which point she will continue employment on notice for 12 months to 31 March 2017, when she will cease employment with the Group. The remuneration arrangements will be as follows:

- Ms Robbins will receive contractual sick pay (100% of annual salary to 31 March 2016 and then 50% of salary to 31 March 2017).
- Benefits entitlements will continue in full until 31 March 2017 and, given the circumstances, healthcare cover will be extended for a further year following that.
- The Remuneration Committee has agreed that, on leaving the Group, Ms Robbins will be treated as a good leaver for the purposes of the APP and LTIP under the ill-health provisions as set out in the DR Policy.

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- Ms Robbins will remain eligible for APP while still an employee of the Group. In light of the circumstances, the Committee will exercise its discretion permitted under the rules of the APP and the DR Policy to pay any 2015, 2016 and pro-rated 2017 APP awards in cash, and to allow any outstanding APP deferred shares to vest in full on 31 March 2017.
- The grant of the 2016 LTIP award will be based on actual salary paid in that year. No LTIP award will be made in 2017.
- Any LTIP awards outstanding on the date Ms Robbins ceases employment will vest in line with the terms of the plan rules on the usual vesting date, only to the extent performance conditions are fulfilled, and will be pro-rated for the time she remained employed.
- Malus and clawback provisions will apply to all APP and LTIP awards.

Full details of remuneration payments made to Ms Robbins in 2016 and following years will be disclosed in full in the relevant Annual Report on Directors' Remuneration.

Fees: Non-Executive Directors

The fees for Non-Executive Directors are reviewed and agreed annually in line with the DR Policy. All of the Non-Executive Directors waived any fee increase for 2016. The fee levels for 2016 will therefore remain unchanged from 2015 as follows:

Non-Executive Director	Role	2016 £	2015 £
Patrick Cescau	Chairman of the Board	412,000	412,000
Anne Busquet	Non-Executive Director	72,600	60,500a

Ian Dyson	Chairman of Audit Committee	96,550	96,550
Jo Harlow	Non-Executive Director	72,600	72,600
Jennifer Laing	Chairman of Corporate Responsibility Committee	85,000	85,000
Luke Mayhew	Chairman of Remuneration Committee	96,550	96,550
Jill McDonald	Non-Executive Director	72,600	72,600
Dale Morrison	Senior Independent Non-Executive Director	96,550	96,550
Ying Yeh	Non-Executive Director	72,600	72,600

a Anne Busquet's annual fee for 2015 was pro-rated to her start date.

Remuneration Committee details and governance

Roles and responsibilities

The Remuneration Committee agrees, on behalf of the Board, all aspects of the remuneration of the Executive Directors and the Executive Committee, and agrees the strategy, direction and policy for the remuneration of other senior executives who have a significant influence over the Company's ability to meet its strategic objectives.

The Committee's role and responsibilities are set out in its Terms of Reference (ToR). These are reviewed annually and available on the Company's website at www.ihgplc.com/investors under corporate governance/committees.

Governance

All members are Independent Non-Executive Directors, as required under the ToR. All members have the necessary experience and expertise to meet the Committee's responsibilities. On 19 March 2015, we welcomed Dale Morrison to the Committee. Details of Committee attendance can be found on page 54.

Non-Executive Directors' letters of appointment and notice periods

Non-Executive Directors have letters of appointment, which are available upon request from the Company Secretary's office. Patrick Cescau, Non-Executive Chairman, is subject to 12 months' notice. No other Non-Executive Directors are subject to notice periods. All Non-Executive Directors' are subject to election and annual re-election by shareholders at the AGM.

Committee considerations in 2015

The Committee's main consideration in 2015 was to undertake a full incentives plan review. This review was undertaken in consultation with major shareholders and shareholder organisations, relevant IHG management and external advisers. The review covered all aspects of short- and long-term incentives and their suitability for different levels of senior executives. This also included consideration of:

- which performance measures would be most aligned with business strategy and shareholder returns over the next five years;
- executive shareholding requirements and post-vesting holding periods; and
- communication to senior executives and to shareholders, including the level of disclosure of targets and outcomes.

Some key initial outcomes of this review are detailed in the Implementation of Directors Remuneration Policy in 2016 on page 76 and we will continue the review into 2016. The following key matters were also discussed:

- gender diversity and pay;
- 2014 Executive Committee annual performance and 2015 remuneration review;
- 2014 incentive plans results and 2015 incentive plans targets;
- review of the external market;
- 2015 APP – Policy on Exceptionals, Liquidated Damages and other adjustments; and
- evaluation of achievement against target for the 2015 APP and the 2013/15 LTIP.

Remuneration advisers

The Committee continued to retain PricewaterhouseCoopers LLP (PwC) throughout 2015 as independent advisers. Fees of £165,785 were paid to PwC in respect of advice provided to the Committee on executive remuneration matters during the year. This was in the form of an agreed fee for support in preparation of papers and attendance at meetings, with work on additional items charged at hourly rates. PwC also provided tax and other consulting services to the Group during 2015. The terms of engagement for PwC are available from the Company Secretary's office on request.

PwC was appointed following a competitive tender process. The Committee is satisfied that the advice received from PwC was objective and independent, as PwC is a member of the Remuneration Consultants Group. Members of this group adhere to a voluntary code of conduct that sets out the role of executive remuneration consultants in the UK and the professional standards to which they have committed to adhere when advising remuneration committees.

Voting at the Company's AGMs

There was no binding vote in respect of the DR Policy at the 2015 AGM as it remained unchanged from 2014. There will be a binding vote in respect of the new DR Policy in 2017. The outcome of the binding vote in respect of the DR Policy voted on at the 2014 AGM is shown below:

AGM	Votes for	Votes against	Abstentions
2014	155,440,907 (90.94%)	15,483,775 (9.06%)	906,025

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

AGM	Votes for	Votes against	Abstentions
2015	149,415,662 (96.99%)	4,633,208 (3.01%)	3,642,496

2014	158,131,479 (94.01%)	10,076,027 (5.99%)	3,623,200
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Luke Mayhew
Chairman of the Remuneration Committee
22 February 2016

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Statement of Directors' Responsibilities

Financial Statements and accounting records

The Directors are required to prepare financial statements for the Company and the Group at the end of each financial year in accordance with all applicable laws and regulations. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable;
- state whether the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), for use in the EU and Article 4 of the EU IAS Regulation;
- state for the Company Financial Statements whether applicable UK accounting standards have been followed; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors have responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company to enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the EU IAS Regulation. The Directors are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group, and taking reasonable steps to prevent and detect fraud and other irregularities.

Disclosure and Transparency Rules

The Board confirms that to the best of its knowledge:

- the Financial Statements have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group taken as a whole; and
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that it faces.

UK Corporate Governance Code

Having taken advice from the Audit Committee, the Board considers that this Annual Report and Form 20-F, taken as a whole is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Disclosure of information to Auditor

The Directors who held office as at the date of approval of this report confirm that they have taken steps to make themselves aware of relevant audit information (as defined by Section 418(3) of the Companies Act 2006). None of the Directors are aware of any relevant audit information which has not been disclosed to the Company's Auditor.

Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Group's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Group's transactions and dispositions of assets;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the Financial Statements in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, and that receipts and expenditure are being made only in accordance with authorisation of management and the Directors of the

- Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the Financial Statements.

Any internal control framework has inherent limitations and internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

Management has undertaken an assessment of the effectiveness of the Group's internal control over financial reporting at 31 December 2015 based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria).

Based on this assessment, management has concluded that as at 31 December 2015 the Group's internal control over financial reporting was effective.

During the period covered by this document there were no changes in the Group's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

The Group's internal control over financial reporting at 31 December 2015, together with the Group's Consolidated Financial Statements, were audited by Ernst & Young LLP, an independent registered public accounting firm. Their report on internal control over financial reporting can be found on page 86.

For and on behalf of the Board



Richard Solomons
Chief Executive Officer
22 February 2016



Paul Edgecliffe-Johnson
Chief Financial Officer
22 February 2016

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Independent Auditor's US Report

Report of independent registered public accounting firm on internal control over financial reporting

To the Board of Directors and Shareholders of InterContinental Hotels Group PLC.

We have audited InterContinental Hotels Group PLC's internal control over financial reporting as of 31 December 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). InterContinental Hotels Group PLC's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, InterContinental Hotels Group PLC maintained, in all material respects, effective internal control over financial reporting as of 31 December 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying 2015 Consolidated Financial Statements of InterContinental Hotels Group PLC, and our report dated 22 February 2016 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

London, England
22 February 2016

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of InterContinental Hotels Group PLC.

We have audited the accompanying Group statement of financial position of InterContinental Hotels Group PLC as of 31 December 2015 and 2014, and the related Group statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended 31 December 2015. These Financial Statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these Financial Statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the consolidated financial position of InterContinental Hotels Group PLC at 31 December 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), InterContinental Hotels Group PLC's internal control over financial reporting as of 31 December 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated 22 February 2016 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP
London, England
22 February 2016

Notes:

a The maintenance and integrity of the InterContinental Hotels Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

b Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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Group Financial Statements

Group income statement

For the year ended	Note	2015			2014			2013		
		Before exceptional items	Exceptional items (note 5)	Total	Before exceptional items	Exceptional items (note 5)	Total	Before exceptional items	Exceptional items (note 5)	Total
31 December 2015		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	2	1,803	–	1,803	1,858	–	1,858	1,903	–	1,903
Cost of sales		(640)	–	(640)	(741)	–	(741)	(784)	–	(784)
Administrative expenses		(395)	(25)	(420)	(382)	(101)	(483)	(374)	(167)	(541)
Share of (losses)/profits of associates and joint ventures	2	(3)	–	(3)	(4)	–	(4)	2	6	8
Other operating income and		11	880	891	16	130	146	6	166	172

expenses

		776	855	1,631	747	29	776	753	5	758
Depreciation and amortisation	2	(96)	—	(96)	(96)	—	(96)	(85)	—	(85)
Impairment charges	2	—	(36)	(36)	—	—	—	—	—	—
Operating profit	2	680	819	1,499	651	29	680	668	5	673
Financial income	6	5	—	5	3	—	3	5	—	5
Financial expenses	6	(92)	—	(92)	(83)	—	(83)	(78)	—	(78)
Profit before tax		593	819	1,412	571	29	600	595	5	600
Tax	7	(180)	(8)	(188)	(179)	(29)	(208)	(175)	(51)	(226)
Profit for the year from continuing operations		413	811	1,224	392	—	392	420	(46)	374

Attributable to:

Equity holders of the parent		411	811	1,222	391	—	391	418	(46)	372
Non-controlling interest		2	—	2	1	—	1	2	—	2
		413	811	1,224	392	—	392	420	(46)	374

Earnings per ordinary share 9

Continuing and total operations:										
Basic			520.0			158.3				140.9
			¢			¢				¢
Diluted			513.4			156.4				139.3
			¢			¢				¢

Notes on pages 94 to 141 form an integral part of these Financial Statements.

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Group Financial Statements continued

Group statement of comprehensive income

For the year ended 31 December 2015	2015 \$m	2014 \$m	2013 \$m
Profit for the year	1,224	392	374
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Gains on valuation of available-for-sale financial assets, net of related tax charge of \$nil (2014: \$1m, 2013: \$nil)	2	11	28
Exchange (losses)/gains on retranslation of foreign operations, including related tax charge of \$1m (2014: credit of \$1m, 2013: credit of \$2m)	(2)	42	(35)
Exchange losses reclassified to profit on hotel disposal	2	–	46
	2	53	39
Items that will not be reclassified to profit or loss:			
Re-measurement gains/(losses) on defined benefit plans, net of related tax charge of \$4m (2014: credit of \$7m, 2013: charge of \$20m)	9	(18)	20
Tax related to pension contributions	7	2	–
	16	(16)	20
Total other comprehensive income for the year	18	37	59
Total comprehensive income for the year	1,242	429	433
Attributable to:			
Equity holders of the parent	1,240	428	433
Non-controlling interest	2	1	–
	1,242	429	433

Notes on pages 94 to 141 form an integral part of these Financial Statements.

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Group statement of changes in equity

Shares held by Unrealised

	Equity share capital \$m	Capital redemption reserve \$m	employee share trusts \$m	Other reserves \$m	gains and losses reserve \$m	Currency translation reserve \$m	Retained earnings \$m	IHG share-holders' equity \$m	Non-controlling interest \$m	Total equity \$m
At 1 January 2015	178	12	(35)	(2,896)	111	269	1,636	(725)	8	(717)
Profit for the year	-	-	-	-	-	-	1,222	1,222	2	1,224
Other comprehensive income:										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets	-	-	-	-	2	-	-	2	-	2
Exchange differences on retranslation of foreign operations	-	-	-	-	-	(2)	-	(2)	-	(2)
Exchange losses reclassified to profit on hotel disposal	-	-	-	-	-	2	-	2	-	2
	-	-	-	-	2	-	-	2	-	2
Items that will not be reclassified to profit or loss:										
Re-measurement gains on defined benefit plans	-	-	-	-	-	-	9	9	-	9
Tax related to pension contributions	-	-	-	-	-	-	7	7	-	7
	-	-	-	-	-	-	16	16	-	16
Total other comprehensive income	-	-	-	-	2	-	16	18	-	18
Total comprehensive income for the year	-	-	-	-	2	-	1,238	1,240	2	1,242
Purchase of own shares by employee share trusts	-	-	(47)	-	-	-	-	(47)	-	(47)
Release of own shares by employee share trusts	-	-	62	-	-	-	(62)	-	-	-
Equity-settled share-based cost	-	-	-	-	-	-	24	24	-	24
Tax related to share schemes	-	-	-	-	-	-	5	5	-	5
Equity dividends paid	-	-	-	-	-	-	(188)	(188)	-	(188)
Exchange adjustments	(9)	(1)	2	8	-	-	-	-	-	-
At 31 December 2015	169	11	(18)	(2,888)	113	269	2,653	309	10	319

All items above are shown net of tax.

Notes on pages 94 to 141 form an integral part of these Financial Statements.

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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	Unrealised gains and losses reserve \$m	Currency translation reserve \$m	Retained earnings \$m	IHG share- holders' equity \$m	Non- controlling interest \$m	Total equity \$m
At 1 January 2014	189	12	(38)	(2,906)	100	227	2,334	(82)	8	(74)
Profit for the year	–	–	–	–	–	–	391	391	1	392
Other comprehensive income:										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets	–	–	–	–	11	–	–	11	–	11
Exchange differences on retranslation of foreign operations	–	–	–	–	–	42	–	42	–	42
	–	–	–	–	11	42	–	53	–	53
Items that will not be reclassified to profit or loss:										
Re-measurement losses on defined benefit plans	–	–	–	–	–	–	(18)	(18)	–	(18)
Tax related to pension contributions	–	–	–	–	–	–	2	2	–	2
	–	–	–	–	–	–	(16)	(16)	–	(16)
Total other comprehensive income	–	–	–	–	11	42	(16)	37	–	37
Total comprehensive income for the year	–	–	–	–	11	42	375	428	1	429
Repurchase of shares	–	–	–	–	–	–	(110)	(110)	–	(110)
Transaction costs relating to	–	–	–	–	–	–	(1)	(1)	–	(1)

shareholder returns										
Purchase of own shares by employee share trusts	-	-	(58)	-	-	-	-	(58)	-	(58)
Release of own shares by employee share trusts	-	-	60	-	-	-	(60)	-	-	-
Equity-settled share-based cost	-	-	-	-	-	-	28	28	-	28
Tax related to share schemes	-	-	-	-	-	-	12	12	-	12
Equity dividends paid	-	-	-	-	-	-	(942)	(942)	(1)	(943)
Exchange adjustments	(11)	-	1	10	-	-	-	-	-	-
At 31 December 2014	178	12	(35)	(2,896)	111	269	1,636	(725)	8	(717)

All items above are shown net of tax.

Notes on pages 94 to 141 form an integral part of these Financial Statements.

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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	Unrealised gains and losses reserve \$m	Currency translation reserve \$m	Retained earnings \$m	IHG shareholders' equity \$m	Non-controlling interest \$m	Total equity \$m
At 1 January 2013	179	11	(48)	(2,901)	72	214	2,781	308	9	317
Profit for the year	-	-	-	-	-	-	372	372	2	374
Other comprehensive income:										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets	-	-	-	-	28	-	-	28	-	28
Exchange differences on retranslation of foreign operations	-	-	-	-	-	(33)	-	(33)	(2)	(35)
Exchange losses reclassified to profit on hotel disposal	-	-	-	-	-	46	-	46	-	46

	-	-	-	-	28	13	-	41	(2)	39
Items that will not be reclassified to profit or loss:										
Re-measurement gains on defined benefit plans	-	-	-	-	-	-	20	20	-	20
	-	-	-	-	-	-	20	20	-	20
Total other comprehensive income	-	-	-	-	28	13	20	61	(2)	59
Total comprehensive income for the year	-	-	-	-	28	13	392	433	-	433
Issue of ordinary shares	5	-	-	-	-	-	-	5	-	5
Repurchase of shares	-	-	-	-	-	-	(283)	(283)	-	(283)
Purchase of own shares by employee share trusts	-	-	(53)	-	-	-	-	(53)	-	(53)
Release of own shares by employee share trusts	-	-	64	-	-	-	(61)	3	-	3
Equity-settled share-based cost	-	-	-	-	-	-	27	27	-	27
Tax related to share schemes	-	-	-	-	-	-	11	11	-	11
Equity dividends paid	-	-	-	-	-	-	(533)	(533)	(1)	(534)
Exchange adjustments	5	1	(1)	(5)	-	-	-	-	-	-
At 31 December 2013	189	12	(38)	(2,906)	100	227	2,334	(82)	8	(74)

All items above are shown net of tax.

Notes on pages 94 to 141 form an integral part of these Financial Statements.

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Group statement of financial position

31 December 2015	Note	2015 \$m	2014 \$m
ASSETS			
Property, plant and equipment	12	428	741
Goodwill and other intangible assets	13	1,226	643
Investment in associates and joint ventures	14	136	116
Trade and other receivables	16	3	3
Retirement benefit assets	25	–	8
Other financial assets	15	284	252
Non-current tax receivable		37	34
Deferred tax assets	7	49	87
Total non-current assets		2,163	1,884
Inventories		3	3
Trade and other receivables	16	462	448
Current tax receivable		4	4
Derivative financial instruments		–	2
Other financial assets	15	–	5
Cash and cash equivalents	17	1,137	162
Total current assets		1,606	624
Assets classified as held for sale	11	–	310
Total assets	2	3,769	2,818
LIABILITIES			
Loans and other borrowings	21	(427)	(126)
Derivative financial instruments		(3)	–
Trade and other payables	18	(839)	(769)
Provisions	19	(15)	(1)
Current tax payable		(85)	(47)
Total current liabilities		(1,369)	(943)
Loans and other borrowings	21	(1,239)	(1,569)
Retirement benefit obligations	25	(129)	(146)
Trade and other payables	18	(578)	(627)
Provisions	19	–	(9)
Deferred tax liabilities	7	(135)	(147)
Total non-current liabilities		(2,081)	(2,498)
Liabilities classified as held for sale	11	–	(94)
Total liabilities	2	(3,450)	(3,535)
Net assets/(liabilities)		319	(717)
EQUITY			
Equity share capital	27	169	178
Capital redemption reserve	27	11	12
Shares held by employee share trusts	27	(18)	(35)
Other reserves	27	(2,888)	(2,896)
Unrealised gains and losses reserve	27	113	111
Currency translation reserve	27	269	269

Retained earnings		2,653	1,636
IHG shareholders' equity		309	(725)
Non-controlling interest	27	10	8
Total equity		319	(717)

Signed on behalf of the Board

Paul Edgecliffe-Johnson

22 February 2016

Notes on pages 94 to 141 form an integral part of these Financial Statements.

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Group statement of cash flows

For the year ended 31 December 2015	Note	2015 \$m	2014 \$m	2013 \$m
Profit for the year		1,224	392	374
Adjustments reconciling profit for the year to cash flow from operations	22	(414)	361	414
Cash flow from operations	22	810	753	788
Interest paid		(75)	(76)	(74)
Interest received		2	2	2
Tax paid on operating activities	7	(109)	(136)	(92)
Net cash from operating activities		628	543	624

Cash flow from investing activities

Purchase of property, plant and equipment		(42)	(84)	(159)
Purchase of intangible assets		(157)	(162)	(86)
Investment in other financial assets		(28)	(5)	(154)
Investment in associates and joint ventures		(30)	(15)	(10)
Loan advances to associates and joint ventures		(25)	(3)	–
Acquisition of business, net of cash acquired	10	(438)	–	–
Capitalised interest paid		(4)	(2)	–
Disposal of hotel assets, net of costs and cash disposed	11	1,277	345	460
Proceeds from other financial assets		6	49	109
Loan repayments by associates and joint ventures		22	–	–
Distribution from associate on sale of hotel		–	–	17
Proceeds from disposal of associates and joint ventures		9	–	3
Tax paid on disposals	7	(1)	–	(5)
Net cash from investing activities		589	123	175

Cash flow from financing activities

Proceeds from the issue of share capital		–	–	5
Purchase of own shares		–	(110)	(283)
Purchase of own shares by employee share trusts		(47)	(68)	(44)
Dividends paid to shareholders	8	(188)	(942)	(533)
Dividend paid to non-controlling interest		–	(1)	(1)
Transaction costs relating to shareholder returns		–	(1)	–
Issue of long-term bonds		458	–	–
Other new borrowings		400	–	–
New borrowings repaid		(400)	–	–

(Decrease)/increase in other borrowings		(355)	382	(1)
Proceeds from foreign exchange swaps		22	–	–
Close-out of currency swaps		–	4	–
Net cash from financing activities		(110)	(736)	(857)
Net movement in cash and cash equivalents in the year		1,107	(70)	(58)
Cash and cash equivalents at beginning of the year	17	55	134	195
Exchange rate effects		(64)	(9)	(3)
Cash and cash equivalents at end of the year	17	1,098	55	134

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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 2015 were authorised for issue in accordance with a resolution of the Directors on 22 February 2016. InterContinental Hotels Group PLC (the Company) is incorporated and domiciled in Great Britain and registered in England and Wales.

Summary of significant accounting policies

Basis of preparation

The Consolidated Financial Statements of IHG have been prepared on a going concern basis and under the historical cost convention, except for available-for-sale equity securities and derivatives which are measured at fair value. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and in accordance with IFRS as adopted by the European Union (EU) and as applied in accordance with the provisions of the Companies Act 2006. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the Consolidated Financial Statements for the years presented.

With effect from 1 January 2015, the Group has adopted Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions', and Annual Improvements to IFRSs 2010 – 2012 Cycle and 2011 – 2013 Cycle. The adoption of these amendments has had no material impact on the Consolidated Financial Statements.

The Group adopted 'Offsetting Financial Assets and Liabilities' (Amendments to IAS 32) in 2014, resulting in restatements of 2013 cash and cash equivalents and current loans and other borrowings, which both increased by \$114m with no impact to the net financial position of the Group.

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 rates 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 inter-company balances.

Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the parent company and entities controlled by the Group. Control exists when the Group has:

- power over an investee (ie existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

All intra-group balances and transactions are eliminated on consolidation.

The assets, liabilities and results of those businesses acquired or disposed of are consolidated for the period during which they were under the Group's control.

The Group operates a deferred compensation plan in the US which allows certain employees to make additional provision for retirement, through the deferral of salary with matching company contributions. Employees can draw down on the plan in certain limited circumstances during employment. The assets of the plan are held in a company-owned trust which is not consolidated as the relevant activity of the trust, being the investment of the funds in the trust, is directed by the participating

employees of the plan and the company has no exposure to the gains and losses resulting from those investment decisions. The assets of the trust are held solely for the benefit of the participating employees and to pay plan expenses, other than in the case of a company insolvency in which case they can be claimed by the general creditors of the company. At 31 December 2015, the trust had assets with a fair value of \$148m (2014 \$148m).

Foreign currencies

Transactions in foreign currencies are translated to functional currency at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the relevant rates of exchange ruling on the last day of the period. Foreign exchange differences arising on translation are recognised in the income statement except on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to the currency translation reserve until the disposal of the net investment, at which time they are recycled against the gain or loss on disposal.

The assets and liabilities of foreign operations, including goodwill, are translated into US dollars at the relevant rates of exchange ruling on the last day of the period. The revenues and expenses of foreign operations are translated into US dollars at average rates of exchange for the period. The exchange differences arising on retranslation are taken directly to the currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in the currency translation reserve relating to that particular foreign operation is recycled against the gain or loss on disposal.

Property, plant and equipment

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

Repairs and maintenance costs are expensed as incurred.

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

- buildings – lesser of 50 years and unexpired term of lease; and
- fixtures, fittings and equipment – three to 25 years.

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

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

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On adoption of IFRS, the Group retained previous revaluations of property, plant and equipment which are included at deemed cost as permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards'.

Business combinations and goodwill

On the acquisition of a business, identifiable assets and liabilities acquired 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 96 with the exception that no deferred tax is provided on taxable temporary differences in connection with the initial recognition of goodwill.

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.

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

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, and the fair value can be reliably measured. Brands are amortised over their estimated useful lives (and tested for impairment if there are indicators of impairment) or tested for impairment at least annually if determined to have indefinite lives.

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

Management contracts

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

When hotel assets are sold and a purchaser enters into a franchise or management contract with the Group, the Group capitalises as part of the gain or loss on disposal an estimate of the fair value of the contract entered into.

The value of management contracts is amortised on a straight-line basis over the life of the contract including any extension periods at IHG's option up to a maximum of 50 years.

Software

Acquired and internally developed software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs are amortised over estimated useful lives of three to five years on a straight-line basis.

Internally generated development costs are expensed unless forecast revenues exceed attributable forecast development costs, in which case they are capitalised and amortised over the estimated useful life of the asset.

Other intangible assets

Amounts paid to hotel owners to secure management contracts and franchise agreements are capitalised and amortised on a straight-line basis over their estimated useful lives, being the full contractual term, up to a maximum of 50 years.

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

Borrowing costs

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

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but 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.

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

Financial assets

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

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

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Trade receivables

Trade receivables are recorded at their original amount less provision for impairment. It is the Group's policy to provide for 100% of the previous month's aged receivables balances which are more than 180 days past due. Adjustments to the policy may be made due to specific or exceptional circumstances. The carrying amount of the receivable is reduced through the use of a provision account and movements in the provision are recognised in the income statement within cost of sales. When a previously provided trade receivable is uncollectable, it is written off against the provision.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

In the statement of cash flows, cash and cash equivalents are shown net of short-term overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Assets held for sale

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 to sell.

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

Financial liabilities

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

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.

Trade payables

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

Bank and other borrowings

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

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

Derivative financial instruments and hedging

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

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

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

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

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

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

Self insurance

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

Provisions

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

An onerous contract provision is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

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

Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities including interest. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax assets and liabilities are recognised in respect of temporary differences between the tax base and carrying value of assets and liabilities including accelerated capital allowances, unrelieved tax losses, unremitted profits from subsidiaries, gains rolled over into replacement assets, gains on previously revalued properties and other short-term temporary differences.

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

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

Retirement benefits

Defined contribution plans

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

Defined benefit plans

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

would be payable in respect of funding commitments based on the accounting assumption that the related payments increase the asset.

The service cost of providing pension benefits to employees, together with the net interest expense or income for the year, is charged to the income statement within '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 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 (excluding amounts included in net interest) and changes in the amount of any asset restrictions. Actuarial gains and losses may result from: differences between the actuarial assumptions underlying the plan liabilities and actual experience during the year or changes in the actuarial assumptions used in the valuation of the plan liabilities. Re-measurement gains and losses, and taxation thereon, are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are 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.

Revenue recognition

Revenue arises from the sale of goods and provision of services where these activities give rise to economic benefits received and receivable by the Group on its own account and result in increases in equity.

Revenue is derived from the following sources: franchise fees; management fees; owned and leased properties and other revenues which are ancillary to the Group's operations, including technology fee income.

Revenue is recorded (excluding VAT and similar taxes) net of discounts. The following is a description of the composition of revenues of the Group:

Franchise fees – received in connection with the licence of the Group's brand names, usually under long-term contracts with the hotel owner. The Group charges franchise royalty fees as a percentage of rooms revenue. Revenue is recognised when the fee is earned in accordance with the terms of the contract.

Management fees – earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, generally a percentage of hotel revenue, which is recognised when earned in accordance with the terms of the contract and an incentive fee, generally based on the hotel's profitability or cash flows and recognised when the related performance criteria are met under the terms of the contract.

Owned and leased – primarily derived from hotel operations, including the rental of rooms and food and beverage sales from owned and leased hotels operated under the Group's brand names. Revenue is recognised when rooms are occupied and food and beverages are sold.

Franchise fees and management fees include liquidated damages received from the early termination of contracts.

Other revenues are recognised when earned in accordance with the terms of the contract.

Government grants

Government grants are recognised in the period to which they relate when there is reasonable assurance that the grant will be received and that the Group will comply with the attached conditions. Government grants are recognised within 'other operating income and expenses' in the Group income statement.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to fair value at the date at which the right to the shares is granted. Fair value is determined by an external valuer using option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The income statement charge for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease.

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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Accounting policies continued

Disposal of non-current assets

The Group recognises sales proceeds and any related gain or loss on disposal on completion of the sales process. In determining whether the gain or loss should be recorded, the Group considers whether it:

- has a continuing managerial involvement to the degree associated with asset ownership;
- has transferred the significant risks and rewards associated with asset ownership; and
- can reliably measure and will actually receive the proceeds.

Fair value measurement

The Group measures available-for-sale equity securities and derivatives at fair value on a recurring basis and other assets when impaired by reference to fair value less costs of disposal. Additionally, the fair value of other financial assets and liabilities require disclosure.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured by reference to the principal market for the asset or liability assuming that market participants act in their economic best interests.

The fair value of a non-financial asset assumes the asset is used in its highest and best use, either through continuing ownership or by selling it.

The Group uses valuation techniques that maximise the use of relevant observable inputs using the following valuation hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Further disclosures on the particular valuation techniques used by the Group are provided in note 23.

For impairment testing purposes and 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.

Exceptional items

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

Treasury shares

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

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

In determining and applying the Group's accounting policies, management are required to make judgements, estimates and assumptions. An accounting policy is considered to be critical if its selection or application could materially affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Management consider accounting for the System Fund to be a critical judgement and that critical estimates and assumptions are used in

impairment testing and for measuring the value of intangible assets acquired in business combinations, the loyalty programme liability and litigation provisions, as discussed in further detail below. Estimates and assumptions are evaluated by management using historical experience and other factors believed to be reasonable based on current circumstances. Actual results could differ under different policies, judgements, estimates and assumptions or due to unforeseen circumstances.

System Fund – in addition to management or franchise fees, hotels within the IHG System (other than for Kimpton and InterContinental hotels) pay cash assessments and contributions which are collected by IHG for specific use within the System Fund (the Fund). The Fund also receives proceeds from the sale of IHG Rewards Club points. IHG exerts significant influence over the operation of the Fund, however the Fund is managed for the benefit of hotels in the System with the objective of driving revenues for the hotels. The Fund is used to pay for marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System. The Fund is planned to operate at breakeven with any short-term timing surplus or deficit carried in the Group statement of financial position within working capital.

As all Fund income is designated for specific purposes and does not result in a profit or loss for the Group, the revenue recognition criteria as outlined in the accounting policy above are not met and therefore the income and expenses of the Fund are not included in the Group income statement.

The assets and liabilities relating to the Fund are included in the appropriate headings in the Group statement of financial position as the related legal, but not beneficial, rights and obligations rest with the Group. These assets and liabilities include the IHG Rewards Club liability, short-term timing surpluses and deficits and any receivables and payables related to the Fund.

The cash flows relating to the Fund are reported within 'cash flow from operations' in the Group statement of cash flows due to the close interrelationship between the Fund and the trading operations of the Group.

Further information on the Fund is included in note 32.

Loyalty programme – the hotel loyalty programme, IHG Rewards Club, enables members to earn points, funded through hotel assessments, during each qualifying stay at an IHG branded hotel and redeem points at a later date for free accommodation or other benefits. The future redemption liability is calculated by multiplying the number of points expected to be redeemed before they expire by the redemption cost per point. 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 redeemed ('breakage'). Following the introduction of a points expiration policy, breakage has become more judgemental due to there being limited historical data on the impact of such a change. Actuarial gains and losses on the future redemption liability are borne by the System Fund and any resulting changes in the liability would correspondingly adjust the amount of short-term timing surpluses and deficits held in the Group statement of financial position.

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The future redemption liability, which is included in trade and other payables, was \$649m at 31 December 2015. Based on the conditions existing at the balance sheet date, a one percentage point decrease in the breakage estimate would increase this liability by approximately \$10m.

Kimpton acquisition – The Group acquired Kimpton Hotel and Restaurant Group, LLC (Kimpton) on 16 January 2015 and has recognised the identifiable assets and liabilities acquired at fair value, with the difference between the fair value of net assets acquired and the fair value of consideration paid as goodwill. The most significant assets acquired were intangible assets and the Group engaged an independent valuation specialist to assist with their identification and valuation. The Group assessed the competence, capabilities and objectivity of the specialist, as well as the reasonableness of their conclusions having regard to the key assumptions including forecast cash flows, discount rates, royalty rates and long-term growth rates. As a result of the valuation exercise, management contract assets of \$71m, brand assets of \$193m and goodwill of \$167m were recognised. The management contracts were valued using an excess earnings approach and the brands using the relief-from-royalty method. A 10% reduction in the EBITDA margin applied to forecast management contract fees would have reduced the management contract valuation by \$17m and a 0.5 percentage point increase in the assumed royalty rate would have increased the brand valuation by \$97m, with corresponding adjustments to the amount of goodwill recognised.

For the reasons set out in note 13 to the accounts, the brands have been deemed to have an indefinite life.

Impairment testing – intangible assets with definite useful lives, and property, plant and equipment are tested for impairment when events or circumstances indicate that their carrying value may not be recoverable. Goodwill and intangible

assets with indefinite useful lives are subject to an impairment test on an annual basis or more frequently if there are indicators of impairment. Assets that do not generate independent cash flows are combined into cash-generating units.

The impairment testing of individual assets or cash-generating units requires an assessment of the recoverable amount of the asset or cash-generating unit. If the carrying value of the asset or cash-generating unit exceeds its estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs 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 is based on the Group's weighted average cost of capital adjusted to reflect the risks specific to the business model and territory of the cash-generating unit or asset being tested. The outcome of such an assessment is subjective, and the result sensitive to the assumed future cash flows to be generated by the cash-generating units or assets and discount rates applied in calculating the value in use.

At 31 December 2015, the Group had goodwill of \$233m and brands of \$193m, both of which are subject to annual impairment testing. Information on the impairment tests performed is included in note 13.

The Group also had property, plant and equipment and other intangible assets with a net book value of \$428m and \$800m respectively at 31 December 2015. An impairment charge of \$27m was recognised during the year in relation to two hotel properties in North America. In respect of those assets requiring an impairment test and depending on how recoverable amount was assessed, a 10% reduction in fair value or estimated future cash flows would have resulted in a further impairment charge of \$6m.

Litigation – from time to time, the Group is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. A provision for litigation is made when it is considered probable that a payment will be made and the amount of the loss can be reasonably estimated. Significant judgement is made when evaluating, amongst other factors, the probability of unfavourable outcome and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each accounting period and revisions made for changes in facts and circumstances.

New standards issued but not effective

The new and amended accounting standards discussed below are those which are expected to be relevant to the Group's Financial Statements.

From 1 January 2016, the Group will apply the amendments to existing standards arising from the Annual Improvements to IFRSs 2012–2014 cycle.

From 1 January 2016, the Group will apply Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation', Amendments to IFRS 11 'Accounting for Acquisition of Interests in Joint Operations', and Amendments to IAS 1 'Disclosure Initiative'.

The Group will also apply Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' on the effective date of these amendments, which have been deferred indefinitely.

The above amendments are not expected to have a material impact on the Group's reported performance or financial position.

IFRS 15 'Revenue from Contracts with Customers' introduces a new five-step approach to measuring and recognising revenue and is effective from 1 January 2018.

IFRS 9 'Financial Instruments' was issued as a final standard in July 2014 and is effective from 1 January 2018. The standard introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment and hedge accounting.

IFRS 16 'Leases' was issued in January 2016 and is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees will be required to recognise assets and liabilities in respect of the minimum lease payment for all leases with a term of more than 12 months, and show depreciation of leased assets and interest on lease liabilities separately in the income statement.

The Group is currently assessing the impacts of IFRS 15, IFRS 9 and IFRS 16 and plans to adopt these standards on the required effective dates.

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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=£0.65 (2014: \$1=£0.61, 2013: \$1=£0.64). In the case of the euro, the translation rate is \$1=€0.90 (2014: \$1=€0.75, 2013: \$1=€0.75).

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=£0.68 (2014: \$1=£0.64, 2013: \$1=£0.60). In the case of the euro, the translation rate is \$1=€0.92 (2014: \$1=€0.82, 2013: \$1=€0.73).

2. Segmental information

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

- Americas;
- Europe;
- Asia, Middle East and Africa (AMEA); and
- Greater China

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

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

Each of the geographical regions is led by its own Chief Executive Officer and derives its revenues from either franchising, managing or owning hotels and additional segmental disclosures are provided accordingly.

Management monitors the operating results of the geographical regions and Central functions separately for the purpose of making decisions about resource allocation and performance assessment. Segmental performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements, excluding exceptional items. Group financing activities and income taxes are managed on a group basis and are not allocated to reportable segments.

Year ended 31 December 2015	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Revenue						
Franchised	661	104	16	4	–	785
Managed	166	131	189	105	–	591
Owned and leased	128	30	36	98	–	292
Central	–	–	–	–	135	135
	955	265	241	207	135	1,803

	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Segmental result						
Franchised	575	77	12	5	–	669
Managed	64	28	90	59	–	241
Owned and leased	24	1	3	29	–	57
Regional and central	(66)	(28)	(19)	(23)	(151)	(287)

Reportable segments' operating profit	597	78	86	70	(151)	680
Exceptional operating items (note 5)	(41)	175	(2)	698	(11)	819
Operating profit	556	253	84	768	(162)	1,499

	Group \$m
Reportable segments' operating profit	680
Exceptional operating items (note 5)	819
Operating profit	1,499
Net finance costs	(87)
Profit before tax	1,412
Tax	(188)
Profit for the year	1,224

All items above relate to continuing operations.

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2. Segmental information continued

31 December 2015	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Assets and liabilities						
Segment assets	1,355	383	260	148	396	2,542
Unallocated assets:						
Non-current tax receivable						37
Deferred tax assets						49
Current tax receivable						4
Cash and cash equivalents						1,137
Total assets						3,769
Segment liabilities	(449)	(156)	(76)	(46)	(834)	(1,561)
Unallocated liabilities:						
Current tax payable						(85)
Deferred tax liabilities						(135)
Derivative financial instruments						(3)
Loans and other borrowings						(1,666)
Total liabilities						(3,450)
Year ended 31 December 2015						
Other segmental information						
Capital expenditure (see below)	87	45	8	4	118	262
Non-cash items:						
Depreciation and amortisation ^a	23	10	6	8	49	96
Share-based payments cost	–	–	–	–	19	19
Share of losses/(profits) of associates and joint ventures	5	–	(2)	–	–	3
Impairment charges	27	–	9	–	–	36

^a Included in the \$96m of depreciation and amortisation is \$50m relating to administrative expenses and \$46m relating to cost of sales.

	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Reconciliation of capital expenditure						
Capital expenditure per management reporting	87	45	8	4	118	262
Management contracts acquired on disposal of hotels	–	33	–	64	–	97
Timing differences and other adjustments	(5)	–	–	–	–	(5)
Additions per the Financial Statements	82	78	8	68	118	354
Comprising additions to:						
Property, plant and equipment	19	–	1	1	21	42
Assets classified as held for sale	–	–	–	2	–	2
Intangible assets	25	64	4	65	97	255
Investment in associates and joint ventures	30	–	–	–	–	30
Other financial assets	8	14	3	–	–	25
	82	78	8	68	118	354

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2. Segmental information continued

Year ended 31 December 2014	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Revenue						
Franchised	630	104	16	4	–	754
Managed	103	159	187	99	–	548
Owned and leased	138	111	39	139	–	427
Central	–	–	–	–	129	129
	871	374	242	242	129	1,858

	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Segmental result						
Franchised	544	78	12	5	–	639
Managed	47	30	88	63	–	228
Owned and leased	18	14	3	42	–	77
Regional and central	(65)	(33)	(19)	(21)	(155)	(293)
Reportable segments' operating profit	544	89	84	89	(155)	651
Exceptional operating items (note 5)	110	(56)	–	–	(25)	29
Operating profit	654	33	84	89	(180)	680

	Group \$m
Reportable segments' operating profit	651
Exceptional operating items (note 5)	29
Operating profit	680
Net finance costs	(80)
Profit before tax	600
Tax	(208)
Profit for the year	392

All items above relate to continuing operations.

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2. Segmental information continued

31 December 2014	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Assets and liabilities						
Segment assets	919	316	244	394	346	2,219
Assets classified as held for sale	–	310	–	–	–	310
	919	626	244	394	346	2,529
Unallocated assets:						
Non-current tax receivable						34
Deferred tax assets						87
Current tax receivable						4
Derivative financial instruments						2
Cash and cash equivalents						162
Total assets						2,818
Segment liabilities	(430)	(199)	(61)	(66)	(796)	(1,552)
Liabilities classified as held for sale	–	(94)	–	–	–	(94)
	(430)	(293)	(61)	(66)	(796)	(1,646)
Unallocated liabilities:						
Current tax payable						(47)
Deferred tax liabilities						(147)
Loans and other borrowings						(1,695)
Total liabilities						(3,535)

Year ended 31 December 2014	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Other segmental information						
Capital expenditure (see below)	75	37	11	6	123	252
Non-cash items:						
Depreciation and amortisation ^a	22	18	8	15	33	96
Share-based payments cost	–	–	–	–	21	21
Share of losses/(profits) of associates and joint ventures	6	–	(2)	–	–	4

a Included in the \$96m of depreciation and amortisation is \$41m relating to administrative expenses and \$55m relating to cost of sales.

	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Reconciliation of capital expenditure						
Capital expenditure per management reporting	75	37	11	6	123	252
Management contracts acquired on disposal of hotels	50	–	–	–	–	50
Capital contributions to associates	15	–	–	–	–	15
Other financial assets relating to deferred consideration on disposals	27	25	–	–	–	52
Timing differences and other adjustments	–	–	–	(1)	–	(1)
Additions per the Financial Statements	167	62	11	5	123	368

Comprising additions to:						
Property, plant and equipment	45	12	2	5	15	79
Assets classified as held for sale	1	3	–	–	–	4
Intangible assets	78	22	5	–	108	213
Investment in associates and joint ventures	15	–	–	–	–	15
Other financial assets	28	25	4	–	–	57
	167	62	11	5	123	368

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2. Segmental information continued

Year ended 31 December 2013	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Revenue						
Franchised	576	104	16	3	–	699
Managed	128	156	170	92	–	546
Owned and leased	212	140	44	141	–	537
Central	–	–	–	–	121	121
	916	400	230	236	121	1,903

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

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

All items above relate to continuing operations.

Year ended 31 December 2013	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
Other segmental information						
Capital expenditure	116	37	17	8	91	269
Non-cash items:						
Depreciation and amortisation ^a	19	18	10	15	23	85
Share-based payments cost	–	–	–	–	22	22
Share of profits of associates and joint ventures	5	–	3	–	–	8

^a Included in the \$85m of depreciation and amortisation is \$34m relating to administrative expenses and \$51m relating to cost of sales.

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2. Segmental information continued

Geographical information	Year ended 31 December 2015 \$m	Year ended 31 December 2014 \$m	Year ended 31 December 2013 \$m
Revenue			
United Kingdom	67	75	90
United States	876	786	843
People's Republic of China (including Hong Kong)	223	254	247
Rest of World	637	743	723
	1,803	1,858	1,903

For the purposes of the above table, hotel revenue is determined according to the location of the hotel and other revenue is attributed to the country of origin. In addition to the United Kingdom, revenue relating to an individual country is separately disclosed when it represents 10% or more of total revenue.

Non-current assets	31 December 2015 \$m	31 December 2014 \$m
United Kingdom	126	136
United States	1,265	811
People's Republic of China (including Hong Kong)	83	318
Rest of World	319	238
	1,793	1,503

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

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3. Staff costs and Directors' emoluments

	2015 \$m	2014 \$m	2013 \$m
Staff			
Costs:			
Wages and salaries	562	577	580
Social security costs	33	42	41
Pension and other post-retirement benefits:			
Defined benefit plans (note 25)	5	10	10
Defined contribution plans	28	28	25
	628	657	656
	2015	2014	2013
Average number of employees, including part-time employees:			
Americas	2,082	2,191	2,548
Europe	1,041	1,557	1,602
Asia, Middle East and Africa	1,658	1,451	1,545
Greater China	865	1,092	1,083
Central	1,665	1,506	1,401
	7,311	7,797	8,179

The costs of the above employees are borne by IHG. Of these, 90% were employed on a full-time basis and 10% were employed on a part-time basis.

In addition to the above, the Group has employees who work directly on behalf of the System Fund and whose costs are borne by the Fund as disclosed in note 32. In line with IHG's business model, IHG also employs 706 (2014: 602, 2013: 578) General Managers who work in the managed hotels and whose total costs of \$154m (2014: \$142m, 2013: \$135m) are borne by those hotels and, in the US predominantly, there are 19,746 (2014: 11,848, 2013: 10,834) other hotel workers in the managed hotels who have contracts or letters of service with IHG whose total costs of \$782m (2014: \$449m, 2013: \$383m) are borne by those hotels.

	2015 \$m	2014 \$m	2013 \$m
Directors' emoluments			
Base salaries, fees, performance payments and benefits ^a	7.9	9.0	8.5
Pension benefits under defined contribution plans	–	0.2	0.4

^a In 2014, excludes ICETUS cash-out payment of £9.4m.

More detailed information on the emoluments, pensions, share awards and shareholdings for each Director is shown in the Directors' Remuneration Report on pages 68 to 77.

4. Auditor's remuneration paid to Ernst & Young LLP

	2015 \$m	2014 \$m	2013 \$m
Audit of the Financial Statements	2.5	2.4	2.0
Audit of subsidiaries	2.1	2.0	1.4

Audit-related assurance services	0.2	0.2	0.5
Other assurance services	0.9	0.9	1.2
Tax compliance	0.2	0.2	0.2
Tax advisory	0.1	0.3	0.4
Other non-audit services not covered by the above	0.4	0.1	0.1
	6.4	6.1	5.8

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

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5. Exceptional items

	Note	2015 \$m	2014 \$m	2013 \$m
Exceptional operating items				
Administrative expenses:				
Venezuelan currency losses	a	(4)	(14)	–
Reorganisation costs	b	(6)	(29)	–
Corporate development costs	c	(5)	–	–
Kimpton acquisition costs	d	–	(7)	–
Kimpton integration costs	e	(10)	–	–
Pension settlement cost	f	–	(6)	(147)
UK portfolio restructuring	g	–	(45)	–
Litigation	h	–	–	(10)
Loyalty programme rebranding costs	i	–	–	(10)
		(25)	(101)	(167)
Share of profits of associates and joint ventures:				
Share of gain on disposal of a hotel (note 14)		–	–	6
Other operating income and expenses:				
Gain on disposal of hotels (note 11)		871	130	166
Gain on disposal of investment in associate (note 14)		9	–	–
		880	130	166
Impairment charges:				
Property, plant and equipment (note 12)		(27)	–	–
Associates (note 14)		(9)	–	–
		(36)	–	–
		819	29	5
Tax				
Tax on exceptional operating items	j	(8)	(29)	(6)
Exceptional tax	k	–	–	(45)
		(8)	(29)	(51)

All items above relate to continuing operations.

The above items are treated as exceptional by reason of their size or nature, as further described on page 98.

a Arises from changes to the Venezuelan exchange rate mechanisms and the adoption of the SIMADI exchange rate in 2015 and the SICAD II exchange rate in 2014, these being the most accessible exchange rates open to the Group for converting its bolivar earnings into US dollars. The exceptional losses arise from the re-measurement of the Group's bolivar assets and liabilities to the relevant exchange rates, being approximately \$1=190VEF on adoption of SIMADI and approximately \$1=50VEF on adoption of SICAD II. The Group has used the SIMADI exchange rate for translating the results of its Venezuelan operations since 1 April 2015.

b Relates to the implementation of more efficient processes and procedures in the Group's Global Technology infrastructure to help mitigate future cost increases, together with, in 2014, costs incurred in introducing a new HR operating model across the business to provide enhanced management information and more

- efficient processes. These restructuring programmes have now been completed.
- c Primarily legal costs related to development opportunities.
 - d Related to acquisition transaction costs incurred in the period to 31 December 2014 on the acquisition of Kimpton, which completed on 16 January 2015 (see note 10).
 - e Relates to the initial costs of integrating Kimpton into the operations of the Group. The integration programme remains in progress and further costs will be incurred in 2016.
 - f In 2014, resulted from a partial cash-out of the UK unfunded pension arrangements and, in 2013, resulted from a buy-in (and subsequent buy-out in 2014) of the Group's UK funded defined benefit obligations with the insurer, Rothesay Life. See note 25 for further details.
 - g Related to the costs of securing a restructuring of the UK hotel portfolio which resulted in the transfer of 61 managed hotels to franchise contracts.
 - h Related to an agreed settlement in respect of a lawsuit filed against the Group in the Greater China region.
 - i Related to costs incurred in support of the worldwide rebranding of IHG Rewards Club that was announced 1 July 2013.
 - j In 2015, comprises a charge of \$56m relating to disposal of hotels, a credit of \$21m in respect of the 2014 disposal of an 80.1% interest in InterContinental New York Barclay reflecting the judgement that state tax law changes would now apply to the deferred gain, and credits of \$27m for current and deferred tax relief on other operating exceptional items of current and prior periods. In 2014, the charge comprised \$56m relating to the disposal of an 80.1% interest in InterContinental New York Barclay offset by a credit of \$27m relating to a restructuring of the UK hotel portfolio and other reorganisation costs.
 - k In 2013, comprised a deferred tax charge of \$63m consequent on the disposal of InterContinental London Park Lane, together with charges and credits of \$38m and \$19m respectively from associated restructurings (including intra-group dividends) and refinancings, offset by the recognition of \$37m of previously unrecognised tax credits.

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6. Finance costs

	2015 \$m	2014 \$m	2013 \$m
Financial income			
Interest income on deposits	2	2	4
Interest income on loans and receivables	3	1	1
	5	3	5
Financial expenses			
Interest expense on borrowings	74	66	59
Finance charge payable under finance leases	20	19	19
Capitalised interest	(2)	(2)	–
	92	83	78

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

Included within interest expense is \$2m (2014: \$2m, 2013: \$2m) payable to the IHG Rewards Club loyalty programme relating to interest on the accumulated balance of cash received in advance of the redemption of points awarded.

The rate used for capitalisation of interest was 3.4% (2014: 4.4%).

7. Tax

Tax on profit

	Note	2015 \$m	2014 \$m	2013 \$m
Income tax				
UK corporation tax at 20.25% (2014: 21.50%, 2013: 23.25%):				
Current period		7	5	62
Benefit of tax reliefs on which no deferred tax previously recognised	a	–	–	(49)
Adjustments in respect of prior periods		(17)	2	–
		(10)	7	13
Foreign tax:	b			
Current period		196	156	184
Benefit of tax reliefs on which no deferred tax previously recognised		(1)	(2)	(42)
Adjustments in respect of prior periods		(27)	(26)	(17)
		168	128	125
Total current tax		158	135	138
Deferred tax:				
Origination and reversal of temporary differences		60	68	122
Changes in tax rates and tax laws	c	(21)	2	(1)
Adjustments to estimated recoverable deferred tax assets		(13)	1	(39)
Adjustments in respect of prior periods		4	2	6
Total deferred tax		30	73	88
Total income tax charge for the year		188	208	226
Further analysed as tax relating to:				
Profit before exceptional items		180	179	175

Exceptional items:			
Exceptional operating items (note 5)	8	29	6
Exceptional tax (note 5)	–	–	45
	188	208	226

All items above relate to continuing operations.

a In 2013, included \$45m in respect of the utilisation of unrecognised capital losses against the gain on disposal of InterContinental London Park Lane.

b Represents corporate income taxes on profit taxable in foreign jurisdictions, a significant proportion of which relates to the Group's US subsidiaries.

c In 2015, predominantly reflecting the judgement that state tax law changes would now apply to the deferred gain from the 2014 disposal of InterContinental New York Barclay.

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7. Tax continued

	Total ^a			Before exceptional items ^b		
	2015 %	2014 %	2013 %	2015 %	2014 %	2013 %
Reconciliation of tax charge, including gain on disposal of assets						
UK corporation tax at standard rate	20.3	21.5	23.3	20.3	21.5	23.3
Non-deductible expenditure and non-taxable income ^c	(8.9)	4.9	16.6	1.6	1.0	1.9
Non-recoverable withholding taxes	0.1	0.4	1.2	0.3	0.4	1.2
Net effect of different rates of tax in overseas businesses	7.1	11.5	11.6	15.3	12.8	11.9
Effect of changes in tax rates and tax laws ^d	(1.5)	0.3	(0.1)	0.1	0.1	(0.1)
Benefit of tax reliefs on which no deferred tax previously recognised	(0.1)	(0.4)	(15.0)	(0.1)	(0.3)	(1.1)
Effect of adjustments to estimated recoverable deferred tax assets	(0.9)	0.2	(6.4)	(1.7)	(0.2)	(4.9)
Adjustment to tax charge in respect of prior periods	(2.8)	(3.7)	(2.2)	(5.4)	(3.9)	(2.1)
Deferred tax provision on unremitted earnings	–	–	10.5	–	–	–
Other	0.1	–	(1.8)	–	–	(0.6)
	13.4	34.7	37.7	30.4	31.4	29.5

a Calculated in relation to total profits including exceptional items.

b Calculated in relation to profits excluding exceptional items.

c In 2015, total of (8.9)% represents (9.8)% in respect of accounting gains in excess of gains subject to taxation, offset by 0.9% of other items.

d In 2015, total of (1.5)% predominantly reflects the judgement that state tax law changes would now apply to the deferred gain from the 2014 disposal of InterContinental New York Barclay.

The UK statutory tax rate will reduce to 18% on 1 April 2020. The Group does not anticipate this change having a material effect.

Tax paid

Total net tax paid during the year of \$110m (2014: \$136m, 2013: \$97m) comprises \$109m (2014: \$136m, 2013: \$92m) paid in respect of operating activities and \$1m (2014: \$nil, 2013: \$5m) paid in respect of investing activities.

Tax paid represents an effective rate of 8% (2014: 23%, 2013: 16%) on total profits and is lower than the effective income statement tax rate of 30% (2014: 31%, 2013: 29%) primarily due to the impact of exceptional accounting gains taxable on a deferred basis, without which the equivalent effective rate would be 20%. The remaining difference is primarily due to deferred taxes (including the realisation of assets such as tax losses), the receipt of refunds in respect of prior years and provisions for tax for which no payment of tax has currently been made.

Corporation tax liabilities did not arise in 2015 in the UK and are not expected to arise for a number of years thereafter due to expenses and associated tax losses attributable principally to employment matters, in particular additional shortfall contributions made to the UK pension plan in the years 2007 to 2013.

Deferred tax

	Property, plant and equipment \$m	Deferred gains on loan notes \$m	Deferred gains on investments \$m	Losses \$m	Employee benefits \$m	Intangible assets \$m	Undistributed earnings of subsidiaries \$m	Other short-term temporary differences ^a \$m	Total \$m
At 1 January 2014	240	107	–	(186)	(37)	34	66	(157)	67
Income statement	(55)	–	108	17	3	22	(19)	(3)	73
Statement of comprehensiv e income	–	–	–	–	(8)	–	–	1	(7)
Statement of changes in equity	–	–	–	–	–	–	–	(3)	(3)
Exchange and other adjustments	(11)	(2)	–	15	1	(4)	(3)	–	(4)
At 31 December 2014	174	105	108	(154)	(41)	52	44	(162)	126
Income statement	18	(50)	(21)	62	6	22	29	(36)	30
Statement of comprehensiv e income	–	–	–	–	(2)	–	–	–	(2)
Statement of changes in equity	–	–	–	–	–	–	–	3	3
Assets of business sold	(88)	–	–	21	1	–	–	–	(66)
Exchange and other adjustments	(5)	–	–	4	4	(4)	(3)	(1)	(5)
At 31 December 2015	99	55	87	(67)	(32)	70	70	(196)	86

a Primarily relates to provisions, accruals, amortisation and share-based payments. Includes an asset of approximately \$70m which is expected to be reclassified to current taxes subject to a requested change of tax treatment being approved by the relevant tax authority.

	2015 \$m	2014 \$m
Analysed as:		
Deferred tax assets	(49)	(87)
Deferred tax liabilities	135	147
Liabilities held for sale	–	66
	86	126

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7. Tax continued

Deferred gains on loan notes includes \$55m (2014: \$55m) which is expected to fall due for payment in 2025 (2014: 2016).

The deferred tax asset recognised in respect of losses of \$67m (2014: \$154m) includes \$nil (2014: \$50m) in respect of capital losses available to be utilised against the realisation of capital gains which are recognised as a deferred tax liability and \$67m (2014: \$104m) in respect of revenue tax losses. Deferred tax assets of \$nil (2014: \$20m) are recognised in relation to legal entities which suffered a tax loss in the current or preceding period. Deferred gains on investments represent taxable gains which would crystallise upon a sale of a related joint venture, associate or other equity investment.

The Group has unrecognised deferred tax assets as follows:

	2015 \$m	2014 \$m
Revenue losses	47	126
Capital losses	114	130
Total losses ^a	161	256
Employee benefits	5	5
Other ^b	28	58
Total	194	319

^a These may be carried forward indefinitely other than \$9m which expires after one year, \$1m which expires after five years, \$7m which expires after six years, \$3m which expires after seven years and \$1m which expires after eight years (2014: \$11m which expires after two years, \$1m which expires after six years, \$8m which expires after seven years, \$1m which expires after eight years and \$2m which expires after nine years).

^b Primarily relates to provisions, accruals, amortisation and share-based payments.

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

The Group has provided deferred tax in relation to temporary differences associated with post-acquisition undistributed earnings of subsidiaries only to the extent that it is either probable that it will reverse in the foreseeable future or where the Group cannot control the timing of the reversal. The remaining unprovided liability that would arise on the reversal of these temporary differences is not expected to exceed \$10m (2014: \$10m).

Tax risks, policies and governance

Information concerning the Group's tax governance can be found in the Taxation section of the Strategic Report on pages 47 to 48.

8. Dividends

	2015 cents per share	2014 cents per share	2013 cents per share	2015 \$m	2014 \$m	2013 \$m
Paid during the year:						
Final (declared for previous year)	52.0	47.0	43.0	125	122	115
Interim	27.5	25.0	23.0	63	57	63
Special (note 27)	–	293.0	133.0	–	763	355
	79.5	365.0	199.0	188	942	533

Proposed (not recognised as a liability at 31 December):

Final	57.5	52.0	47.0	135	122	121
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The final dividend of 40.3p (57.5¢ converted at the closing exchange rate on 19 February 2016) is proposed for approval at the Annual General Meeting (AGM) on 6 May 2016 and is payable on the shares in issue at 1 April 2016.

In February 2016, the Board proposed a \$1.5bn return of funds to shareholders by way of a special dividend of 632.9¢ per ordinary share, together with a share consolidation.

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9. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit for the year available for IHG equity holders by the weighted average number of ordinary shares, excluding investment in own shares, in issue during the year.

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

Adjusted earnings per ordinary share is disclosed in order to show performance undistorted by exceptional items, to give a more meaningful comparison of the Group's performance.

Continuing and total operations	2015	2014	2013
Basic earnings per ordinary share			
Profit available for equity holders (\$m)	1,222	391	372
Basic weighted average number of ordinary shares (millions)	235	247	264
Basic earnings per ordinary share (cents)	520.0	158.3	140.9
Diluted earnings per ordinary share			
Profit available for equity holders (\$m)	1,222	391	372
Diluted weighted average number of ordinary shares (millions)	238	250	267
Diluted earnings per ordinary share (cents)	513.4	156.4	139.3
Adjusted earnings per ordinary share			
Profit available for equity holders (\$m)	1,222	391	372
Adjusting items (note 5):			
Exceptional operating items (\$m)	(819)	(29)	(5)
Tax on exceptional operating items (\$m)	8	29	6
Exceptional tax (\$m)	–	–	45
Adjusted earnings (\$m)	411	391	418
Basic weighted average number of ordinary shares (millions)	235	247	264
Adjusted earnings per ordinary share (cents)	174.9	158.3	158.3
Adjusted diluted earnings per ordinary share			
Adjusted earnings (\$m)	411	391	418
Diluted weighted average number of ordinary shares (millions)	238	250	267
Adjusted diluted earnings per ordinary share (cents)	172.7	156.4	156.6
	2015	2014	2013
	millions	millions	millions
Diluted weighted average number of ordinary shares is calculated as:			
Basic weighted average number of ordinary shares	235	247	264
Dilutive potential ordinary shares	3	3	3
	238	250	267

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10. Acquisition of business

On 16 January 2015, the Group acquired a 100% ownership interest in Kimpton Hotel & Restaurant Group, LLC (Kimpton), an unlisted company based in the US. Kimpton is the world's largest independent boutique hotel operator and the acquisition makes IHG the market leader in the boutique segment.

The fair values of the identifiable assets and liabilities of Kimpton at the date of acquisition were as follows:

	\$m
Identifiable intangible assets:	
Brands	193
Management contracts	71
Software	2
Property, plant and equipment	3
Other financial assets	10
Trade and other receivables	29
Cash and cash equivalents	3
Trade and other payables	(27)
Non-current liabilities	(10)
Net identifiable assets acquired	274
Goodwill	167
Total purchase consideration	441

Net cash outflow arising on acquisition:

	\$m
Cash consideration, including working capital payment of \$11m	441
Less: cash and cash equivalents acquired	(3)
	438

The goodwill is mainly attributable to the growth opportunities identified for the acquired business, both in the US and globally, plus cost synergies expected to arise. The amount of goodwill that is expected to be deductible for income tax purposes is \$164m.

Included in trade and other receivables are trade receivables with a gross contractual value of \$26m, which are expected to be collectable in full. The fair value of trade receivables approximates the book value of \$26m.

No contingent liabilities were recognised as a result of the acquisition.

Kimpton contributed revenue of \$59m and operating profit of \$18m for the period between the date of acquisition and the balance sheet date. The results of Kimpton are included in the Americas managed business segment.

If the acquisition had taken place at 1 January 2015, there would have been no material difference to reported Group revenue and operating profit for the year ended 31 December 2015.

Integration costs of \$10m were charged to exceptional administrative expenses in the year ended 31 December 2015. Acquisition transaction costs of \$7m were charged to exceptional administrative expenses in the year ended 31 December 2014.

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11. Assets sold and held for sale

Assets sold

During the year ended 31 December 2015, the Group sold one hotel in the Europe region, InterContinental Paris – Le Grand on 20 May 2015, and one hotel in the Greater China region, InterContinental Hong Kong on 30 September 2015. On 30 November 2015, the Group disposed of its share of assets and liabilities in a joint operation in the AMEA region.

Principal disposals during the year ended 31 December 2014 were the sale of InterContinental Mark Hopkins San Francisco on 27 March 2014 and the disposal of an 80.1% interest in InterContinental New York Barclay on 31 March 2014. The Group's 19.9% retained interest is accounted for as an associate as described in note 14. Both transactions took place in The Americas region.

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

	2015 \$m	2014 \$m	2013 \$m
Consideration			
Current year disposals:			
Cash consideration, net of costs paid	1,289	345	460
Other financial assets ^a	–	52	–
Intangible assets – management contracts	97	50	40
Investment in associate	–	22	–
Accrued disposal costs	(3)	–	–
	1,383	469	500
Net assets disposed:			
Property, plant and equipment	(6)	(110)	–
Non-current assets held for sale	(577)	(228)	(294)
Other financial asset	–	(5)	–
Other assets held for sale, including cash and cash equivalents	(43)	–	–
Net current liabilities	–	4	6
Borrowings	2	–	–
Deferred tax liability held for sale	66	–	–
Other liabilities held for sale	48	–	–
	(510)	(339)	(288)
Exchange losses reclassified from currency translation reserve	(2)	–	(46)
Gain on disposal of hotels from continuing operations	871	130	166
Net cash inflow arising on disposals^b			
Disposal of hotel assets, net of costs and cash disposed			
Cash consideration, net of costs paid	1,289	345	460
Less: cash and cash equivalents disposed	(11)	–	–
Costs paid – prior year disposals	(1)	–	–
	1,277	345	460
Distribution from associate on sale of hotel	–	–	17
Tax paid on disposals	(1)	–	(5)
	1,276	345	472

^a Includes \$27m deferred consideration subsequently received and included within 'proceeds from other financial assets' in the Group statement of cash flows.

^b Unless otherwise stated relates to current year disposals.

Assets held for sale

There were no assets held for sale at 31 December 2015. InterContinental Paris – Le Grand was held for sale at 31 December 2014.

2015 2014

	\$m	\$m
Assets and liabilities held for sale		
Assets classified as held for sale:		
Property, plant and equipment	-	306
Other assets	-	4
	-	310
Liabilities classified as held for sale:		
Deferred tax (note 7)	-	(66)
Other liabilities	-	(28)
	-	(94)

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12. Property, plant and equipment

	Land and buildings \$m	Fixtures, fittings and equipment \$m	Total \$m
Cost			
At 1 January 2014	1,101	871	1,972
Additions	27	52	79
Transfers to non-current assets classified as held for sale	(276)	(171)	(447)
Disposals	(144)	(61)	(205)
Exchange and other adjustments	(8)	(20)	(28)
At 31 December 2014	700	671	1,371
Additions	13	29	42
Capitalised interest	2	–	2
Acquisition of business (note 10)	–	3	3
Transfers to non-current assets classified as held for sale	(329)	(120)	(449)
Reclassification from intangible assets	–	7	7
Disposals	(9)	(3)	(12)
Exchange and other adjustments	–	(11)	(11)
At 31 December 2015	377	576	953
Depreciation and impairment			
At 1 January 2014	(156)	(647)	(803)
Provided	(11)	(32)	(43)
System Fund expense	–	(4)	(4)
Transfers to non-current assets classified as held for sale	8	107	115
Disposals	37	58	95
Exchange and other adjustments	–	10	10
At 31 December 2014	(122)	(508)	(630)
Provided	(8)	(27)	(35)
System Fund expense	–	(3)	(3)
Transfers to non-current assets classified as held for sale	79	78	157
Impairment charges	(27)	–	(27)
Disposals	3	3	6
Exchange and other adjustments	1	6	7
At 31 December 2015	(74)	(451)	(525)
Net book value			
At 31 December 2015	303	125	428
At 31 December 2014	578	163	741
At 1 January 2014	945	224	1,169

The Group's property, plant and equipment mainly comprises hotels, but also offices and computer hardware, throughout the world. In addition to the hotels included above, there was one hotel classified as held for sale at 31 December 2014 (see note 11). Following the hotel disposals during the year, 43% (2014: 75%) of the net book value relates to the largest (2014: three largest) owned and leased hotel(s) of a total of eight hotels (2014: 10 hotels), seven of which are open (2014: nine open). At 31 December 2015, there was one hotel (2014: one hotel) with a net book value of \$53m (2014: \$36m) which is under construction, not yet in use and therefore not being depreciated.

The carrying value of property, plant and equipment held under finance leases at 31 December 2015 was \$184m (2014: \$186m).

Including assets classified as held for sale, 22% (2014: 40%) of hotel properties by net book value were directly owned, with 59% (2014: 22%) held under leases having a term of 50 years or longer.

Due to localised adverse market conditions, an impairment charge of \$27m has been recognised during the year relating to two hotels in North America following a re-assessment of their recoverable amounts to \$37m, based on value in use calculations. Estimated future cash flows were discounted at a pre-tax rate of 11.75%. All impairment charges are included within 'impairment charges' on the face of the Group income statement.

There are no charges over the Group's property, plant and equipment.

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12. Property, plant and equipment continued

The table below analyses the net book value of the Group's property, plant and equipment by operating segment at 31 December 2015:

	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Total \$m
Land and buildings	288	–	–	–	15	303
Fixtures, fittings and equipment	40	–	10	–	75	125
	328	–	10	–	90	428

13. Goodwill and other intangible assets

	Goodwill \$m	Brands \$m	Software \$m	Management contracts \$m	Other intangibles \$m	Total \$m
Cost						
At 1 January 2014	221	–	395	277	159	1,052
Additions	–	–	108	50	55	213
Disposals	–	–	(31)	–	(5)	(36)
Exchange and other adjustments	(6)	–	(1)	(17)	(2)	(26)
At 31 December 2014	215	–	471	310	207	1,203
Additions	–	–	94	97	64	255
Capitalised interest	–	–	2	–	–	2
Acquisition of business (note 10)	167	193	2	71	–	433
Reclassification to property, plant and equipment	–	–	(7)	–	–	(7)
Disposals	–	–	(62)	–	(4)	(66)
Exchange and other adjustments	(11)	–	(2)	(13)	(4)	(30)
At 31 December 2015	371	193	498	465	263	1,790
Amortisation and impairment						
At 1 January 2014	(141)	–	(189)	(131)	(73)	(534)
Provided	–	–	(33)	(9)	(11)	(53)
System Fund expense	–	–	(15)	–	–	(15)
Disposals	–	–	31	–	4	35
Exchange and other adjustments	–	–	(1)	6	2	7
At 31 December 2014	(141)	–	(207)	(134)	(78)	(560)
Provided	–	–	(40)	(10)	(11)	(61)
System Fund expense	–	–	(18)	–	–	(18)
Disposals	–	–	62	–	3	65
Exchange and other adjustments	3	–	1	5	1	10
At 31 December 2015	(138)	–	(202)	(139)	(85)	(564)

Net book value

At 31 December 2015	233	193	296	326	178	1,226
At 31 December 2014	74	–	264	176	129	643
At 1 January 2014	80	–	206	146	86	518

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13. Goodwill and other intangible assets continued

Goodwill and brands

During the year, the Group acquired Kimpton (see note 10) resulting in the recognition of goodwill of \$167m and brands of \$193m, together with management contracts of \$71m.

The Kimpton brands are considered to have an indefinite life given their strong brand awareness and reputation in the upscale boutique hotel sector, 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.

The Group tests goodwill and indefinite life intangible assets for impairment annually, or more frequently if there are any indicators that an impairment may have arisen. The year-end carrying value of goodwill and indefinite life brands have been allocated to cash-generating units (CGUs) for impairment testing purposes as follows:

	2015		2014
	Goodwill \$m	Brands \$m	Goodwill \$m
CGU			
Americas Managed	63	193	–
Americas Franchised	37	–	–
Europe Managed	21	–	–
Europe Franchised	10	–	–
AMEA Managed and Franchised	102	–	74
	233	193	74

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations cover a five-year period using pre-tax cash flow forecasts derived from the most recent financial budgets and strategic plans approved by management incorporating growth rates based on management's past experience and industry growth forecasts. A terminal value is added using growth rates that do not exceed the average long-term growth rates for the relevant markets. The cash flows are discounted using pre-tax rates that are based on the Group's weighted average cost of capital adjusted to reflect the risks specific to the business model and territory of the CGU being tested.

The terminal growth rates and discount rates used in the impairment tests are as follows:

	Terminal growth rate		Discount rate	
	2015 %	2014 %	2015 %	2014 %
Americas Managed	2.5	n/a	10.2	n/a
Americas Franchised	2.5	n/a	9.2	n/a
Europe Managed	2.5	n/a	9.9	n/a
Europe Franchised	2.5	n/a	8.9	n/a
AMEA Managed and Franchised	3.5	3.5	12.5	13.7

Impairment was not required at either 31 December 2015 or 31 December 2014. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

Software

Software includes \$85m relating to the development of the next-generation Guest Reservation System with Amadeus. This asset is not yet in use and therefore not being amortised.

Substantially all software additions are internally developed.

Management contracts

In addition to the management contracts acquired with the Kimpton acquisition, additions to management contracts relate to contract values recognised as part of the proceeds for hotels sold (see note 11).

At 31 December 2015, the net book value and remaining amortisation period of the principal management contracts was as follows:

	Net book value \$m	Remaining amortisation period Years
Hotel		
InterContinental Hong Kong	64	37
InterContinental New York Barclay	39	48
InterContinental London Park Lane	36	47
InterContinental Paris – Le Grand	32	49

The weighted average remaining amortisation period for all management contracts is 32 years (2014: 30 years).

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14. Investment in associates and joint ventures

	Associates \$m	Joint ventures \$m	Total \$m
Cost			
At 1 January 2014	61	27	88
Initial retained interest in Barclay associate (note 11)	22	–	22
Additions	15	–	15
Share of (losses)/profits	(4)	–	(4)
Dividends	(2)	–	(2)
At 31 December 2014	92	27	119
Additions	29	1	30
Share of (losses)/profits	(2)	(1)	(3)
Capitalisation of a receivable	10	–	10
Dividends	(5)	–	(5)
Exchange and other adjustments	(3)	–	(3)
At 31 December 2015	121	27	148
Impairment			
At 1 January 2013 and 31 December 2014	(3)	–	(3)
Charge for the year	(9)	–	(9)
At 31 December 2015	(12)	–	(12)
Net book value			
At 31 December 2015	109	27	136
At 31 December 2014	89	27	116
At 1 January 2014	58	27	85

All associates and joint ventures are accounted for using the equity method.

On 20 November 2015, the Group disposed of an associate investment in the AMEA region realising a gain on disposal of \$9m. At the time of disposal, the investment had a \$nil net book value.

Due to localised adverse market conditions, an impairment charge of \$9m has been recognised during the year relating to an associate investment in the AMEA region following a re-assessment of its recoverable amount to \$nil, based on value in use calculations. Estimated future cash flows were discounted at a pre-tax rate of 13.2%.

Barclay associate

The Group held one material associate investment at 31 December 2015, 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 as the Group has the ability to exercise significant influence through its involvement in the redevelopment of the hotel and certain decision rights.

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

	31 December 2015 \$m	31 December 2014 \$m
Non-current assets	480	339
Net current (liabilities)/assets	(7)	2
Non-current liabilities	(226)	(182)
Net assets	247	159
Group share of reported net assets at 19.9%	49	32
Adjustments to reflect additional rights and obligations under the shareholder agreement	10	–
Carrying amount	59	32
	12 months to 31 December 2015 \$m	9 months to 31 December 2014 \$m
Revenue	–	24
Loss for the period	(21)	(26)
Group's share of loss for the period	(4)	(5)

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14. Investment in associates and joint ventures continued

Other associates and joint ventures

The summarised aggregated financial information for individually immaterial associates and joint ventures is set out below. These are mainly investments in entities that own hotels which the Group manages.

	Associates			Joint ventures			Total		
	2015 \$m	2014 \$m	2013 \$m	2015 \$m	2014 \$m	2013 \$m	2015 \$m	2014 \$m	2013 \$m
Share of profits/(losses)									
Operating profits/(losses) before exceptional items	3	1	2	(1)	–	–	2	1	2
Exceptional items	–	–	6	–	–	–	–	–	6
	3	1	8	(1)	–	–	2	1	8

The exceptional profit in 2013 arose on the sale of a hotel owned by an associate investment that was classified as held for sale at 31 December 2012. Following completion of the sale, the Group received a \$17m cash distribution from the associate, being the Group's share of the net disposal proceeds.

15. Other financial assets

	2015 \$m	2014 \$m
Equity securities available-for-sale:		
Quoted equity shares	14	16
Unquoted equity shares	136	128
	150	144
Loans and receivables:		
Trade deposits and loans	54	43
Restricted funds	34	21
Bank accounts pledged as security	46	49
	134	113
Total other financial assets	284	257
Analysed as:		
Current	–	5
Non-current	284	252
	284	257

Equity securities available-for-sale are measured at fair value (see note 23) and loans and receivables are held at amortised cost.

Equity securities available-for-sale were denominated in the following currencies: US dollars \$102m (2014: \$94m), Hong Kong dollars \$28m (2014: \$34m) and other currencies \$20m (2014: \$16m). Unlisted equity shares are mainly investments in entities that own hotels which the Group manages. Dividend income from available-for-sale equity securities of \$9m (2014: \$10m) is reported as 'other operating income and expenses' in the Group income statement.

Trade deposits and loans include a deposit of \$37m made in 2011 to a hotel owner in connection with the renegotiation of a management contract. The deposit is non-interest-bearing and repayable at the end of the management contract, and is therefore held at its discounted value of \$14m (2014: \$13m); the discount unwinds to the income statement within 'financial income' over the period to repayment.

Restricted funds comprise cash held in bank accounts which is pledged as collateral to insurance companies for risks retained by the Group and other amounts held in escrow.

The bank accounts pledged as security (£31m) are subject to a charge in favour of the members of the UK unfunded pension arrangement (see note 25).

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

	2015 \$m	2014 \$m
At 1 January	(28)	(25)
Exchange and other adjustments	–	(3)
At 31 December	(28)	(28)

The provision is used to record impairment losses unless the Group is satisfied that no recovery of the amount is possible; at that point the amount considered irrecoverable is either written off directly to the income statement or, if previously provided, against the financial asset with no impact on the income statement.

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16. Trade and other receivables

	2015 \$m	2014 \$m
Current		
Trade receivables	354	327
Other receivables	28	47
Prepayments	74	63
Loans to and receivables from associates	6	11
	462	448
Non-current		
Loans to associates	3	3

Trade and other receivables are designated as loans and receivables and are held at amortised cost.

Trade receivables are non-interest-bearing and are generally on payment terms of up to 30 days. The fair value of trade and other receivables approximates their carrying value.

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

	2015 \$m	2014 \$m
Americas	233	221
Europe	54	76
Asia, Middle East and Africa	66	53
Greater China	38	38
	391	388

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

	2015			2014		
	Gross \$m	Provision \$m	Net \$m	Gross \$m	Provision \$m	Net \$m
Not past due	280	(1)	279	275	–	275
Past due 1 to 30 days	64	(3)	61	57	(3)	54
Past due 31 to 180 days	52	(5)	47	57	(3)	54
Past due more than 180 days	51	(47)	4	46	(41)	5
	447	(56)	391	435	(47)	388

The credit risk relating to balances not past due is not deemed to be significant.

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

	2015 \$m	2014 \$m	2013 \$m
At 1 January	(47)	(43)	(47)
Provided	(28)	(22)	(18)
Amounts written back	12	9	14
Amounts written off	7	9	8
At 31 December	(56)	(47)	(43)

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17. Cash and cash equivalents

	2015 \$m	2014 \$m	2013a \$m
Cash at bank and in hand	145	157	177
Short-term deposits	703	5	71
Repurchase agreements	289	–	–
	1,137	162	248

a 2013 balances were restated in 2014 for the adoption of 'Offsetting Financial Assets and Financial Liabilities' (Amendments to IAS 32), see page 94.

Cash at bank and in hand includes bank balances of \$41m (2014: \$108m, 2013: \$114m) which are matched by bank overdrafts of \$39m (2014: \$107m, 2013: \$114m) 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.

For the purposes of the Group statement of cash flows, cash and cash equivalents comprise the following:

	2015 \$m	2014 \$m	2013a \$m
Cash at bank and in hand	145	157	177
Short-term deposits	703	5	71
Repurchase agreements	289	–	–
	1,137	162	248
Bank overdrafts (note 21)	(39)	(107)	(114)
	1,098	55	134

a 2013 balances were restated in 2014 for the adoption of 'Offsetting Financial Assets and Financial Liabilities' (Amendments to IAS 32), see page 94.

Short-term deposits and repurchase agreements are highly liquid investments with an original maturity of three months or less (see note 20).

Cash and cash equivalents includes \$1m (2014: \$4m, 2013: \$12m) that is not available for general use by the Group due to local exchange controls in Venezuela and Argentina.

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18. Trade and other payables

	2015 \$m	2014 \$m
Current		
Trade payables	87	88
Other tax and social security payable	45	49
Other payables	400	317
Accruals	307	315
	839	769
Non-current		
Other payables	578	627

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

Other payables include \$649m (2014: \$725m) relating to the future redemption liability of the Group's loyalty programme, of which \$223m (2014: \$132m) is classified as current and \$426m (2014: \$593m) as non-current.

19. Provisions

	Onerous management contracts \$m	Litigation \$m	Total \$m
At 1 January 2014	1	2	3
Provided	–	9	9
Utilised	(1)	(1)	(2)
At 31 December 2014	–	10	10
Provided	–	5	5
At 31 December 2015	–	15	15

	2015 \$m	2014 \$m
Analysed as:		
Current	15	1
Non-current	–	9
	15	10

The onerous management contracts provision related to the unavoidable net cash outflows that were expected to be incurred under performance guarantees associated with certain management contracts.

Litigation largely relates to actions brought against the Group in The Americas region, including \$12m relating to System Fund activity. Insurance recoveries of \$8m are disclosed as a contingent asset and are expected to be received by the System Fund following settlement of the litigation claim.

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20. Financial risk management

Overview

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

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

Market risk exposure

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

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

Interest rate exposure is managed, using interest rate swaps if appropriate, within set parameters depending on the term of the debt, with a minimum fixed proportion of 25% of borrowings for each major currency. 100% of borrowings in major currencies were fixed rate debt at 31 December 2015, with the exception of overdrafts. No interest rate swaps were used during 2015, 2014 or 2013.

Market 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 before tax and net assets, and the impact of a rise in US dollar, euro and sterling interest rates on the Group's profit before tax.

		2015 \$m	2014 \$m	2013 \$m
Increase/(decrease) in profit before tax				
Sterling: US dollar exchange rate	5¢ fall	4.8	4.5	4.1
Euro: US dollar exchange rate	5¢ fall	(1.9)	(2.2)	(2.6)
US dollar interest rates	1% increase	(0.9)	(6.7)	–
Euro interest rates	1% increase	–	(0.9)	–
Sterling interest rates	1% increase	7.9	0.7	–
Increase/(decrease) in net assets				
Sterling: US dollar exchange rate	5¢ fall	23.7	29.1	16.0
Euro: US dollar exchange rate	5¢ fall	(7.6)	(10.9)	(14.8)

The impact of a weakening in the US dollar or a fall in interest rates would be the reverse of the above values.

Interest rate sensitivities are calculated based on the year-end net debt position plus, in 2014, the \$400m bilateral term loan drawn in 2015 to finance the Kimpton acquisition (see note 21).

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20. Financial risk management continued

Liquidity risk

The treasury function ensures that the Group has access to sufficient funds to allow the implementation of the strategy set by the Board.

Short-term borrowing requirements are met from drawings under uncommitted overdrafts and facilities. Medium- and long-term borrowing requirements are met through the following facilities and instruments:

Bank facilities	Expiry
\$1,275m Revolving Syndicated Facility	30 March 2020 ^a
\$75m Revolving Bilateral Facility	30 March 2020 ^a

Bonds issued under the Group's £1,500m Medium Term Note programme	Repayment date
£250m 6% bonds	9 December 2016
£400m 3.875% bonds	28 November 2022
£300m 3.75% bonds	14 August 2025

^a The Syndicated and Bilateral facilities also contain two one-year extension options, exercisable in 2016 and 2017.

The Syndicated and Bilateral facilities contain two financial covenants: interest cover and net debt divided by earnings before interest, tax, depreciation and amortisation (EBITDA). The Group has been in compliance with all of the financial covenants in its loan documents throughout the year, none of which is expected to present a material restriction on funding in the near future.

At the year end, the Group had cash of \$1,137m which is predominantly held in short-term deposits, repurchase agreements, and cash funds which allow daily withdrawals of cash. The Group also had overdrafts of \$39m as part of cash pooling arrangements (see note 17). Most of the Group's funds are held in the UK or US, although \$1m (2014: \$4m) is held in countries where repatriation is restricted as a result of foreign exchange regulations.

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

	Less than 1 year \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	More than 5 years \$m	Total \$m
31 December 2015					
Non-derivative financial liabilities:					
Bank overdrafts	39	–	–	–	39
£250m 6% bonds 2016	393	–	–	–	393
£400m 3.875% bonds 2022	23	23	69	638	753
£300m 3.75% bonds 2025	17	17	50	521	605
Finance lease obligations	17	17	48	3,268	3,350
Trade and other payables	839	178	263	192	1,472
Provisions	15	–	–	–	15
Derivative financial liabilities:					
Forward foreign exchange contracts	3	–	–	–	3
31 December 2014					
Non-derivative financial liabilities:					
Bank overdrafts	107	–	–	–	107
Unsecured bank loans	361	–	–	–	361
Secured bank loans	3	–	–	–	3
£250m 6% bonds 2016	23	414	–	–	437
£400m 3.875% bonds 2022	24	24	73	697	818
Finance lease obligations	16	16	48	3,284	3,364
Trade and other payables	769	174	194	345	1,482
Provisions	1	9	–	–	10
Derivative financial liabilities:					
Forward foreign exchange contracts	(2)	–	–	–	(2)

Trade and other payables includes the cash flows relating to the future redemption liability of the Group's loyalty programme. The repayment profile has been determined by actuaries based on expected redemption profiles and could in reality be different from expectations.

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20. Financial risk management continued

Credit risk

Credit risk on treasury transactions 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. During the year, the policy was amended from a minimum A credit rating to reflect current market conditions.

Short-term deposits

The table below analyses the Group's short-term deposits at 31 December 2015 by counterparty credit rating.

	AAA	AA-	A+	A	BBB+	Total
Short-term deposits	497	82	30	79	15	703

Repurchase agreements

The Group invests in repurchase agreements, which 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 valued at a discount of 2% to market value to protect against market volatility in the event of a default by the counterparty. The table below contains information about the collateral held as security at 31 December 2015.

	2015 \$m
Collateral by type	
Government bonds	36
Supranational bonds	253
	289

	2015 \$m
Collateral by credit rating	
AAA	243
AA+	42
AA	4
	289

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.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In respect of credit risk arising from financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

2015	2014
\$m	\$m

Cash and cash equivalents	1,137	162
Equity securities available-for-sale	150	144
Derivative financial instruments	–	2
Loans and receivables:		
Other financial assets	134	113
Trade and other receivables, excluding prepayments	391	388
	1,812	809

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20. Financial risk management continued

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure consists of net debt, issued share capital and reserves totalling \$838m at 31 December 2015 (2014: \$808m). The structure is managed to maintain an investment grade credit rating, to provide ongoing returns to shareholders and to service debt obligations, whilst maintaining maximum operational flexibility. A key characteristic of IHG's managed and franchised business model is that it is highly cash generative, with a high return on capital employed. Surplus cash is either reinvested in the business, used to repay debt or returned to shareholders. The Group's debt is monitored on the basis of a cash flow leverage ratio, being net debt divided by EBITDA, with the objective of maintaining an investment grade credit rating.

Derivative financial instruments

At 31 December 2015, the Group held short dated foreign exchange swaps with principals of €nil (2014: €220m) and \$481m (2014: \$31m). The swaps are used to manage sterling surplus cash and reduce euro and US dollar borrowings whilst maintaining operational flexibility.

The fair value of these derivative financial instruments at 31 December 2015 was a \$3m liability (2014: \$2m asset).

Hedging

Interest rate risk

The Group hedges its interest rate risk by ensuring that interest flows are fixed on at least 25% of its borrowings in major currencies. If required, the Group uses interest rate swaps to manage the exposure although none were held during 2015 or 2014. The Group designates interest rate swaps as cash flow hedges.

Foreign currency risk

The Group is exposed to foreign currency risk on income streams denominated in foreign currencies. From time to time, the Group hedges a portion of forecast foreign currency income by taking out forward exchange contracts. The designated risk is the spot foreign exchange risk. There were no such contracts in place at either 31 December 2015 or 31 December 2014.

Hedge of net investment in foreign operations

Where hedge accounting is applied, the Group designates certain foreign currency bank borrowings and currency derivatives as net investment hedges of foreign operations. The designated risk is the spot foreign exchange risk for loans and short dated derivatives. The interest on these financial instruments is taken through financial income or expense.

The maximum amount of foreign exchange derivatives held during the year as net investment hedges and measured at calendar quarter ends were currency swaps with a principal of \$nil (2014: \$415m) and short dated foreign exchange swaps with principals of €285m (2014: €220m) and \$315m (2014: \$165m).

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

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21. Loans and other borrowings

	2015			2014		
	Current \$m	Non- current \$m	Total \$m	Current \$m	Non- current \$m	Total \$m
Bank overdrafts	39	–	39	107	–	107
Unsecured bank loans	–	–	–	–	359	359
Secured bank loan	–	–	–	3	–	3
Finance lease obligations	17	207	224	16	202	218
£250m 6% bonds 2016	371	–	371	–	390	390
£400m 3.875% bonds 2022	–	588	588	–	618	618
£300m 3.75% bonds 2025	–	444	444	–	–	–
Total borrowings	427	1,239	1,666	126	1,569	1,695

Denominated in the following currencies:

	2015	2014	2015	2014	2014	
	Minimum	Present	Minimum	Present	Present	
Sterling	373	1,032	1,405	20	1,008	1,028
US dollars	46	207	253	87	470	557
Euros	4	–	4	12	91	103
Other	4	–	4	7	–	7
	427	1,239	1,666	126	1,569	1,695

Bank overdrafts

Bank overdrafts are matched by equivalent amounts of cash and cash equivalents under the Group's cash pooling arrangements (see note 17 for further details).

Unsecured bank loans

Unsecured bank loans are borrowings under the Group's Syndicated and Bilateral facilities. Amounts are classified as non-current when the facilities have more than 12 months to expiry.

The Syndicated Facility comprises a \$1,275m five-year revolving credit facility maturing in March 2020, with two one-year extension options exercisable in 2016 and 2017. This replaced the \$1.07bn five-year revolving facility (maturing in November 2016) following a successful refinancing of the facility in March 2015, which resulted in a reduction in the interest margin payable.

The Bilateral Facility comprises a \$75m revolving credit facility maturing in March 2020, with two one-year extension options exercisable in 2016 and 2017. The Bilateral Facility contains the same terms and covenants as the Syndicated Facility.

A variable rate of interest is payable on amounts drawn under both facilities, which were undrawn at 31 December 2015.

Secured bank loan

The secured bank loan related to a New Zealand dollar mortgage which was secured on the related hotel property and was repayable by instalments. The interest in the hotel was disposed of in 2015.

Finance lease obligations

Finance lease obligations, which relate primarily to the 99-year lease (of which 90 years remain) on the InterContinental Boston hotel, are payable as follows:

2015		2014	
Minimum	Present	Minimum	Present

	lease payments \$m	value of payments \$m	lease payments \$m	value of payments \$m
Less than one year	17	17	16	16
Between one and five years	65	49	64	48
More than five years	3,268	158	3,284	154
	3,350	224	3,364	218
Less: amount representing finance charges	(3,126)	–	(3,146)	–
	224	224	218	218

The Group has the option to extend the term of the InterContinental Boston lease for two additional 20-year terms. Payments under the lease step up at regular intervals over the lease term. Interest is payable on the obligation at a fixed rate of 9.7%.

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21. Loans and other borrowings continued

£250m 6% bonds 2016

The 6% fixed interest sterling bonds were issued on 9 December 2009 and are repayable in full on 9 December 2016. Interest is payable annually on 9 December each year. The bonds were initially priced at 99.465% of face value and are unsecured. Currency swaps were transacted at the same time the bonds were issued in order to swap the proceeds and interest flows into US dollars and were subsequently closed out during 2014.

£400m 3.875% bonds 2022

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

£300m 3.75% bonds 2025

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

Facilities provided by banks

	2015			2014		
	Utilised \$m	Unutilised \$m	Total \$m	Utilised \$m	Unutilised \$m	Total \$m
Committed	–	1,350	1,350	364	709	1,073
Uncommitted	–	64	64	4	62	66
	–	1,414	1,414	368	771	1,139
					2015 \$m	2014 \$m
Unutilised facilities expire:						
Within one year					64	62
After two but before five years					1,350	709
					1,414	771

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

Kimpton acquisition

In January 2015, a \$400m bilateral term loan was drawn down to finance the acquisition of Kimpton (see note 10). The loan had a term of six months plus two six-month extension periods, one of which was exercised in June 2015. A variable rate of interest was payable on the loan which had identical covenants to the Syndicated Facility. The loan was repaid in full and the facility cancelled in August 2015.

22. Reconciliation of profit for the year to cash flow from operations

For the year ended 31 December 2015	Note	2015 \$m	2014 \$m	2013 \$m
Profit for the year		1,224	392	374
Adjustments for:				
Net financial expenses		87	80	73
Income tax charge	7	188	208	226
Depreciation and amortisation		96	96	85
Impairment		36	–	–
Other exceptional operating items		(855)	(29)	(5)
Equity-settled share-based cost	26	19	21	22
Dividends from associates and joint ventures	14	5	2	5
Other items		6	4	2
Decrease/(increase) in trade and other receivables		3	(18)	(9)
Net change in loyalty programme liability and System Fund surplus	32	42	58	61
Increase in other trade and other payables		8	61	8
Utilisation of provisions	19	–	(2)	(3)
Retirement benefit contributions, net of costs		(4)	(6)	(18)
Cash flows relating to exceptional operating items		(45)	(114)	(33)
Total adjustments		(414)	361	414
Cash flow from operations		810	753	788

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23. Fair value measurement

Fair values

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

		2015		2014	
	Note	Carrying value \$m	Fair value \$m	Carrying value \$m	Fair value \$m
Financial assets					
Cash and cash equivalents	17	1,137	1,137	162	162
Equity securities available-for-sale	15	150	150	144	144
Loans and receivables:					
Other financial assets	15	134	134	113	113
Trade and other financial receivables, excluding prepayments	16	391	391	388	388
Derivatives ^a		–	–	2	2
		1,812	1,812	809	809
Financial liabilities					
£250m 6% bonds 2016	21	(371)	(386)	(390)	(423)
£400m 3.875% bonds 2022	21	(588)	(608)	(618)	(659)
£300m 3.75% bonds 2025	21	(444)	(443)	–	–
Finance lease obligations	21	(224)	(305)	(218)	(277)
Unsecured bank loans	21	–	–	(359)	(359)
Secured bank loan	21	–	–	(3)	(3)
Bank overdrafts	21	(39)	(39)	(107)	(107)
Trade and other payables	18	(1,417)	(1,417)	(1,396)	(1,396)
Derivatives ^a		(3)	(3)	–	–
Provisions	19	(15)	(15)	(10)	(10)
		(3,101)	(3,216)	(3,101)	(3,234)

^a Financial assets and liabilities which are measured at fair value.

There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis, or for which fair value is disclosed.

The fair value of cash and cash equivalents and bank overdrafts approximates book value due to the short maturity of the investments and deposits, and the fair value of other financial assets approximates book value based on prevailing market rates. The fair value of the secured and unsecured bank loans approximates book value as interest rates reset to market rates on a frequent basis. The fair value of trade and other receivables, trade and other payables and current provisions approximates to their carrying value, including the future redemption liability of the Group's loyalty programme.

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the above assets and liabilities, other than those with carrying amounts which are reasonable approximations of their fair values:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2015				2014			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets								
Equity securities available-for-sale:								
Quoted equity shares	14	–	–	14	16	–	–	16
Unquoted equity shares	–	–	136	136	–	–	128	128
Derivatives	–	–	–	–	–	2	–	2
Liabilities								
£250m 6% bonds 2016	(386)	–	–	(386)	(423)	–	–	(423)
£400m 3.875% bonds 2022	(608)	–	–	(608)	(659)	–	–	(659)
£300m 3.75% bonds 2025	(443)	–	–	(443)	–	–	–	–
Finance lease obligations	–	(305)	–	(305)	–	(277)	–	(277)
Derivatives	–	(3)	–	(3)	–	–	–	–

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23. Fair value measurement continued

There were no transfers between Level 1 and Level 2 fair value measurements during the year and no transfers into and out of Level 3.

The fair value of quoted equity shares and the bonds is based on their quoted market price.

Derivatives are fair valued using discounted future cash flows, taking into consideration exchange rates prevailing on the last day of the reporting period and interest rates from observable swap curves.

Finance lease obligations relate primarily to the lease of InterContinental Boston, which is fair valued by discounting the future cash flows payable under the loan, which are fixed, at a risk adjusted long-term interest rate. The interest rate used to discount the cash flows at 31 December 2015 was 7.0% (2014: 7.4%).

Unquoted equity shares are fair valued using the International Private Equity and Venture Capital Valuation Guidelines either by applying an average price-earnings (P/E) ratio for a competitor group to the earnings generated by the investment or by reference to share of net assets if the investment is currently loss-making or a recent property valuation is available. The average P/E ratio for the year was 21.9 (2014: 24.0) and a non-marketability factor of 30% (2014: 30%) is applied. A 10% increase in the average P/E ratio would result in a \$3m increase (2014: \$3m) in the fair value of the investments and a 10% decrease in the average P/E ratio would result in a \$3m decrease (2014: \$3m) in the fair value of the investments. A 10% increase in net assets would result in a \$8m increase (2014: \$7m) in the fair value of the investments and a 10% decrease in net assets would result in a \$8m decrease (2014: \$7m) in the fair value of the investments.

The following table reconciles the movements in the fair values of investments classified as Level 3 during the year:

	2015 \$m	2014 \$m
At 1 January	128	127
Additions	5	5
Repaid	–	(8)
Valuation gains recognised in other comprehensive income	4	7
Exchange and other adjustments	(1)	(3)
At 31 December	136	128

24. Net debt

	2015 \$m	2014 \$m

Cash and cash equivalents	1,137	162
Loans and other borrowings – current	(427)	(126)
– non-current	(1,239)	(1,569)
Net debt	(529)	(1,533)

Movement in net debt

Net increase/(decrease) in cash and cash equivalents, net of overdrafts	1,107	(70)
Add back cash flows in respect of other components of net debt:		
Issue of long-term bonds	(458)	–
Other new borrowings	(400)	–
New borrowings repaid	400	–
Decrease/(increase) in other borrowings	355	(382)
Close-out of currency swaps	–	(4)
Decrease/(increase) in net debt arising from cash flows	1,004	(456)
Non-cash movements:		
Finance lease obligations	(6)	(3)
Increase in accrued interest	(7)	–
Exchange and other adjustments	13	79
Decrease/(increase) in net debt	1,004	(380)
Net debt at beginning of the year	(1,533)	(1,153)
Net debt at end of the year	(529)	(1,533)

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25. 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 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 Company meets the benefit payment obligations of the remaining members as they fall due. A charge over certain ring-fenced bank accounts totalling £31m at 31 December 2015 (see note 15) is currently held as security on behalf of the remaining members.

US and other

The Group also maintains the following US-based defined benefit plans: the funded Inter-Continental Hotels Pension Plan, unfunded Inter-Continental Hotels Non-qualified Pension Plans and unfunded Inter-Continental Hotels Corporation Postretirement Medical, Dental, Vision and Death Benefit Plan. All plans are closed to new members. In respect of the funded plan, an Investment Committee has responsibility for the oversight and management of the plan's assets, which are held in a separate trust. The Committee comprises senior company employees and is assisted by professional advisers as and when required. The company currently makes contributions that equal or exceed the minimum funding amounts required by the Employee Retirement Income and Security Act of 1974 (ERISA). The investment objective is to achieve full funding over time by following a specified 'glide path approach' which results in a progressive switching from return seeking assets to liability-matching assets as the funded status of the plan increases. At 31 December 2015, over 80% of the plan assets were held in liability-matching assets.

During the year, the Group made a lump sum cash-out offer to the terminated vested members of the Inter-Continental Hotels Pension Plan. Members accepting the offer received lump sum cash payments totalling \$11m on 1 November 2015.

The Group also operates a number of smaller pension schemes outside the UK, the most significant of which is a defined contribution scheme in the US; there is no material difference between the pension costs of, and contributions to, these schemes.

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

	Pension plans									Post-employment benefits			Total		
	UK			US and other											
	2015 \$m	2014 \$m	2013 \$m	2015 \$m	2014 \$m	2013 \$m	2015 \$m	2014 \$m	2013 \$m	2015 \$m	2014 \$m	2013 \$m			
Current service cost	-	-	2	-	1	1	-	-	-	-	-	1	3		
Past service cost	-	-	-	-	-	1	-	-	-	-	-	-	1		
Net interest expense	1	2	-	3	3	3	1	1	1	5	6	4			
Administration costs	1	3	1	1	-	1	-	-	-	2	3	2			
Settlement gain	-	-	-	(2)	-	-	-	-	-	(2)	-	-			
Operating profit before exceptional items	2	5	3	2	4	6	1	1	1	5	10	10			
Exceptional items:															

Settlement cost	-	6	147	-	-	-	-	-	-	-	6	147
	2	11	150	2	4	6	1	1	1	5	16	157

The settlement gain in 2015 results from the partial cash-out of the US Inter-Continental Hotels Pension Plan and comprises the difference between the accounting value of the liabilities extinguished and the amount of the lump sum payments.

The settlement cost in 2014 resulted from the partial cash-out of the UK unfunded pension arrangements and comprised transaction and related social security costs of \$9m, offset by the \$3m difference between the accounting value of the liabilities extinguished and the amount of the committed cash-out payments. In 2014, related cash payments of \$53m are included in cash flows relating to exceptional operating items in the Group statement of cash flows.

The settlement cost in 2013 resulted from the buy-in transaction that preceded the full buy-out of the defined benefit arrangements and comprised a past service cost of \$5m relating to additional benefits secured by the transaction, the \$137m difference between the cost of the insurance policy and the accounting value of the liabilities secured and transaction costs of \$5m. As the policy was structured to enable the plan to move to a buy-out and the intention was to proceed on that basis, the buy-in transaction was accounted for as a settlement with the loss arising recorded in the income statement.

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25. Retirement benefits continued

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

	2015			2014			2013		
	Plan assets \$m	Plan obligations \$m	Total \$m	Plan assets \$m	Plan obligations \$m	Total \$m	Plan assets \$m	Plan obligations \$m	Total \$m
Return on plan assets (excluding amounts included in interest)	(7)	-	(7)	88	-	88	2	-	2
Actuarial gains and losses arising from changes in:									
Demographic assumptions	-	5	5	-	(3)	(3)	-	12	12
Financial assumptions	-	10	10	-	(113)	(113)	-	(57)	(57)
Experience adjustments	-	2	2	-	4	4	-	(6)	(6)
Change in asset restriction (excluding amounts included in interest)	3	-	3	(1)	-	(1)	89	-	89
Other comprehensive income	(4)	17	13	87	(112)	(25)	91	(51)	40

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

	Pension plans				Post-employment benefits		Total	
	UK		US and other		2015 \$m	2014 \$m	2015 \$m	2014 \$m
	2015 \$m	2014 \$m	2015 \$m	2014 \$m				
Retirement benefit assets								
Fair value of plan assets	-	8	-	16	-	-	-	24
Present value of benefit obligations	-	-	-	(13)	-	-	-	(13)
Surplus in schemes	-	8	-	3	-	-	-	11
Asset restriction	-	(3)	-	-	-	-	-	(3)
Total retirement benefit assets	-	5	-	3	-	-	-	8
Retirement benefit obligations								
Fair value of plan assets	-	-	121	151	-	-	121	151
Present value of benefit obligations	(27)	(31)	(202)	(242)	(21)	(24)	(250)	(297)

Total retirement benefit obligations	(27)	(31)	(81)	(91)	(21)	(24)	(129)	(146)
Total fair value of plan assets	–	8	121	167	–	–	121	175
Total present value of benefit obligations	(27)	(31)	(202)	(255)	(21)	(24)	(250)	(310)

At 1 January 2015, 'US and other' included a surplus of \$3m in respect of a defined benefit pension plan in Hong Kong and a deficit of \$1m in respect of a defined benefit pension plan in the Netherlands. During the year, the Hong Kong plan was transferred to the new owner of InterContinental Hong Kong (see note 11) and the Dutch pension obligations became fully insured resulting in the cessation of defined benefit accounting.

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25. Retirement benefits continued

Assumptions

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

	Pension plans						Post-employment benefits		
	UK			US			2015	2014	2013
	2015	2014	2013	2015	2014	2013			
%	%	%	%	%	%	%	%	%	
Pensions increases	3.2	3.3	3.6	–	–	–	–	–	–
Discount rate	4.0	3.7	4.6	3.9	3.6	4.5	3.9	3.7	4.6
Inflation rate	3.2	3.3	3.6	–	–	–	–	–	–
Healthcare cost trend rate assumed for next year:									
Pre 65 (ultimate rate reached in 2022)							7.5	8.0	8.5
Post 65 (ultimate rate reached in 2024)							9.0	12.5	17.5
Ultimate rate that the cost trend rate trends to							4.5	5.0	5.2

Mortality is the most significant demographic assumption. The current assumptions for the UK are based on the S1NA tables with long cohort projections and a 1.25% per annum underpin to future mortality improvements with age rated down by three years for pensioners and non-pensioners. In the US, the current assumptions are based on the RP-2014 Employee/Healthy Annuitant Generationally Projected with Scale MP-2015 mortality tables.

In the US, the assumption has been revised during the year to reflect reduced life expectancy at retirement age as follows:

	Pension plans					
	UK			US		
	2015	2014	2013	2015	2014	2013
	Years	Years	Years	Years	Years	Years
Current pensioners at 65a – male	26	26	24	21	22	21
– female	29	29	27	23	24	23
Future pensioners at 65b – male	28	28	27	23	23	22
– female	31	31	30	25	25	25

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 2035.

The assumptions allow for expected increases in longevity.

Sensitivities

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

		UK		US	
		Higher/ (lower) pension cost \$m	Increase/ (decrease) in liabilities \$m	Higher/ (lower) pension cost \$m	Increase/ (decrease) in liabilities \$m
Pensions increases	- 0.25% decrease	-	(1.2)	-	-
	- 0.25% increase	-	1.2	-	-
Discount rate	- 0.25% decrease	-	1.3	-	5.9
	- 0.25% increase	-	(1.2)	-	(5.7)
Inflation rate	- 0.25% increase	-	1.2	-	-
	- 0.25% decrease	-	(1.2)	-	-
Mortality rate	- one year increase	-	0.6	0.3	8.7

A one percentage point increase in assumed healthcare costs trend rate would increase the accumulated post-employment benefit obligations as at 31 December 2015 by \$2.0m (2014: \$2.4m, 2013: \$2.8m) and a one percentage point decrease would decrease the obligations by \$1.8m (2014: \$2.2m, 2013: \$2.3m).

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25. Retirement benefits continued

Movement in benefit obligation

	Pension plans				Post-employment benefits		Total	
	UK		US and other		2015 \$m	2014 \$m	2015 \$m	2014 \$m
	2015 \$m	2014 \$m	2015 \$m	2014 \$m				
Benefit obligation at 1 January	31	659	255	233	24	24	310	916
Current service cost	-	-	-	1	-	-	-	1
Interest expense	1	24	8	10	1	1	10	35
Settlement gain before costs	-	(3)	(2)	-	-	-	(2)	(3)
Benefits paid	-	(18)	(14)	(14)	(1)	(1)	(15)	(33)
Committed cash-out payments	-	(57)	(11)	-	-	-	(11)	(57)
Re-measurement (gains)/losses	(4)	86	(10)	26	(3)	-	(17)	112
Derecognised on buy-out	-	(640)	(11)	-	-	-	(11)	(640)
Transfers to non-current assets classified as held for sale	-	-	(12)	-	-	-	(12)	-
Exchange adjustments	(1)	(20)	(1)	(1)	-	-	(2)	(21)
Benefit obligation at 31 December	27	31	202	255	21	24	250	310

Comprising:

Funded plans	-	-	150	199	-	-	150	199
Unfunded plans	27	31	52	56	21	24	100	111
	27	31	202	255	21	24	250	310

Movement in plan assets

	Pension plans				Post-employment benefits		Total	
	UK		US and other		2015 \$m	2014 \$m	2015 \$m	2014 \$m
	2015 \$m	2014 \$m	2015 \$m	2014 \$m				
Fair value of plan assets at 1 January	8	582	167	159	-	-	175	741
Company contributions	-	3	8	11	1	1	9	15

Benefits paid	-	(18)	(14)	(14)	(1)	(1)	(15)	(33)
Interest income	-	22	5	7	-	-	5	29
Re-measurement gains/(losses)	-	83	(7)	5	-	-	(7)	88
Administration costs	(1)	(3)	(1)	-	-	-	(2)	(3)
Derecognised on buy-out	-	(640)	(22)	-	-	-	(22)	(640)
Transfer to defined contribution plan	(7)	-	-	-	-	-	(7)	-
Transfers to non-current assets classified as held for sale	-	-	(15)	-	-	-	(15)	-
Exchange adjustments	-	(21)	-	(1)	-	-	-	(22)
Fair value of plan assets at 31 December	-	8	121	167	-	-	121	175

Company contributions are expected to be \$9m in 2016.

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

	UK		US and other	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Investments quoted in active markets				
Investment funds:				
Global equities	-	-	17	21
Corporate bonds	-	-	101	131
Property	-	-	2	2
Unquoted investments				
Qualifying insurance policy	-	-	-	11
Cash and other	-	8	1	2
	-	8	121	167

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

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25. Retirement benefits continued

	Pension plans				Post-employment benefits		Total	
	UK		US and other		2015 \$m	2014 \$m	2015 \$m	2014 \$m
	2015 \$m	2014 \$m	2015 \$m	2014 \$m				
Movement in asset restriction								
Balance at 1 January	3	2	-	-	-	-	3	2
Re-measurement (gains)/losses	(3)	1	-	-	-	-	(3)	1
Balance at 31 December	-	3	-	-	-	-	-	3

Estimated future benefit payments

	Pension plans				Post-employment benefits		Total	
	UK		US and other		2015 \$m	2014 \$m	2015 \$m	2014 \$m
	2015 \$m	2014 \$m	2015 \$m	2014 \$m				
Within one year	-	-	14	15	1	1	15	16
Between one and five years	2	2	54	58	5	5	61	65
After five years	16	11	65	78	7	7	88	96
	18	13	133	151	13	13	164	177
Average duration of obligation (years)	22.0	22.0	10.1	11.9	10.5	11.9		

26. 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. The 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 with no voluntary deferral and no matching 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 award 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 middle market quoted prices on the three consecutive dealing days immediately preceding the date of grant. A number of executives participated in the APP during the year and conditional rights over 265,285 (2014: 305,345, 2013: 318,911) shares were awarded to participants. New plan rules for the APP were approved by shareholders at the Annual General Meeting on 2 May 2014, and apply to awards made in respect of the 2015 and subsequent financial years. The new plan rules contain substantially the same terms as the superseded plan rules.

Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) allows Executive Directors and eligible employees to receive share awards, subject to the achievement of performance conditions, set by the Remuneration Committee, which are normally measured over a three-year period. More detailed information on performance measures is shown in the Directors' Remuneration Report on pages 68 to 77. Awards are normally made annually and, except in exceptional circumstances, will not exceed three times

salary for eligible employees. During the year, conditional rights over 1,803,308 (2014: 2,171,390, 2013: 2,227,293) shares were awarded to employees under the plan. The plan provides for the grant of 'nil cost options' to participants as an alternative to conditional share awards. New plan rules for the LTIP were approved by shareholders at the Annual General Meeting on 2 May 2014, and apply to awards made in respect of the 2015-17 and subsequent LTIP cycles. The new plan rules contain substantially the same terms as the superseded plan rules.

Executive Share Option Plan

The plan was not operated during 2015 and no options were granted in the year under the plan, neither will any further options be granted under the plan. All options were exercised or lapsed before 31 December 2014.

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26. Share-based payments continued

The Group recognised a cost of \$19m (2014: \$21m, 2013: \$22m) in operating profit related to equity-settled share-based payment transactions during the year, net of amounts borne by the System Fund.

The aggregate consideration in respect of ordinary shares issued under option schemes during the year was \$nil (2014: \$nil, 2013: \$5m).

The following table sets forth awards granted during 2015:

	APP	LTIP
Number of shares awarded in 2015	265,285	1,803,308

The Group uses separate option pricing models and assumptions depending on the plan. The following table sets out information about awards granted in 2015, 2014 and 2013:

	APP			LTIP		
	Binomial valuation model			Monte Carlo Simulation and Binomial valuation model		
	2015	2014	2013	2015	2014	2013
Weighted average share price	2,565.0p	1,925.0p	1,928.0p	2,634.0p	1,916.0p	1,913.0p
Expected dividend yield	n/a	n/a	2.63%	2.34%	2.55%	2.59%
Risk-free interest rate				0.59%	1.29%	0.27%
Volatility ^a				22%	28%	28%
Term (years)	3.0	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.

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

	APP Number of shares thousands	LTIP Number of shares thousands
Outstanding at 1 January 2013	622	7,160
Granted	319	2,227
Vested	(72)	(2,206)
Lapsed or cancelled	(29)	(406)
Outstanding at 31 December 2013	840	6,775
Granted	305	2,171
Vested	(310)	(1,447)
Share capital consolidation	(38)	–
Lapsed or cancelled	(29)	(1,379)
Outstanding at 31 December 2014	768	6,120

Granted	265	1,803
Vested	(307)	(1,278)
Lapsed or cancelled	(37)	(1,370)
Outstanding at 31 December 2015	689	5,275

Fair value of awards granted during the year (cents)	APP	LTIP
2015	3,874.5	1,734.5
2014	3,134.6	1,202.1
2013	2,873.4	1,127.9

Weighted average remaining contract life (years)	APP	LTIP
At 31 December 2015	1.2	1.1
At 31 December 2014	1.1	1.1
At 31 December 2013	1.1	1.1

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

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26. Share-based payments continued

	Number of shares thousands	Range of option prices pence	Weighted average option price pence
Executive Share Option Plan			
Outstanding at 1 January 2013	698	438.0–619.8	514.8
Exercised	(638)	438.0–619.8	512.3
Outstanding at 31 December 2013	60	494.2–619.8	541.3
Exercised	(60)	494.2–619.8	541.3
Outstanding at 31 December 2014 and 31 December 2015	–	n/a	–
Options exercisable			
At 31 December 2014 and 31 December 2015	–	n/a	n/a
At 31 December 2013	60	494.2–619.8	541.3

The weighted average share price at the date of exercise for share awards vested during the year was 2,592.1p (2014: 1,966.5p). The closing share price on 31 December 2015 was 2,658.0p and the range during the year was 2,209.0p to 2,880.0p per share.

27. 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 2013 (ordinary shares of 14194/329p each)	268	63	116	179
Issued on exercise of share options	1	–	5	5
Exchange adjustments	–	2	3	5
At 31 December 2013 (ordinary shares of 14194/329p each)	269	65	124	189
Share capital consolidation	(20)	–	–	–
Repurchased and cancelled under repurchase programme	(1)	–	–	–
Exchange adjustments	–	(4)	(7)	(11)
At 31 December 2014 (ordinary shares of 15265/329p each)	248	61	117	178
Exchange adjustments	–	(3)	(6)	(9)
At 31 December 2015 (ordinary shares of 15265/329p each)	248	58	111	169

On 7 August 2012, the Company announced a \$1bn return of funds to shareholders comprising a \$500m special dividend with share consolidation and a \$500m share repurchase programme. The share consolidation was approved on 8 October 2012 at a General Meeting (GM) of the Company and became effective on 9 October 2012 on the basis of 14 new ordinary shares of 14 194/329p each for every 15 existing ordinary shares of 13 294/7p each. The special dividend of 172.0¢ per share

was paid to shareholders on 22 October 2012 at a total cost of \$505m. Under the authority granted by shareholders at the GM on 8 October 2012, the share repurchase programme commenced. In the year to 31 December 2014, 3.4m (2013: 9.8m) shares were repurchased for a consideration of \$110m (2013: \$283m), increasing the total amount repurchased to \$500m and completing the programme. Of the 3.4m (2013: 9.8m) shares repurchased in 2014, 2.7m (2013: 9.8m) are held as treasury shares and 0.7m (2013: nil) were cancelled. The cost of treasury shares was deducted from retained earnings.

The authority given to the Company at the Annual General Meeting held on 8 May 2015 to purchase its own shares was still valid at 31 December 2015. A resolution to renew the authority will be put to shareholders at the Annual General Meeting on 6 May 2016.

On 6 August 2013, the Company announced a special dividend of 133.0¢ per share amounting to \$355m which was paid to shareholders on 4 October 2013.

On 2 May 2014, the Company announced a \$750m return to shareholders by way of a special dividend and share consolidation. On 30 June 2014, shareholders approved the share consolidation at a GM of the Company on the basis of 12 new ordinary shares of 15 265/329p per share for every 13 existing ordinary shares of 14 194/329p each, which became effective on 1 July 2014. The special dividend of 293.0¢ per share was paid to shareholders on 14 July 2014, at a total cost of \$763m.

As a result of the 2014 share consolidation, the number of shares held in treasury reduced from 12.5m to 11.5m.

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising 15 265/329p shares. The share premium reserve represents the amount of proceeds received for shares in excess of their nominal value.

The Company no longer has an authorised share capital.

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27. Equity continued

The nature and purpose of the other reserves shown in the Group statement of changes in equity on pages 89 to 91 of the Financial Statements is as follows:

Capital redemption reserve

This reserve maintains the nominal value of the equity share capital of the Company when shares are repurchased or cancelled.

Shares held by employee share trusts

Comprises \$18.3m (2014: \$34.5m, 2013: \$37.6m) in respect of 0.5m (2014: 0.9m, 2013: 1.2m) InterContinental Hotels Group PLC ordinary shares held by employee share trusts, with a market value at 31 December 2015 of \$19.8m (2014: \$38.2m, 2013: \$39.8m).

Other reserves

Comprises the merger and revaluation reserves previously recognised under UK GAAP, together with the reserve arising as a consequence of the Group's capital reorganisation in June 2005. Following the change in presentational currency to the US dollar in 2008, 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.

Unrealised gains and losses reserve

This reserve records movements in the fair value of available-for-sale financial assets and the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred.

Currency translation reserve

This reserve records the movement in exchange differences arising from the translation of foreign operations and exchange differences on foreign currency borrowings and derivative instruments that provide a hedge against net investments in foreign operations. On adoption of IFRS, cumulative exchange differences were deemed to be \$nil as permitted by IFRS 1.

The fair value of derivative instruments designated as hedges of net investments in foreign operations outstanding at 31 December 2015 was a \$3m net liability (2014: \$2m net asset, 2013: \$10m net liability).

Treasury shares

At 31 December 2015, 11.5m shares (2014: 11.5m, 2013: 9.8m) with a nominal value of \$2.7m (2014: \$2.8m, 2013: \$2.4m) were held as treasury shares at cost and deducted from retained earnings.

Non-controlling interest

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

28. Operating leases

During the year ended 31 December 2015, \$77m (2014: \$72m, 2013: \$67m) was recognised as an expense in the Group income statement in respect of operating leases, net of amounts borne directly by the System Fund. The expense includes contingent rents of \$29m (2014: \$27m, 2013: \$24m). \$3m (2014: \$4m, 2013: \$4m) was recognised as income from sub-leases.

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

	2015	2014
	\$m	\$m
Due within one year	47	40
One to two years	42	34
Two to three years	42	28
Three to four years	38	27
Four to five years	37	20
More than five years	402	200
	608	349

In addition, in certain circumstances the Group is committed to making additional lease payments that are contingent on the performance of the hotels that are being leased.

The average remaining term of these leases, which generally contain renewal options, is approximately 17 years (2014: 17 years). No material restrictions or guarantees exist in the Group's lease obligations.

Total future minimum rentals expected to be received under non-cancellable sub-leases are \$5m (2014: \$8m).

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29. Capital and other commitments

	2015 \$m	2014 \$m
Contracts placed for expenditure not provided for in the Group Financial Statements:		
Property, plant and equipment	29	70
Intangible assets	47	47
	76	117

The Group has also committed to invest in a number of its associates, with an estimated outstanding commitment of \$45m at 31 December 2015 (2014: \$89m) based on current forecasts.

30. Contingencies and guarantees

At 31 December 2015, the Group had no contingent liabilities (2014: \$nil).

In limited cases, the Group may provide performance guarantees to third-party hotel owners to secure management contracts. At 31 December 2015, the amount provided in the Financial Statements was \$1m (2014: \$2m) and the maximum unprovided exposure under such guarantees was \$13m (2014: \$29m).

At 31 December 2015, the Group had outstanding letters of credit of \$37m (2014: \$40m) mainly relating to self insurance programmes.

The Group may guarantee loans made to facilitate third-party ownership of hotels in which the Group has an equity interest. At 31 December 2015, there were guarantees of \$30m in place (2014: \$20m).

In connection with the Barclay associate (see note 14), the Group has provided an indemnity to its joint venture partner for 100% of the obligations related to a \$43m supplemental bank loan made to the Barclay associate on 31 December 2015.

From time to time, the Group is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. In particular, the Group is currently subject to a claim by Pan American Life Insurance Company and a class action lawsuit in the US (see 'Legal proceedings' on page 164). The Group has also given warranties in respect of the disposal of certain of its former subsidiaries. It is the view of the Directors that, other than to the extent that liabilities have been provided for in these Financial Statements, it is not possible to quantify any loss to which these proceedings or claims under these warranties may give rise, however, as at the date of reporting, the Group does not believe that the outcome of these matters will have a material effect on the Group's financial position.

31. Related party disclosures

	2015 \$m	2014 \$m	2013 \$m
Total compensation of key management personnel^a			
Short-term employment benefits	19.5	21.5	20.7
Contributions to defined contribution pension plans	0.7	0.7	0.8
Equity compensation benefits	6.2	7.9	8.1
	26.4	30.1	29.6

^a In 2014, excludes ICETUS cash-out payment of £9.4m.

There were no other transactions with key management personnel during the years ended 31 December 2015, 2014 or 2013.

Key management personnel comprises the Board and Executive Committee.

Related party disclosures for associates and joint ventures are as follows:

	Associates			Joint ventures			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue from associates and joint ventures	3	4	4	–	–	–	3	4	4
Loans to associates	7	3	–	–	–	–	7	3	–
Other amounts owed by associates and joint ventures	2	11	2	–	–	–	2	11	2

During the year, short-term advances of \$22m were made to the Barclay associate which were repaid on 31 December 2015.

In addition, loans both to and from the Barclay associate of \$237m (2014: \$237m) are offset in accordance with the provisions of IAS 32 and presented net in the Group statement of financial position. Interest payable and receivable under the loans is equivalent (average interest rate of 1.7% in 2015 (2014: 1.8%)) and presented net in the Group income statement.

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32. System Fund

The Group operates a System Fund (the Fund) to collect and administer assessments and contributions from hotel owners (other than for Kimpton and InterContinental hotels) for specific use in marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System. The Fund and loyalty programme are accounted for in accordance with the accounting policies set out on page 98 of the Financial Statements.

Following the announcement on 14 April 2015 of the introduction of an expiration policy for points earned under the loyalty programme, the Group released \$156m from the programme's future redemption liability. The amount released was based on the advice of an external actuary who used statistical models to estimate the impact of the programme change on members' behaviour. The liability release resulted in a corresponding increase in the System Fund surplus which is also recorded in the Group statement of financial position.

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

	2015	2014	2013
	\$m	\$m	\$m
Income:			
Assessment fees and contributions received from hotels	1,351	1,271	1,154
Proceeds from sale of IHG Rewards Club points	222	196	153
Key elements of expenditure:			
Marketing	308	267	245
IHG Rewards Club	345	296	219
Payroll costs	295	267	239
Net surplus/(deficit) for the year ^a	118	(18)	35
Interest payable to the Fund	2	2	2

a Not included in the Group income statement in accordance with the Group's accounting policies.

The payroll costs above relate to 5,416 (2014: 4,975, 2013: 4,615) employees whose costs are borne by the Fund.

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

	2015 \$m	2014 \$m	2013 \$m
System Fund surplus	186	68	86
Loyalty programme future redemption liability	649	725	649
	835	793	735

The net change in the loyalty programme liability and Fund surplus contributed an inflow of \$42m (2014: \$58m, 2013: \$61m) to the Group's cash flow from operations.

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33. 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 country of incorporation and effective percentage of equity owned as at 31 December 2015 are disclosed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by InterContinental Hotels Group PLC.

Fully owned subsidiaries

"IHG Management" d.o.o. Beograd (Serbia)
36th Street IHG Sub, LLC (US) (vii)
426 Main Ave LLC (US) (vii)
46 Nevins Street Associates, LLC (US) (vii)
831 6th Avenue Associates, LLC (US) (vii)
Allegro Management LLC (US) (vii)
American Commonwealth Assurance Co. Ltd.
(Bermuda)
Asia Pacific Holdings Limited (England)
Barclay Operating Corp. (US)
BHMC Canada Inc. (Canada)
BHR Holdings B.V. (The Netherlands)
BHR Luxembourg SARL (Luxembourg)
BHR Pacific Holdings, Inc. (US)
BHTC Canada Inc. (Canada)
BOC Barclay Sub LLC (US) (vii)
Bristol Oakbrook Tenant Company (US)
Café Biarritz (US)
Cambridge Lodging LLC (US) (vii)
Capital Lodging LLC (US) (vii)
Compañía Inter-Continental De Hoteles
El Salvador SA (El Salvador)
Crowne Plaza Amsterdam (Management)
B.V. (The Netherlands)
Crowne Plaza LLC (US) (vii)
Dunwoody Operations, Inc. (US)
Edinburgh IC Limited (Scotland)
EVEN Real Estate Holding LLC (US) (vii)
First NY Hospitality LLC (US) (vii)
General Innkeeping Acceptance Corporation (US) (ii)
Guangzhou SC Hotels Services Ltd. (China)
H.I. (Ireland) Limited (Ireland)
HI Sugarloaf, LLC (US) (vii)
Hale International Ltd. (British Virgin Islands)
HC International Holdings, Inc. (US)
HH France Holdings SAS (France)
HH Hotels (EMEA) B.V. (The Netherlands)
HH Hotels (Romania) SRL (Romania)
HIM (Aruba) NV (Aruba)
Hoft Properties LLC (US) (vii)
Holiday Hospitality Franchising, LLC (US) (vii)
Holiday Inn Cairns Pty. Ltd (Australia)
Holiday Inn Mexicana S.A. de C.V. (Mexico)
Holiday Inns (China) Ltd (Hong Kong)
Holiday Inns (Chongqing), Inc. (US)
Holiday Inns (Courtaîin) Holdings SAS (France)
Holiday Inns (Courtaîin) SAS (France) (ii)
Holiday Inns (England) Ltd. (England)

Holiday Inns (Germany), LLC (US) (vii)
 Holiday Inns (Guangzhou), Inc. (US)
 Holiday Inns (Jamaica) Inc. (US)
 Holiday Inns (Macau) Ltd. (Hong Kong)
 Holiday Inns (Malaysia) Ltd. (Hong Kong)
 Holiday Inns (Middle East) Ltd. (Hong Kong)
 Holiday Inns (Philippines), Inc. (US)
 Holiday Inns (Saudi Arabia), Inc. (US)
 Holiday Inns (South East Asia) Inc. (US)
 Holiday Inns (Thailand) Ltd. (Hong Kong)
 Holiday Inns (UK), Inc. (US)
 Holiday Inns Crowne Plaza (Hong Kong), Inc. (US)
 Holiday Inns Holdings (Australia) Pty Ltd. (Australia)
 Holiday Inns Inc. (US)
 Holiday Inns Investment (Nepal) Ltd. (Hong Kong)
 Holiday Inns of America (UK) Ltd. (England)
 Holiday Inns of Belgium N.V. (Belgium)
 Holiday Pacific Equity Corporation (US)
 Holiday Pacific LLC (US) (vii)
 Holiday Pacific Partners, LP (US)
 Hotel InterContinental London (Holdings) Limited
 (England)
 Hotel Inter-Continental London Limited (England)
 Hoteles Y Turismo HIH SRL (Venezuela)
 IC Hotelbetriebsfuehrungs GmbH (Austria)
 IC Hotels Management (Portugal) Unipessoal,
 Lda (Portugal)
 IC International Hotels Limited Liability Company
 (Russia)
 IHC (Thailand) Limited (Thailand)
 IHC Buckhead, LLC (US) (vii)
 IHC Edinburgh (Holdings) (England)
 IHC Hopkins (Holdings) Corp. (US)
 IHC Hotel Limited (England)
 IHC Inter-Continental (Holdings) Corp. (US)
 IHC London (Holdings) (England)
 IHC May Fair (Holdings) Limited (England)
 IHC May Fair Hotel Limited (England)
 IHC M-H (Holdings) Corp. (US)
 IHC Overseas (U.K.) Limited (England)
 IHC UK (Holdings) Limited (England)
 IHC United States (Holdings) Corp. (US) (ii)
 IHC Willard (Holdings) Corp. (US)
 IHG (Australasia) Limited (Singapore) (iv)
 IHG (Marseille) SAS (France)
 IHG (Thailand) Limited (Thailand)
 IHG Bangkok Ltd (British Virgin Islands)
 IHG Brasil Administracao de Hoteis e Servicos
 Ltda (Brazil)
 IHG Community Development, LLC (US) (vii)
 IHG Cyprus Limited (Cyprus)
 IHG de Argentina SA (Argentina)
 IHG ECS (Barbados) SRL (Barbados)
 IHG Franchising Brasil Ltda (Brazil)
 IHG Franchising DR Corporation (US)
 IHG Franchising, LLC (US) (vii)
 IHG Hotels (New Zealand) Limited (New Zealand)
 IHG Hotels Limited (England)
 IHG Hotels Management (Australia) Pty Limited
 (Australia) (iv)
 IHG Hotels Nigeria Limited (Nigeria)
 IHG Hotels South Africa (Pty) Ltd (South Africa)
 IHG International Partnership (England)
 IHG Istanbul Otel Yönetim Limited Sirketi (Turkey)
 IHG IT Services (India) Private Limited (India)
 IHG Japan (Management) LLC (Japan)
 IHG Japan (Osaka) LLC (Japan)
 IHG Management (Maryland) LLC (US) (vii)
 IHG Management (Netherlands) B.V. (The
 Netherlands)
 IHG Management MD Barclay Sub LLC (US) (vii)
 IHG Orchard Street Member, LLC (US) (vii)
 IHG PS Nominees Limited (England)
 IHG Systems Pty Ltd (Australia) (iv)
 IHG Szalloda Budapest Szolgaltato Kft. (Hungary)
 IND East Village SD Holdings, LLC (US) (vii)
 InterContinental (Branston) 1 Limited (England) (iii)
 InterContinental (PB) 1 (England)
 InterContinental (PB) 2 Limited (England)
 InterContinental (PB) 3 Limited (England)

InterContinental Brasil Administracao
 de Hotéis Ltda (Brazil)
 Inter-Continental D.C. Operating Corp. (US)
 Inter-Continental Florida Investment Corp. (US)
 Inter-Continental Florida Partner Corp. (US)
 InterContinental Gestion Hotelera S.L. (Spain)
 Inter-Continental Hospitality Corporation (US)
 InterContinental Hotel Berlin GmbH (Germany)
 InterContinental Hotel Düsseldorf GmbH (Germany)
 Inter-Continental Hoteleira Limitada (Brazil)
 Inter-Continental Hotels (Montreal) Operating Corp.
 (Canada)
 Inter-Continental Hotels (Montreal) Owning Corp.
 (Canada)
 Inter-Continental Hotels (Overseas) Limited
 (England)
 InterContinental Hotels (Puerto Rico) Inc.
 (Puerto Rico)
 Inter-Continental Hotels (Singapore) Pte. Ltd.
 (Singapore)
 Inter-Continental Hotels Corporation (US)
 Inter-Continental Hotels Corporation de Venezuela
 C.A. (Venezuela)
 Intercontinental Hotels Corporation Limited
 (Bermuda) (iv)
 InterContinental Hotels Group (Asia Pacific)
 Pte Ltd (Singapore)
 InterContinental Hotels Group (Australia) Pty Limited
 (Australia)
 InterContinental Hotels Group (Canada) Inc. (Canada)
 InterContinental Hotels Group (España) SA (Spain)
 InterContinental Hotels Group (Greater China)
 Limited (Hong Kong)
 InterContinental Hotels Group (India) Pvt. Ltd (India)
 InterContinental Hotels Group (Japan) Inc. (US)
 InterContinental Hotels Group (New Zealand) Limited
 (New Zealand)
 InterContinental Hotels Group (Shanghai) Ltd. (China)
 InterContinental Hotels Group Customer Services
 Ltd. (England)
 InterContinental Hotels Group do Brasil Limitada
 (Brazil)
 InterContinental Hotels Group Healthcare Trustee
 Limited (England)
 InterContinental Hotels Group Operating Corp.
 (US) (v)
 InterContinental Hotels Group Resources Inc. (US) (ii)
 InterContinental Hotels Group Services Company
 (England)
 InterContinental Hotels Italia, S.r.L. (Italy)
 InterContinental Hotels Limited (England) (i)
 InterContinental Hotels Management GmbH
 (Germany)
 InterContinental Hotels Nevada Corporation (US)
 Inter-Continental Hotels of San Francisco Inc. (US)
 Inter-Continental IOHC (Mauritius) Limited
 (Mauritius)
 Inter-Continental Management (Australia)
 Pty Limited (Australia)
 InterContinental Management France SAS (France)
 InterContinental Overseas Holding Corporation (US)
 KG Benefits LLC (US) (vii)
 KG Gift Card Inc. (US)
 KG Liability LLC (US) (vii)
 KG Technology, LLC (US) (vii)
 KHP Washington Operator LLC (US) (vii)
 KHRG 11th Avenue Hotel LLC (US) (vii)
 KHRG 851 LLC (US) (vii)
 KHRG Alexandria LLC (US) (vii)
 KHRG Alexis, LLC (US) (vii)

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33. Group companies continued

Fully owned subsidiaries (continued)

KHRG Allegro, LLC (US) (vii)
KHRG Austin Beverage Company, LLC (US) (vii)
KHRG Baltimore, LLC (US) (vii)
KHRG Boston Hotel, LLC (US) (vii)
KHRG Canary LLC (US) (vii)
KHRG Cayman LLC (US) (vii)
KHRG Cayman Employer Ltd. (Cayman Islands)
KHRG Cypress, LLC (US) (vii)
KHRG DC 1731 LLC (US) (vii)
KHRG DC 2505 LLC (US) (vii)
KHRG Donovan LLC (US) (vii)
KHRG Employer, LLC (US) (vii)
KHRG Fourth Street LLC (US) (vii)
KHRG Goleta LLC (US) (vii)
KHRG Grant Street LLC (US) (vii)
KHRG Gray LLC (US) (vii)
KHRG Gray U2 LLC (US) (vii)
KHRG Hillcrest, LLC (US) (vii)
KHRG Huntington Beach LLC (US) (vii)
KHRG King Street, LLC (US) (vii)
KHRG La Peer LLC (US) (vii)
KHRG Miami Beach LLC (US) (vii)
KHRG Monaco SF, LLC (US) (vii)
KHRG Muse LLC (US) (vii)
KHRG NYC Broadway LLC (US) (vii)
KHRG NYC Broadway U2 LLC (US) (vii)
KHRG Onyx LLC (US) (vii)
KHRG Palladian LLC (US) (vii)
KHRG Palomar Phoenix LLC (US) (vii)
KHRG Philly Monaco LLC (US) (vii)
KHRG Pittsburgh LLC (US) (vii)
KHRG Post Street LLC (US) (vii)
KHRG Reynolds LLC (US) (vii)
KHRG Riverplace LLC (US) (vii)
KHRG SA Riverwalk LLC (US) (vii)
KHRG Savannah LLC (US) (vii)
KHRG Schofield LLC (US) (vii)
KHRG Sedona LLC (US) (vii)
KHRG SFD LLC (US) (vii)
KHRG State Street LLC (US) (vii)
KHRG Stewart Street LLC (US) (vii)
KHRG Sutter LLC (US) (vii)
KHRG Sutter Union LLC (US) (vii)
KHRG Taconic LLC (US) (vii)
KHRG Texas Hospitality, LLC (US) (vii)
KHRG Texas Operations, LLC (US) (vii)
KHRG Vero Beach, LLC (US) (vii)
KHRG Vintage Park LLC (US) (vii)
KHRG VZ Austin LLC (US) (vii)
KHRG Westwood, LLC (US) (vii)
KHRG Wilshire LLC (US) (vii)
KHRG WPB LLC (US) (vii)
KHRG Zamora LLC (US) (vii)
Kimpton Arizona Licenses Holdings LLC (US) (vii)
Kimpton Hollywood Licenses LLC (US) (vii)
Kimpton Hotel & Restaurant Group, LLC (US) (vii)
Kimpton Phoenix Licenses Holdings LLC (US) (vii)
Kimpton Sedona Licenses LLC (US) (vii)
Louisiana Acquisitions Corp. (US)
Mercer Fairview Holdings LLC (US) (vii)
MH Lodging LLC (US) (vii)
PML Services LLC (US) (vii)
Pollstrong Limited (England)
Powell Pine, Inc. (US)
Priscilla Holiday of Texas, Inc. (US)
PT SC Hotels & Resorts Indonesia (Indonesia)
Resort Services International (Cayo Largo) L.P. (US)
RM Lodging LLC (US) (vii)
SBS Maryland Beverage Company LLC (US) (vii)
SC Cellars Limited (England)
SC Hotels International Services, Inc. (US)
SC Leisure Group Limited (England)
SC Luxembourg Investments SARL (Luxembourg)
SC NAS 2 Limited (England)
SC NAS 3 (England)

SC Quest Limited (England)
 SC Reservations (Philippines) Inc. (US)
 SCH Insurance Company (US)
 SCIH Branston 2 (England)
 SCIH Branston 3 (England)
 SF MH Acquisition LLC (US) (vii)
 Six Continents Corporate Services (England)
 Six Continents Holdings Limited (England)
 Six Continents Hotels de Colombia SA (Colombia)
 Six Continents Hotels International Limited (England)
 Six Continents Hotels, Inc. (US)
 Six Continents International Holdings B.V.
 (The Netherlands)
 Six Continents Investments Limited (England) (vi)
 Six Continents Limited (England)
 Six Continents Overseas Holdings Limited (England)
 Six Continents Restaurants Limited (England)
 SixCo North America, Inc. (US)
 Solamar Lodging LLC (US) (vii)
 Southern Pacific Hotel Corporation (BVI) Ltd.
 (British Virgin Islands)
 Southern Pacific Hotels Properties Limited
 (British Virgin Islands)
 SPHC Group Pty Ltd. (Australia)
 SPHC Management Ltd. (Papua New Guinea)
 Universal de Hoteles SA (Colombia)
 White Shield Insurance Company Limited (Gibraltar)

Subsidiaries where the effective interest is less than 100%

H.I. Soaltee Management Company Ltd
 (Hong Kong, 76.5%)
 IHG ANA Hotels Group Japan LLC (Japan, 74.66%)
 IHG ANA Hotels Holdings Co., Ltd. (Japan, 66%)
 World Trade Centre Montreal Hotel Corporation
 (Canada, 74.11%)

Associates and joint ventures

111 East 48th Street Holdings LLC (US, 19.9%)
 (vii) (viii)
 Alkoer, S. de R.L. de C.V. (Mexico, 50%) (viii)
 Arabian Hotel Management Co. LLC (Oman, 49%)
 BCRE IHG 180 Orchard Holdings LLC (US, 49%) (vii)
 Beijing Orient Express Hotel Co., Ltd. (China, 16.24%)
 Blue Blood (Tianjin) Equity Investment Management
 Co., Limited (China, 30.05%)
 Carr Clark SWW Subventure, LLC (US, 26.67%) (vii)
 Carr Waterfront Hotel, LLC (US, 11.46%) (vii) (viii)
 China Hotel Investment Limited (Barbados, 30.05%)
 D.I.H. (Cyprus) SPV (No.2) Limited (Cyprus, 24%)
 D.I.H. (Cyprus) SPV (No.4) Limited (Cyprus, 24%)
 D.I.H. (Cyprus) SPV (No.6) Limited (Cyprus, 24%)
 D.I.H. (Cyprus) SPV (No.7) Limited (Cyprus, 24%)
 D.I.H. (Cyprus) SPV (No.12) Limited (Cyprus, 24%)
 Duet India Hotels (Ahmedabad) Private Ltd
 (India, 24%)
 Duet India Hotels (Bangalore) Private Ltd (India, 24%)
 Duet India Hotels (Chennai OMR) Private Ltd
 (India, 24%)
 Duet India Hotels (Chennai) Private Ltd (India, 24%)
 Duet India Hotels (Hyderabad) Private Ltd (India, 24%)
 Duet India Hotels (Mumbai) Private Ltd (India, 24%)
 Duet India Hotels (Nagpur) Private Ltd (India, 24%)
 Duet India Hotels (Navi Mumbai) Private Ltd
 (India, 24%)
 Duet Smart Hotels (India) Limited (Cyprus, 24%)
 Duet Smart Hotels (India) SPV (No. 1) Limited
 (India, 24%)
 Duet Smart Hotels (India) SPV (No. 3) Limited
 (India, 24%)
 Gestion Hotelera Gestel, C.A. (Venezuela, 50%)
 (iii) (viii)
 H.I. Soaltee Hotel Company Private Ltd
 (Nepal, 33.4%)
 Hotel JV Services LLC (US, 16.67%) (iii) (vii)
 Inter-Continental Hotels Saudi Arabia Limited
 (Saudi Arabia, 40%)
 Maya Baiduri Sdn Bhd (Malaysia, 49%)
 NF III Seattle, LLC (US, 25%) (vii)
 Nuevas Fronteras S.A. (Argentina, 23.66%)
 Panacon (US, 33.33%)

President Hotel & Tower Co Ltd. (Thailand, 30%)
Tianjin ICBCI IHG Equity Investment Fund
Management Co., Limited (China, 21.04%)

- (i) Directly owned by InterContinental Hotels Group PLC
- (ii) Ordinary shares and preference shares
- (iii) Ordinary A and Ordinary B shares
- (iv) Ordinary shares and redeemable preference shares
- (v) 1/4 vote Ordinary shares and Ordinary shares
- (vi) Ordinary shares, 5% cumulative preference shares and 7% cumulative preference shares
- (vii) The entities do not have share capital and are governed by an operating agreement
- (viii) Accounted for as associates and joint ventures due to IHG's decision-making rights contained in the partnership agreement

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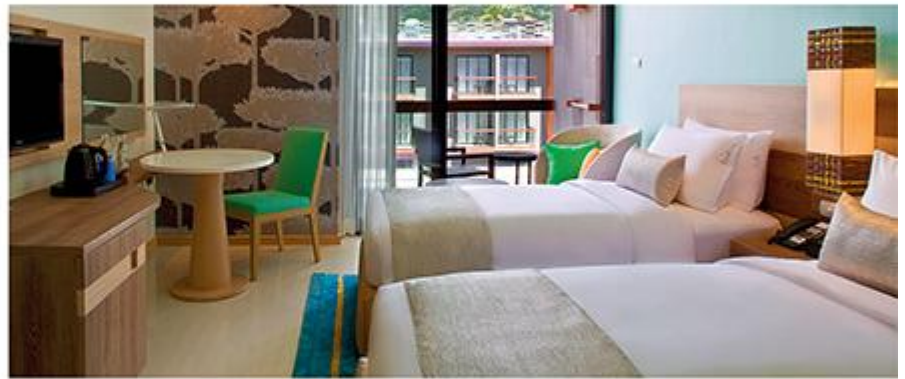
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Simple, smart travel



The joy of travel



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The joy of
lifetime vacations



The joy of family holidays

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Directors' Report

Much of the information previously provided as part of the Directors' Report is now required, under company law, to be presented as part of the Strategic Report. This Directors' Report includes the information required to be given in line with the Companies Act or, where provided elsewhere, an appropriate cross reference is given. The corporate governance statement approved by the Board is provided on pages 52 to 67 and incorporated by reference herein.

Subsidiaries, joint ventures and associated undertakings

The Group has over 300 subsidiaries, joint ventures and associated undertakings. A complete list of these entities is provided at note 33 of the Group Financial Statements on pages 140 to 141.

Directors

For biographies of the current Directors see pages 55 to 57.

Directors' and officers' (D&O) liability insurance and existence of qualifying indemnity provisions

The Company maintains the Group's D&O liability insurance policy, which covers Directors and officers of the Company defending civil proceedings brought against them in their capacity as Directors or officers of the Company (including those who served as Directors or officers during the year). There were no indemnity provisions relating to the UK pension plan for the benefit of the Directors during 2015.

Articles of Association

The Company's Articles of Association may only be amended by special resolution and are available on the Company's website at www.ihgplc.com/investors under corporate governance. A summary is provided on pages 161 to 162.

Shares

Share capital

The Company's issued share capital at 31 December 2015 consisted of 247,655,712 ordinary shares of 15265/329 pence each, including 11,538,456 shares held in treasury, which constitute 4.66 per cent of the total issued share capital (including treasury shares). There are no special control rights or restrictions on share transfers or limitations on the holding of any class of shares.

As far as is known to management, IHG is not directly or indirectly owned or controlled by another company or by any government.

The Board focuses on shareholder value-creation. When it decides to return capital to shareholders, it considers all of its options, including share buybacks and special dividends.

Share issues and buybacks

In 2015, the Company did not issue any new shares, nor did it buy back any existing shares.

Dividends

Dividend	Ordinary shares	ADRs
Interim dividend	17.7p	27.5¢
Paid 2 October 2015		
Final dividend	40.3p	57.5¢
Subject to shareholder approval, payable on 13 May 2016 to shareholders on the Register of Members at the close of business on 1 April 2016		

Major institutional shareholders

As at 22 February 2016, the Company had been notified of the following significant holdings in its ordinary shares under the UK Disclosure and Transparency Rules (DTRs).

Shareholder	As at 22 February 2016		As at 16 February 2015		As at 17 February 2014	
	Ordinary shares /ADSsa	%a	Ordinary shares /ADSsa	%a	Ordinary shares /ADSsa	%a
BlackRock, Inc.	12,916,001 ^b	5.47	n/a	n/a	13,061,965	5.01
Cedar Rock Capital Limited	14,923,417	5.07	14,923,417	5.07	14,923,417	5.07
Boron Investments BV	11,850,000	5.02	7,500,000	3.18	n/a	n/a
The Capital Group Companies, Inc.	n/a	n/a	8,557,888	3.30	8,557,888	3.30

a The number of shares and percentage of voting rights was determined at the time of the relevant disclosures made in accordance with Rule 5 of the DTRs and doesn't reflect the impact of any share consolidation or any changes in shareholding subsequent to the date of notification that are not required to be notified to us under the DTRs.

b Total shown includes 475,102 contracts for difference and 440,015 qualifying financial instruments to which voting rights are attached.

The Company's major shareholders have the same voting rights as other shareholders. The Company does not know of any arrangements the operation of which may result in a change in its control.

For further details on shareholder profiles, see page 172.

2015 share awards and grants to employees

No awards or grants over shares were made during 2015 that would be dilutive of the Company's ordinary share capital. Our current policy is to settle the majority of awards or grants under the Company's share plans with shares purchased in the market; however, the Board continues to review its policy. Those options, which were previously granted up to 2005, have now all been exercised or have lapsed and, therefore, as at 31 December 2015, no options were outstanding. The Company has not utilised the authority given by shareholders at any of its AGMs to allot shares for cash without first offering such shares to existing shareholders.

Employee share ownership trust (ESOT)

IHG operates an ESOT for the benefit of employees and former employees. The ESOT purchases ordinary shares in the market and releases them to current and former employees in satisfaction of share awards. During the year, the ESOT released 1,580,314 shares and at 31 December 2015 it held 976,122 ordinary shares in the Company. The ESOT adopts a prudent approach to purchasing shares, using funds provided by the Group, based on expectations of future requirements.

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Director and Executive Committee shareholdings

As at 22 February 2016, Directors and Executive Committee members had the same number of beneficial interests in shares as at 31 December 2015, as set out in the table below. These shareholdings include all Directors' beneficial interests and those held by their spouses and other connected persons. As at 22 February 2016, no Director or Executive Committee member held more than 0.2 per cent of the total issued share capital. None of the Directors has a beneficial interest in the shares of any subsidiary. The shareholdings set out below do not include Executive Directors' or Executive Committee members' share awards under IHG's share plans. These are set out separately in the Directors' Remuneration Report on page 75 for the Executive Directors and on page 159 for Executive Committee members.

	31 December 2015 ordinary shares	31 December 2014 ordinary shares
Patrick Cescau (Chairman)	–	–
Richard Solomons (Chief Executive Officer)	365,625	382,533
Senior Independent Non-Executive Director		
Dale Morrison	3,907 ^a	3,907 ^a
Executive Directors		
Paul Edgecliffe-Johnson	22,014	10,583
Kirk Kinsell ^b	n/a	117,640 ^c
Tracy Robbins ^d	37,726	51,418
Non-Executive Directors		
Anne Busquete	–	n/a
Ian Dyson	–	–
Jo Harlow	–	–
Jennifer Laing	2,905	2,905
Luke Mayhew	1,722	1,722
Jill McDonald	–	–
Ying Yeh	–	–
Executive Committee		
Keith Barr	22,522	22,522
Angela Brav	32,724	32,724
Elie Maalouf	–	n/a
Kenneth Macpherson	7,472	7,472
Eric Pearson	–	1,998
Jan Smits	30,476	30,476
George Turner	17,975	–

- a Shares held in the form of American Depositary Receipts.
b Kirk Kinsell resigned as Executive Director effective as of 13 February 2015.
c 117,092 ordinary shares and 548 American Deposit Receipts.
d Tracy Robbins resigned as Executive Director effective as of 15 January 2016.
e Anne Busquete was appointed as Non-Executive Director effective as of 1 March 2015.
f Elie Maalouf was appointed to the Executive Committee effective as of 13 February 2015.

Future business developments of the Group

Further details on these are set out in the Strategic Report on pages 2 to 49.

Employees and Code of Conduct

Having a predominantly franchised and managed business model means that not all of those people who work at hotels operated under our brands are our employees. When the Group's entire estate is taken into account (including those working in our franchised and managed hotels), over 350,000 people worked globally across IHG's brands as at 31 December 2015.

IHG employed the following as at 31 December 2015:

- 7,311 people worldwide (including those in our corporate offices, central reservations offices and owned hotels (excluding those in a category below)), whose costs were borne by the Group;
- 5,416 people who worked directly on behalf of the System Fund and whose costs were borne by the System Fund;
- 706 General Managers who worked in our managed hotels and whose costs were borne by those hotels; and
- 19,746 other hotel workers who worked in our managed hotels, who had contracts or letters of service with IHG and whose costs were borne by those hotels.

See notes 3 and 32 of the Group Financial Statements on pages 106 and 139 for more information.

We continue to focus on providing an inclusive environment, in which employees are valued for who they are and what they bring to the Group, and in which talented individuals are retained through all levels of the organisation – see pages 17 and 18.

We also look to appoint the most appropriate person for the job and are committed to providing equality of opportunity to all employees without discrimination. Every effort is made to ensure that applications for employment from disabled employees are fully and fairly considered and that disabled employees have equal opportunities to training, career development and promotion.

The Code of Conduct applies to all Directors, officers and employees and complies with the NYSE rules as set out in Section 406 of the US Sarbanes-Oxley Act 2002. Further details can be found on page 168.

For more information on the Group's employment policies, including equal opportunities, employee communications and development, see page 24.

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Greenhouse gas (GHG) emissions

By delivering more environmentally sustainable hotels, we can drive cost efficiencies for owners, as well as meet the expectations of all our stakeholders. We recognise the importance of reducing our global GHG emissions for corporate offices and hotels – our target is to reduce our carbon footprint per occupied room by 12 per cent across our entire estate by 2017 (against a 2012 baseline). See page 31 for progress.

Reporting boundary	Measure	2015a	2014a
Global – corporate offices and franchised, managed, owned and leased hotels ^b (a KPI and part of our five-year targets)	Scope 1 Direct emissions (tCO ₂ e)	1,548,358.61	1,407,239.59
	Scope 2 Indirect emissions (tCO ₂ e)	3,816,695.68	3,706,153.58
	Total GHG emissions (tCO ₂ e)	5,365,054.29	5,113,393.16
	IHG's chosen intensity measurement GHG emissions per occupied room (kgCO ₂ e per occupied room)	31.65	32.19
	Global – corporate offices and managed, owned and leased hotels ^b (as required under the Companies Act 2006)	Scope 1 Direct emissions (tCO ₂ e)	534,273.70
	Scope 2 Indirect emissions (tCO ₂ e)	1,816,697.92	1,812,930.96
	Total GHG emissions (tCO ₂ e)	2,350,971.62	2,304,005.96
	IHG's chosen intensity measurement GHG emissions per occupied room (kgCO ₂ e per occupied room)	52.82	56.26

a Reporting period commencing on 1 October and ending on 30 September – due to the delay in hotels receiving their energy bills it is not possible to report accurately GHG emissions from 1 January to 31 December.

b Includes all of our branded hotels but does not include emissions from 82 hotels. We do not have sufficient data to estimate their emissions and believe them to be immaterial.

Scope

We report Scope 1 and Scope 2 emissions as defined by the GHG protocol as follows:

- Scope 1 (Direct emissions): combustion of fuel and operation of facilities; and
- Scope 2 (Indirect emissions): electricity, heat, steam and cooling purchased for own use.

Methodology

We have worked with external consultants to give us an up-to-date picture of IHG's carbon footprint and to assess our performance over the past few years. The external consultants use a sampling and extrapolation methodology to estimate our GHG emissions.

For 2015, in line with the methodology set out in the GHG Protocol Corporate Standard, the sample covered 2,939 (69%) of our 4,848 hotels. As IHG's System size is continually changing and the number of hotels reporting data to the IHG Green Engage system increases annually, we are restating the impacts for all years from the baseline year (2012) annually to enable comparisons to be made.

Finance

Political donations

The Group made no political donations under the Companies Act during the year and proposes to maintain this policy.

Financial risk management

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in note 20 to the Group Financial Statements on pages 122 to 125.

Significant agreements and change of control provisions

The Group is a party to the following arrangements which could be terminated upon a change of control of the Company and which are considered significant in terms of their potential impact on the business of the Group as a whole:

- the seven-year £250m bond issued by the Company on 9 December 2009, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued;
- the 10-year £400m bond issued by the Company on 26 November 2012, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued;
- the five-year \$1.275bn syndicated loan facility agreement dated 30 March 2015, under which a change of control of the Company would entitle each lender to cancel its commitment and declare all amounts due to it payable; and
- the 10-year £300m bond issued by the Company on 14 August 2015, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued.

Further details on these are set out on pages 163 and 164.

Business relationships

During 2012, the Group entered into a five-year technology outsourcing agreement with International Business Machines Corporation (IBM), pursuant to which IBM operates and maintains the infrastructure of the Group's Guest Reservation System. Otherwise, there are no specific individual contracts or arrangements considered to be essential to the business of the Group as a whole.

Disclosure of information to Auditor

For details, see page 80.

Events after the reporting period

In February 2016, the Board proposed a \$1.5 billion return of funds to shareholders via a special dividend with share consolidation.

Listing Rules – compliance with LR 9.8.4C

Section	Applicable sub-paragraph within LR 9.8.4C	Location
1	Interest capitalised	Group Financial Statements, note 6, page 108
4	Details of long-term incentive schemes	Directors' Remuneration Report, pages 70 to 74
6	Waiver of future emoluments by a Director	Directors' Remuneration Report, page 77

The above table sets out only those sections of LR 9.8.4C which are relevant. The remaining sections of LR 9.8.4 are not applicable.

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Going concern

An overview of the business activities of IHG, including a review of the key business risks that the Group faces, is given in the Strategic Report on pages 2 to 49 and in the Group information on pages 156 to 164. Information on the Group's treasury management policies can be found in note 20 to the Group Financial Statements on pages 122 to 125. The Group refinanced its bank debt in March 2015 and put in place a new five-year \$1.275bn facility with an optional two-year extension and in August 2015 the Group issued a 10-year £300m sterling bond.

At the end of 2015, the Group was trading significantly within its banking covenants and debt facilities.

The Group's fee-based model and wide geographic spread mean that it is well placed to manage through uncertain times, and our forecasts and sensitivity projections, based on a range of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Please see page 27 for the Directors' assessment of the viability of the Group.

By order of the Board

George Turner

Company Secretary

InterContinental Hotels Group PLC

Registered in England and Wales, Company number 5134420 22 February 2016

Non-GAAP calculations

See pages 2 and 3.

The non-GAAP measures listed below have been adjusted from their underlying GAAP measures in the following ways.

Total gross revenue

The 2015 figure of \$24.0bn and the 2014 figure of \$22.8bn comprises total rooms revenue from franchised hotels (2015: \$14.1bn; 2014: \$13.4bn) and total hotel revenue from managed, owned and leased hotels (2015: \$9.9bn; 2014: \$9.4bn). Other than owned and leased hotels, it is not revenue attributable to IHG, as it is derived mainly from hotels owned by third parties.

Total operating profit before exceptional items and tax

Includes one liquidated damages receipt in 2015: \$3m in The Americas with respect to a Kimpton property (2014: two liquidated damages receipts: \$7m, both in The Americas).

Total underlying operating profit growth

The 2015 figure of \$67m excludes the impact of owned asset disposals (2015: \$30m; 2014: \$55m), managed leases (2015: \$7m; 2014: \$6m), significant liquidated damages (2015: \$3m; 2014: \$7m), Kimpton (2015: \$15m; 2014: \$nil) and exceptional items, all translated at constant currency using prior-year exchange rates.

The 2014 figure of \$57m excludes the impact of owned and leased disposals (2014: -\$1m; 2013: \$28m), managed leases (2014: \$6m; 2013: \$3m), significant liquidated damages (2014: \$7m; 2013: \$46m) and exceptional items, all translated at constant currency using prior-year exchange rates.

Revenue per available room (RevPAR)

This comprises total IHG System rooms revenue divided by the number of room nights available (and can be mathematically derived from occupancy rate multiplied by average daily rate).

Fee revenue

This comprises Group revenue (2015: \$1,803m; 2014: \$1,858m) excluding owned and leased hotels (2015: \$292m; 2014: \$427m), managed leases (2015: \$159m; 2014: \$169m) and significant liquidated damages (2015: \$3m; 2014: \$7m). Growth is stated at constant exchange rate.

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History and developments

The Company was incorporated and registered in England and Wales with registered number 5134420 on 21 May 2004 as a limited company under the Companies Act 1985 with the name Hackremco (No. 2154) Limited. In 2004/05, as part of a scheme of arrangement to facilitate the return of capital to shareholders, the following structural changes were made to the Group: (i) on 24 March 2005, Hackremco (No. 2154) Limited changed its name to New InterContinental Hotels Group Limited; (ii) on 27 April 2005, New InterContinental Hotels Group Limited re-registered as a public limited company and changed its name to New InterContinental Hotels Group PLC; and (iii) on 27 June 2005, New InterContinental Hotels Group PLC changed its name to InterContinental Hotels Group PLC and became the holding company of the Group.

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

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

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

Following separation, the Group has undertaken an asset-disposal programme, realising, by the end of 2015, proceeds of \$7.9 billion. This programme has significantly reduced the capital requirements of the Group whilst largely retaining the hotels in the IHG System.

A small number of hotels have been sold since the end of 2014, the most significant of which are set out below.

Recent acquisitions and divestitures

- The Group agreed to sell InterContinental Paris – Le Grand on 7 December 2014 for €330 million, and the transaction was completed on 20 May 2015.
- The Group agreed to acquire Kimpton Hotels & Restaurants on 15 December 2014, and the transaction was completed on 16 January 2015 for \$430 million (before working capital adjustments and cash acquired).
- The Group agreed to sell InterContinental Hong Kong on 10 July 2015 for \$938 million, and the transaction was completed on 30 September 2015.
- The Group also divested a number of investments for total proceeds of \$17 million in 2015.

Capital expenditure

- Capital expenditure in 2015 totalled \$264 million (excluding the \$438m acquisition of Kimpton and a \$22m loan to an associate which was repaid in the year) compared with \$271 million in 2014 and \$269 million in 2013.
- At 31 December 2015, capital committed (being contracts placed for expenditure on property, plant and equipment, and intangible assets not provided for in the Group Financial Statements) totalled \$76 million.
- The Group has also committed to invest in a number of its associates, with an estimated outstanding commitment of \$45 million, based on current forecasts.

Risk factors

The Group is subject to a variety of inherent risks that may have an adverse impact on its business operations, financial condition, turnover, profits, brands and reputation. This section describes the main risks that could materially affect the Group's business. The risks below are not the only ones that the Group faces. Some risks are not yet known to the Group and some that the Group does not currently believe to be material could later turn out to be material.

The risk factors should also be considered in connection with any financial and forward-looking information in this Annual Report and Form 20-F and the cautionary statements regarding forward-looking statements on page 180.

The Group is exposed to the risks of political and economic developments

The Group is exposed to political, economic and financial market developments such as recession, inflation and availability of credit and currency fluctuations that could lower revenues and reduce income. The outlook for 2016 may worsen due to uncertainty in Greater China and the Eurozone, the impact of declining commodity prices on economies dependent on such exports, and continued unrest in parts of the Middle East and Africa. The interconnected nature of economies suggests any of these or other events could trigger a recession that reduces leisure and business travel to and from affected countries and adversely affects room rates and/or occupancy levels and other income-generating activities. The owners or potential owners of hotels franchised or managed by the Group face similar risks that could adversely impact their solvency and the Group's ability to secure and retain franchise or management agreements. Specifically, the Group is most exposed to the US market and, increasingly, to Greater China.

Accordingly, the Group is particularly susceptible to adverse changes in these economies as well as changes in their currencies. In addition to trading conditions, the economic outlook also affects the availability of capital to current and potential owners, which could impact existing operations and the health of the pipeline.

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The Group is exposed to the risk of events that adversely impact domestic or international travel

The room rates and occupancy levels of the Group could be adversely impacted by events that reduce domestic or international travel, such as actual or threatened acts of terrorism or war, political or civil unrest, epidemics or threats thereof, travel-related accidents or industrial action, natural disasters, or other local factors impacting specific countries, cities or individual hotels, as well as increased transportation and fuel costs. A decrease in the demand for hotel rooms as a result of such events may have an adverse impact on the Group's operations and financial results. In addition, inadequate planning, preparation, response or recovery in relation to a major incident or crisis may cause loss of life, prevent operational continuity, or result in financial loss, and consequently impact the value of our brands and/or the reputation of the Group.

The Group is exposed to the risks of the hotel industry supply-and-demand cycle

The future operating results of the Group could be adversely affected by industry overcapacity (by number of rooms) and weak demand due, in part, to the cyclical nature of the hotel industry, or other differences between planning assumptions and actual operating conditions. These conditions could result in reductions in room rates and occupancy levels, which would adversely impact the financial performance of the Group.

The Group is subject to a competitive and changing industry

The Group operates in a competitive industry and must compete effectively against traditional competitors such as other global hotel chains, local hotel companies and independent hotels to win the loyalty of guests, employees and owners. The competitive landscape also includes other types of businesses, such as web-based booking channels (which include online travel agents and intermediaries), and alternative sources of accommodation such as short-term lets of private property. Failure to compete effectively in traditional and emerging areas of the business could impact the Group's market share, System size, profitability and relationships with owners and guests.

The Group is exposed to risks related to executing and realising benefits from strategic transactions, including acquisitions

The Group completed the acquisition of Kimpton Hotels & Restaurants in January 2015 and may seek to make other strategic transactions, including acquisitions, in the future. The Group may not be able to identify opportunities or complete transactions on commercially reasonable terms, or at all, and may not realise the anticipated benefits from such transactions. Strategic transactions come with inherent valuation, financial and commercial risks, and regulatory and insider information risks during the execution of the transactions. In addition, the Group may face unforeseen costs and liabilities, diversion of management attention, as well as longer-term integration and operational risks, which could result in a failure to realise benefits, financial losses, lower employee morale and loss of talent.

The Group is dependent upon a wide range of external stakeholders and business partners

The Group relies on the performance, behaviours and reputation of a wide range of business partners and external stakeholders, including, but not limited to, owners, contractors, lenders, suppliers, vendors, joint-venture partners, online travel agents, third-party intermediaries and other business partners which may have different ethical values, interests and priorities. Further, the number and complexity of interdependencies with stakeholders is evolving. Breakdowns in relationships, contractual disputes, poor vendor performance, insolvency, stakeholder behaviours or adverse reputations,

which may be outside of the Group's control, could adversely impact on the Group's performance and competitiveness, delivery of projects, guest experiences or the reputation of the Group or its brands.

The Group is exposed to increasing competition from online travel agents and intermediaries

A proportion of the Group's bookings originate from large multinational, regional and local online travel agents and intermediaries with which the Group has contractual arrangements and to which it pays commissions. These websites offer a wide breadth of products, often across multiple brands, have growing booking and review capabilities, and may create the perception that they offer the lowest prices. Some of these online travel agents and intermediaries have strong marketing budgets and aim to create brand awareness and brand loyalty among consumers and may seek to commoditise hotel brands through price and attribute comparison. Further, if these companies continue to gain market share, they may impact the Group's profitability, undermine the Group's own booking channels and value to its hotel owners, and may be able to increase commission rates and negotiate other favourable contract terms.

The Group is exposed to a variety of risks related to identifying, securing and retaining franchise and management agreements

The Group's growth strategy depends on its success in identifying, securing and retaining franchise and management agreements. This is an inherent risk for the hotel industry and the franchise business model. Competition with other hotel companies may generally reduce the number of suitable franchise, management and investment opportunities offered to the Group and increase the bargaining position of property owners seeking to become a franchisee or engage a manager. The terms of new franchise or management agreements may not be as favourable as current arrangements; the Group may not be able to renew existing arrangements on similarly favourable terms, or at all.

There can also be no assurance that the Group will be able to identify, retain or add franchisees to the IHG System or to secure management contracts. For example, the availability of suitable sites, market saturation, planning and other local regulations or the availability and affordability of finance may all restrict the supply of suitable hotel development opportunities under franchise or management agreements. In connection with entering into franchise or management agreements, the Group may be required to make investments in, or guarantee the obligations of, third parties or guarantee minimum income to third parties. There are also risks that significant franchisees or groups of franchisees may have interests that conflict, or are not aligned, with those of the Group, including, for example, the unwillingness of franchisees to support brand improvement initiatives. This could result in franchisees prematurely terminating contracts which would adversely impact the overall IHG System size and the Group's financial performance.

The Group is exposed to inherent risks in relation to changing technology and systems

As the use of the internet and mobile technology grows and customer needs evolve at pace, the Group may find that its evolving technology capability is not sufficient and may have to make substantial additional investments in new technologies or systems to remain competitive. Failure to keep pace with developments in technologies or systems may put the Group at a competitive disadvantage. In addition, the technologies or systems that the Group chooses to deploy may not be commercially successful or the technology or system strategy may not be sufficiently aligned with the needs of the business. As a result, this could adversely affect guest experiences, and the Group may lose customers, fail to attract new customers, incur substantial costs or face other losses. This could further impact the Group's reputation in regards to innovation.

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The Group is reliant on the reputation of its brands and is exposed to inherent reputation risks

Any event that materially damages the reputation of one or more of the Group's existing or new brands and/or fails to sustain the appeal of the Group's existing or new brands to its customers and owners may have an adverse impact on the value of that brand and subsequent revenues from that brand or business. In particular, if the Group is unable to create consistent, valued, and quality products and guest experiences across the owned, managed and franchised estates, or if the Group, its franchisees or business partners fail to act responsibly, this could result in an adverse impact on its brand reputation. In addition, the value of the Group's brands could be influenced by a number of external factors outside the Group's control, such as, but not limited to, changes in sentiments against global brands, changes in applicable regulations related to the hotel industry or to franchising, successful commoditisation of hotel brands by online travel agents and intermediaries, or changes in owners' perceptions of the value of the Group.

The Group is exposed to risks associated with its intellectual property

Given the importance of brand recognition to the Group's business, the protection of its intellectual property poses a risk due to the variability and changes in controls, laws and effectiveness of enforcement globally. Any widespread infringement, misappropriation or weakening of the control environment could materially harm the value of the Group's brands and its ability to develop the business.

The Group is reliant upon the resilience of its reservation system and other key technology platforms and is exposed to risks that could cause the failure of these systems

The value of the Group is partly derived from the ability to drive reservations through its reservation system and technology platforms which are highly integrated with internal processes and linked to multiple sales channels, including the Group's own websites, call centres, hotels, third-party intermediaries and travel agents.

Lack of resilience and operational availability of these systems provided by the Group or third-party technology providers could lead to prolonged service disruption and might result in significant business interruption, impact the guest booking experience and subsequently adversely impact Group revenues, reputation and relationships with hotel owners.

The Group is exposed to a variety of risks associated with safety, security and crisis management

There is a constant need to protect the safety and security of our guests, employees and assets against natural and man-made threats. These include, but are not limited to, exceptional events such as extreme weather, civil or political unrest, violence and terrorism, serious and organised crime, fraud, employee dishonesty, cyber crime, pandemics, fire, and day-to-day accidents, incidents and petty crime which impact the guest or employee experience, could cause loss of life, sickness or injury and result in compensation claims, fines from regulatory bodies, litigation and impact reputation. Serious incidents or a combination of events could escalate into a crisis which, if managed poorly, could further expose the Group and its brands to significant reputational damage.

The Group requires the right people, skills and capability to manage growth and change

In order to remain competitive, the Group must employ the right people. This includes hiring and retaining highly skilled employees with particular expertise or leadership capability. The implementation of the Group's strategic business plans could be undermined by failure to build a resilient corporate culture, failure to recruit or retain key personnel, unexpected loss of key senior employees, failures in the Group's succession planning and incentive plans, or failure to invest in the development of key skills.

Some of the markets in which the Group operates are experiencing economic growth, and the Group must compete against other companies inside and outside the hospitality industry for suitably qualified or experienced employees. Some emerging markets may not have the required local expertise to operate a hotel and may not be able to attract the right talent. Failure to attract and retain employees may threaten the success of the Group's operations in these markets. Additionally, unless skills are supported by a sufficient infrastructure to enable knowledge and skills to be passed on, the Group risks losing accumulated knowledge if key employees leave the Group.

The Group is exposed to a variety of risks associated with its financial stability and ability to borrow and satisfy debt covenants

While the strategy of the Group is to extend the IHG System through activities that do not involve significant amounts of its own capital, the Group does require capital to fund some development opportunities, technological innovations and strategic acquisitions; and to maintain and improve owned hotels. The Group is reliant upon having financial strength and access to

borrowing facilities to meet these expected capital requirements. The majority of the Group's borrowing facilities are only available if the financial covenants in the facilities are complied with. Non-compliance with covenants could result in the Group's lenders demanding repayment of the funds advanced. If the Group's financial performance does not meet market expectations, it may not be able to refinance existing facilities on terms considered favourable.

The Group is exposed to the risk of litigation

Certain companies in the Group are the subject of various claims and proceedings. The ultimate outcome of these matters is subject to many uncertainties, including future events and uncertainties inherent in litigation. In addition, the Group could be at risk of litigation claims made by many parties, including but not limited to: guests, customers, joint-venture partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of the hotels it manages. Claims filed in the US may include requests for punitive damages as well as compensatory damages. Unfavourable outcomes of claims or proceedings could have a material adverse impact on the Group's results of operations, cash flow and/or financial position. Exposure to significant litigation or fines may also affect the reputation of the Group and its brands.

The Group is exposed to the risks related to information security and data privacy

The Group is increasingly dependent upon the availability, integrity and confidentiality of information, including, but not limited to: guest and employee credit card, financial and personal data; and business performance, financial reporting and commercial development. The information is sometimes held in different formats such as digital, paper, voice recordings and video and could be stored in many places, including facilities managed by third-party service providers. The threats towards the Group's information are dynamic, and include cyber attacks, fraudulent use, loss or misuse by employees and breaches of our vendors' security arrangements amongst others. The legal and regulatory environment around data privacy and requirements set out by the payment-card industry surrounding information security across the many jurisdictions in which the Group operates are constantly evolving. If the Group fails to appropriately protect information and ensure relevant controls are in place to enable the appropriate use and release of information through the appropriate channels in a timely and accurate manner, IHG System performance, guest experience and the reputation of the Group may be adversely affected. This can lead to revenue losses, fines, penalties, litigation and other additional costs.

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The Group is required to comply with existing and changing regulations and societal expectations across numerous countries, territories and jurisdictions

Government regulations affect countless aspects of the Group's business ranging from corporate governance, health and safety, the environment, bribery and corruption, employment law and diversity, disability access, data privacy and information protection, financial, accounting and tax. Regulatory changes may require significant changes in the way the business operates and may inhibit the Group's strategy, including the markets the Group operates in, brand protection, and use or transmittal of personal data. If the Group fails to comply with existing or changing regulations, the Group may be subject to fines, prosecution, loss of licence to operate or reputational damage.

The reputation of the Group and the value of its brands are influenced by a wide variety of factors, including the perception of stakeholder groups such as guests, owners, suppliers and communities in which the Group operates. The social and environmental impacts of its business are under increasing scrutiny, and the Group is exposed to the risk of damage to its reputation if it fails to (or fails to influence its business partners to) undertake responsible practices and engage in ethical behaviour, or fails to comply with relevant regulatory requirements.

The Group may face difficulties insuring its business

Historically, the Group has maintained insurance at levels determined to be appropriate in light of the cost of cover and the risk profile of the business. However, forces beyond the Group's control, including market forces, may limit the scope of coverage the Group can obtain and the Group's ability to obtain coverage at reasonable rates. Other forces beyond the Group's control, such as terrorist attacks or natural disasters, may be uninsurable or simply too expensive to insure. Inadequate or insufficient insurance could expose the Group to large claims or could result in the loss of capital invested in properties, as well as the anticipated future revenue from properties.

Executive Committee members' shareholdings

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

Executive Committee member	Number of shares held outright		APP deferred share awards		LTIP share awards (unvested)		Total number of shares held	
	2015	2014	2015	2014	2015	2014	2015	2014
Keith Barr	22,522	22,522	29,557	29,829	96,044	106,630	148,123	158,981
Angela Brav	32,724	32,724	25,569	24,473	86,969	97,462	145,262	154,659
Elie Maalouf	–	n/a	–	n/a	73,662	n/a	73,622	n/a
Kenneth Macpherson	7,472	7,472	31,279	8,330	73,861	64,713	112,612	80,515
Eric Pearson	–	1,998	28,748	25,021	90,087	102,940	118,835	129,959
Jan Smits	30,476	30,476	28,742	32,037	86,177	104,445	145,395	166,958
George Turner	17,975	–	26,047	30,896	80,914	95,399	124,936	126,295

Details of the shares held by the Executive Directors can be found on page 75. These shareholdings include all beneficial interests and those held by Executive Committee members' spouses and other connected persons.

For further details on the APP deferred share award and for the LTIP share award, see pages 70, 72 and 73.

Executive Directors' benefits upon termination of office

All current Executive Directors have a rolling service contract with a notice period from the Group of 12 months. As an alternative, the Group may, at its discretion, pay in lieu of that notice. Neither notice nor a payment in lieu of notice will be given in the event of gross misconduct.

Payment in lieu of notice could potentially include up to 12 months' salary and the cash equivalent of 12 months' pension contributions, and other contractual benefits. Where possible, the Group will seek to ensure that, where a leaver mitigates their losses by, for example, finding new employment, there will accordingly be a corresponding reduction in compensation payable for loss of office.

Further details on the policy for determination of termination payments are included in the Directors' Remuneration Policy, which is available on the Company's website at www.ihgplc.com/investors under corporate governance/directors' remuneration policy.

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Description of securities other than equity securities

Fees and charges payable to a depositary

Category (as defined by SEC)	Depositary actions	Associated fee
Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of shares, including deposits and issuances in respect of: <ul style="list-style-type: none"> • share distributions, stock splits, rights, mergers; and • exchange of securities or any other transactions or event or other distribution affecting the ADSs or the deposited securities 	\$5 for each 100 ADSs (or portion thereof)
Receiving or distributing dividends	Distribution of stock dividends	\$5 for each 100 ADSs (or portion thereof)
	Distribution of cash	\$0.02 or less per ADS (or portion thereof)
Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	\$5 for each 100 ADSs (or portion thereof)
Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	\$5 for each 100 ADSs (or portion thereof)
Transferring, splitting or grouping receipts	Transfers, combining or grouping of depositary receipts	\$1.50 per ADS
General depositary services, particularly those charged on an annual basis	Other services performed by the depositary in administering the ADRs	\$0.02 per ADS (or portion thereof) ^a not more than once each calendar year and payable at the sole discretion of the ADR Depositary by billing ADR holders or by deducting such charge from one or more cash dividends or other cash distributions
Expenses of the depositary	Expenses incurred on behalf of ADR holders in connection with: <ul style="list-style-type: none"> • compliance with foreign exchange control regulations or any law or regulation relating to foreign investment; • the ADR Depositary's or its custodian's compliance with applicable laws, rules or regulations; • stock transfer or other taxes and other governmental charges; • cable, telex, facsimile transmission/delivery; • transfer or registration fees in connection with the deposit and withdrawal of deposited securities; • expenses of the ADR Depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency); and • any other charge payable by the ADR Depositary or its agents 	Expenses payable at the sole discretion of the ADR Depositary by billing ADR holders or by deducting charges from one or more cash dividends or other cash distributions are \$20 per transaction

^a These fees are not currently being charged by the ADR Depositary.

Fees and charges payable by a depository

JPMorgan Chase Bank N.A. (JPMorgan or the ADR Depository) is the depository for IHG's ADR programme. The ADR Depository's principal executive office is at: J.P. Morgan Depository Receipts, 4 New York Plaza, 12th Floor, New York, NY 10004, US. The ADR Depository has agreed to reimburse certain reasonable Company expenses related to the Company's ADR programme and incurred by the Company in connection with the ADR programme. During the year ended 31 December 2015, the Company received \$300,000 from the ADR Depository in respect of legal, accounting and other fees incurred in connection with the preparation of the Annual Report and Form 20-F, ongoing SEC compliance and listing requirements, investor relations programmes, and advertising and public relations expenditure.

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Articles of Association

The Company's Articles of Association (the Articles) were adopted at the AGM held on 28 May 2010 and are available on the Company's website at www.ihgplc.com/investors under corporate governance. The following summarises material rights of holders of the Company's ordinary shares under the material provisions of the Articles and English law. This summary is qualified in its entirety by reference to the Companies Act and the Articles.

The Company's shares may be held in certificated or uncertificated form. No holder of the Company's shares will be required to make additional contributions of capital in respect of the Company's shares in the future.

In the following description, a 'shareholder' is the person registered in the Company's register of members as the holder of the relevant share.

Principal objects

The Company is incorporated under the name InterContinental Hotels Group PLC and is registered in England and Wales with registered number 5134420. The Articles do not restrict its objects or purposes.

Directors

Under the Articles, a Director may have an interest in certain matters (Permitted Interest) without the prior approval of the Board provided he has declared the nature and extent of such Permitted Interest at a meeting of the Directors or in the manner set out in Section 184 or Section 185 of the Companies Act.

Any matter which does not comprise a Permitted Interest must be authorised by the Board in accordance with the procedure and requirements contained in the Articles, including the requirement that a Director may not vote on a resolution to authorise a matter in which he is interested, nor may he count in the quorum of the meeting at which such business is transacted.

Further, a Director may not vote in respect of any proposal in which he, or any person connected with him, has any material interest other than by virtue of his interests in securities of, or otherwise in or through, the Company, nor may he count in the quorum of the meeting at which such business is transacted. This is subject to certain exceptions, including in relation to proposals: (a) indemnifying him in respect of obligations incurred on behalf of the Company; (b) indemnifying a third party in respect of obligations of the Company for which the Director has assumed responsibility under an indemnity or guarantee; (c) relating to an offer of securities in which he will be interested as an underwriter; (d) concerning another body corporate in which the Director is beneficially interested in less than one per cent of the issued shares of any class of shares of such a body corporate; (e) relating to an employee benefit in which the Director will share equally with other employees; and (f) relating to liability insurance that the Company is empowered to purchase for the benefit of Directors of the Company in respect of actions undertaken as Directors (or officers) of the Company.

The Directors have authority under the Articles to set their own remuneration (provided certain criteria are met). While an agreement to award remuneration to a Director is an arrangement with the Company that comprises a Permitted Interest (and therefore does not require authorisation by the Board in that respect), it is nevertheless a matter that would be expected to give rise to a conflict of interest between the Director concerned and the Company, and such conflict must be authorised by a resolution of the Board. The Director that is interested in such a matter may neither vote on the resolution to authorise such conflict, nor count in the quorum of the meeting at which it was passed. Furthermore, as noted above, the interested Director is not permitted to vote in respect of any proposal in which he has any material interest (except in respect of the limited exceptions outlined above) nor may he count in the quorum of the meeting at which such business is transacted.

As such, a Director has no power, in the absence of an independent quorum, to vote on compensation to himself, but may vote on a resolution (and may count in the quorum of the meeting at which it was passed) to award compensation to Directors provided those arrangements do not confer a benefit on him.

The Directors are empowered to exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all monies borrowed by the Company and its subsidiaries shall not exceed an amount equal to three times the Company's share capital and consolidated reserves, unless sanctioned by an ordinary resolution of the Company.

Under the Articles, there are no age-limit requirements relating to a person's qualification to hold office as a Director of the Company.

Directors are not required to hold any shares of the Company by way of qualification.

Rights attaching to shares

Dividend rights and rights to share in the Company's profits

Under English law, dividends are payable on the Company's ordinary shares only out of profits available for distribution, as determined in accordance with accounting principles generally accepted in the UK and by the Companies Act. No dividend will bear interest as against the Company.

Holders of the Company's ordinary shares are entitled to receive such dividends as may be declared by the shareholders in general meeting, rateably according to the amounts paid up on such shares, provided that the dividend cannot exceed the amount recommended by the Directors.

The Company's Board of Directors may declare and pay to shareholders such interim dividends as appear to them to be justified by the Company's financial position. If authorised by an ordinary resolution of the shareholders, the Board of Directors may also direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company).

Any dividend unclaimed by a member (or by a person entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law) after six years from the date the dividend was declared, or became due for payment, will be forfeited and will revert to the Company.

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Voting rights

The holders of ordinary shares are entitled, in respect of their holdings of such shares, to receive notice of general meetings and to attend, speak and vote at such meetings in accordance with the Articles.

Voting at any general meeting of shareholders is by a show of hands unless a poll, which is a written vote, is duly demanded. On a show of hands, every shareholder who is present in person or by proxy at a general meeting has one vote regardless of the number of shares held. On a poll, every shareholder who is present in person or by proxy has one vote for every share held by that shareholder. A poll may be demanded by any of the following:

- the chairman of the meeting;
- at least five shareholders present in person or by proxy and entitled to vote at the meeting;
- any shareholder or shareholders present in person or by proxy representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to vote at the meeting; or
- any shareholder or shareholders present in person or by proxy holding shares conferring a right to vote at the meeting and on which there have been paid up sums in the aggregate at least equal to one-tenth of the total sum paid up on all the shares conferring that right.

A proxy form will be treated as giving the proxy the authority to demand a poll, or to join others in demanding one.

The necessary quorum for a general meeting is three persons carrying a right to vote upon the business to be transacted, whether present in person or by proxy.

Matters are transacted at general meetings of the Company by the proposing and passing of resolutions, of which there are two kinds:

- an ordinary resolution, which includes resolutions for the election of Directors, the approval of financial statements, the cumulative annual payment of dividends, the appointment of the Auditor, the increase of share capital or the grant of authority to allot shares; and
- a special resolution, which includes resolutions amending the Articles, disapplying statutory pre-emption rights, modifying the rights of any class of the Company's shares at a meeting of the holders of such class or relating to certain matters concerning the Company's winding up or changing the Company's name.

An ordinary resolution requires the affirmative vote of a majority of the votes of those persons present and entitled to vote at a meeting at which there is a quorum.

Special resolutions require the affirmative vote of not less than three quarters of the persons present and entitled to vote at a meeting at which there is a quorum.

AGMs must be convened upon advance written notice of 21 days. Subject to law, other meetings must be convened upon advance written notice of 14 days. The days of delivery or receipt of the notice are not included. The notice must specify the nature of the business to be transacted. The Board of Directors may, if they choose, make arrangements for shareholders who are unable to attend the place of the meeting to participate at other places.

The Articles specify that each Director shall retire every three years at the AGM and, unless otherwise decided by the Directors, shall be eligible for re-election. However, the Code recommends that all directors of FTSE 350 companies submit themselves for election or re-election (as appropriate) by shareholders every year. Therefore, all Directors will retire and offer themselves for election or re-election at the 2016 AGM, other than Jennifer Laing and Ying Yeh who will not offer themselves for re-election and will retire immediately after the AGM.

Variation of rights

If, at any time, the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act, with the consent in writing of holders of three-quarters in nominal value of the issued shares of that class or upon the adoption of a special resolution passed at a separate meeting of the holders of the shares of that class. At every such separate meeting, all of the provisions of the Articles relating to proceedings at a general meeting apply, except that the quorum is to be the number of persons (which must be two or more) who hold or represent by proxy not less than one-third in nominal value of the issued shares of that class.

Rights in a winding-up

Except as the Company's shareholders have agreed or may otherwise agree, upon the Company's winding up, the balance of assets available for distribution:

- after the payment of all creditors including certain preferential creditors, whether statutorily preferred creditors or normal creditors; and
- subject to any special rights attaching to any class of shares,

is to be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them. This distribution is generally to be made in cash. A liquidator may, however, upon the adoption of a special resolution of the shareholders, divide among the shareholders the whole or any part of the Company's assets in kind.

Limitations on voting and shareholding

There are no limitations imposed by English law or the Articles on the right of non-residents or foreign persons to hold or vote the Company's ordinary shares or ADSs, other than the limitations that would generally apply to all of the Company's shareholders.

Working Time Regulations 1998

Under EU law, many employees of Group companies are now covered by the Working Time Regulations which came into force in the UK on 1 October 1998. These regulations implemented the European Working Time Directive and parts of the Young Workers Directive, and lay down rights and protections for employees in areas such as maximum working hours, minimum rest time, minimum days off and paid leave.

In the UK, there is in place a national minimum wage under the National Minimum Wage Act 1998, as amended. At 31 December 2015, the minimum wage for individuals between 18 and under the age of 21 was £5.30 per hour and £6.70 per hour for individuals age 21 and above (in each case, excluding apprentices aged under 19 years or, otherwise, in the first year of their apprenticeships). This particularly impacts businesses in the hospitality and retailing sectors. Compliance with the National Minimum Wage Act is being monitored by the Low Pay Commission, an independent statutory body established by the UK government.

None of the Group's UK employees are covered by collective bargaining agreements with trade unions.

Continual attention is paid to the external market in order to ensure that terms of employment are appropriate. The Group believes the Group companies will be able to conduct their relationships with trade unions and employees in a satisfactory manner.

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Material contracts

The following contracts have been entered into otherwise than in the course of ordinary business by members of the Group: (i) in the two years immediately preceding the date of this document in the case of contracts which are or may be material; or (ii) that contain provisions under which any Group member has any obligation or entitlement that is material to the Group as at the date of this document. To the extent that these agreements include representations, warranties and indemnities, such provisions are considered standard in an agreement of that nature, save to the extent identified below.

Disposal of 80 per cent interest in InterContinental New York Barclay

On 19 December 2013, Constellation Barclay Holding US, LLC, which is an affiliate of Constellation Hotels Holding Limited, agreed to acquire, pursuant to a contribution agreement, an 80 per cent interest in a joint venture with IHG's affiliates to own and refurbish the InterContinental New York Barclay hotel. The 80 per cent interest was acquired for gross cash proceeds of \$274 million. IHG's affiliates hold the remaining 20 per cent interest. The disposal was completed on 31 March 2014.

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

Constellation Barclay Holding US, LLC and IHG's affiliates have agreed to invest through the joint venture in a significant refurbishment, repositioning and extension of the hotel. This commenced in 2014 and will take place over a period of approximately 18 months.

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

Disposal of InterContinental Paris – Le Grand

On 7 December 2014, a share sale and purchase agreement was entered into between BHR Holdings B.V. (part of IHG) and Constellation Hotels France Grand SA. Under the agreement, BHR Holdings B.V. agreed to sell Société Des Hotels InterContinental France, the owner of InterContinental Paris – Le Grand, to Constellation Hotels France Grand SA. The gross sale proceeds agreed were €330 million in cash. The disposal was completed on 20 May 2015.

In connection with the sale, IHG secured a 30-year management contract on the hotel, with three 10-year extension rights at IHG's discretion, giving an expected contract length of 60 years.

Under the agreement, BHR Holdings B.V. gave certain customary warranties and indemnities to Constellation Hotels France Grand SA.

Acquisition of the Kimpton Hotels & Restaurants business

On 15 December 2014, a share sale and purchase agreement was entered into between Kimpton Group Holding LLC and Dunwoody Operations, Inc., an affiliate of IHG. Under the agreement, Dunwoody Operations, Inc. agreed to buy Kimpton Hotel & Restaurant Group, LLC, the principal trading company of the Kimpton group, from Kimpton Group Holding LLC. The purchase completed on 16 January 2015.

The purchase price payable by Dunwoody Operations, Inc. in respect of the acquisition was \$430 million paid in cash.

Under the agreement, Dunwoody Operations, Inc. gave certain customary warranties and indemnities to the seller.

Disposal of InterContinental Hong Kong

On 10 July 2015, a share sale and purchase agreement was entered into between Hotel InterContinental London (Holdings) Limited (part of IHG) and Supreme Key Limited. Under the agreement, Hotel InterContinental London (Holdings) Limited agreed to sell Trifai Investments Limited, the owner of InterContinental Hong Kong Limited, which in turn is the owner of InterContinental Hong Kong, to Supreme Key Limited. The gross sale proceeds agreed were \$938 million in cash. The disposal completed on 30 September 2015.

In connection with the sale, IHG secured a 37-year management contract on the hotel, with three 10-year extension rights at IHG's discretion, giving an expected contract length of 67 years.

Under the agreement, Hotel InterContinental London (Holdings) Limited gave certain customary warranties and indemnities to Supreme Key Limited.

£1.5 billion Euro Medium Term Note programme

In 2015, the Group updated its Euro Medium Term Note programme (Programme) and issued a tranche of £300 million 3.750% notes due 14 August 2025 (2015 Issuance).

On 16 June 2015, an amended and restated trust deed (Trust Deed) was executed by InterContinental Hotels Group PLC as issuer (Issuer), Six Continents Limited and InterContinental Hotels Limited as guarantors (Guarantors) and HSBC Corporate Trustee Company (UK) Limited as trustee (Trustee), pursuant to which the trust deed dated 27 November 2009, as supplemented by two supplemental trust deeds dated 7 July 2011 and 9 November 2012 between the same parties relating to the Programme, were amended and restated. Under the Trust Deed, the Issuer may issue notes (Notes) unconditionally and irrevocably guaranteed by the Guarantors, up to a maximum nominal amount from time to time outstanding of £1.5 billion (or its equivalent in other currencies). Notes are to be issued in series (each a Series) in bearer form. Each Series may comprise one or more tranches (each a Tranche) issued on different issue dates. Each Tranche of Notes will be issued on the terms and conditions set out in the updated base prospectus dated 16 June 2015 (Base Prospectus) as amended and/or supplemented by a document setting out the final terms (Final Terms) of such Tranche or in a separate prospectus specific to such Tranche.

Under the Trust Deed, each of the Issuer and the Guarantors has given certain customary covenants in favour of the Trustee.

Final Terms were issued (pursuant to the previous base prospectus dated 27 November 2009) on 9 December 2009 in respect of the issue of a Tranche of £250 million 6% Notes due 9 December 2016 (2009 Issuance). Final Terms were issued (pursuant to the previous base prospectus dated 9 November 2009) on 26 November 2012 in respect of the issue of a Tranche of £400 million 3.875% Notes due 28 November 2022 (2012 Issuance). Final Terms were issued pursuant to the Base Prospectus on 12 August 2015 in respect of the 2015 Issuance.

The Final Terms issued under each of the 2009 Issuance, 2012 Issuance and 2015 Issuance provide that the holders of the Notes have the right to repayment if the Notes (a) become non-investment grade within the period commencing on the date of announcement of a change of control and ending 90 days after the change of control (Change of Control Period) and are not subsequently, within the Change of Control Period, reinstated to investment grade; (b) are downgraded from a non-investment grade and are not reinstated to its earlier credit rating or better within the Change of Control Period; or (c) are not credit rated and do not become investment-grade credit rated by the end of the Change of Control Period.

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Further details of the Programme and the Notes are set out in the Base Prospectus, a copy of which is available (as is a copy of each of the Final Terms dated 7 December 2009 relating to the 2009 Issuance, the Final Terms dated 26 November 2012 relating to the 2012 Issuance and the Final Terms dated 12 August 2015 relating to the 2015 Issuance) on the Company's website at www.ihgplc.com. The Notes issued pursuant to the 2009 Issuance, the Notes issued pursuant to the 2012 Issuance and the Notes issued pursuant to the 2015 Issuance are referred to as '£250 million 6% bonds', '£400 million 3.875% bonds' and '£300 million 3.750% bonds' respectively in the Group Financial Statements.

On 16 June 2015, the Issuer and the Guarantors entered into an amended and restated agency agreement (Agency Agreement) with HSBC Bank plc as principal paying agent and the Trustee, pursuant to which the Issuer and the Guarantors appointed paying agents and calculation agents in connection with the Programme and the Notes.

Under the Agency Agreement, each of the Issuer and the Guarantors has given a customary indemnity in favour of the paying agents and the calculation agents.

On 16 June 2015, the Issuer and the Guarantors entered into a dealer agreement (Dealer Agreement) with HSBC Bank plc as arranger and Barclays Bank PLC, HSBC Bank plc, SunTrust Robinson Humphrey, Inc., Merrill Lynch International, Mitsubishi UFJ Securities International plc and The Royal Bank of Scotland plc as dealers (Dealers), pursuant to which the Dealers were appointed in connection with the Programme and the Notes.

Under the Dealer Agreement, each of the Issuer and the Guarantors has given customary warranties and indemnities in favour of the Dealers.

Syndicated Facility

On 30 March 2015, the Company signed a five-year \$1.275 billion bank facility agreement (Syndicated Facility) with Bank of America Merrill Lynch International Limited, Barclays Bank plc, HSBC Bank PLC, SunTrust Robinson Humphrey, The Bank of Tokyo-Mitsubishi UFJ, Ltd and The Royal Bank of Scotland plc, all acting as joint bookrunners and The Bank of Tokyo-Mitsubishi UFJ, Ltd as facility agent. The Company may request to extend the term of the Syndicated Facility by up to two further periods of 12 months.

The interest margin payable on borrowings under the Syndicated Facility is linked to IHG's consolidated net debt to consolidated EBITDA ratio. The margin can vary between LIBOR + 0.40% and LIBOR + 1.00% depending on the level of the ratio. The Syndicated Facility was undrawn at 31 December 2015.

\$400 million term loan facility

On 13 January 2015, the Company signed a six-month \$400 million term loan facility agreement with Bank of America Merrill Lynch International Limited as arranger, facility agent and lender. The Company may elect to extend the repayment date by up to two further periods of six months.

The interest margin payable on borrowings is LIBOR + 0.6%, increasing to LIBOR + 0.8% and LIBOR + 1.0% for the first and second six-month extension periods respectively. The facility was terminated in August 2015.

Legal proceedings

Group companies have extensive operations in the UK, as well as internationally, and are involved in a number of legal claims and proceedings incidental to those operations. It is the Company's view that such proceedings, either individually or in the aggregate, have not in the recent past and are not likely to have a significant effect on the Group's financial position or profitability. Notwithstanding the above, the Company notes the matters set out below. Litigation is inherently unpredictable and, as of 22 February 2016, the outcome of these matters cannot be reasonably determined.

A claim was filed on 9 July 2013 by Pan-American Life Insurance Company against Louisiana Acquisitions Corp. and InterContinental Hotels Corporation. The claimant identified eight causes of action: breach of contract; breach of partnership, fiduciary duties and good faith obligations; fraud; civil conspiracy; conversion; unfair trade practices; unjust enrichment; and alter ego. As of 22 February 2016, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is probable or to estimate the amount of any loss.

On 31 July 2012, the UK's Office of Fair Trading (OFT) issued a Statement of Objections alleging that the Company (together with Booking.com B.V. and Expedia, Inc.) had infringed competition law in relation to the online supply of room-only hotel accommodation by online travel agents. The Group co-operated fully with the investigation. On 31 January 2014, the OFT announced its decision to accept a series of commitments and to conclude its investigation without any finding of infringement or wrongdoing, or the imposition of any fine. On 26 September 2014, the Competition Appeal Tribunal allowed an appeal brought by Skyscanner Limited and quashed the decision to accept the commitments. On 16 September 2015 the Competition and Markets Authority, as the successor organisation to the OFT, closed its investigation without any finding of infringement by the Company.

A class-action claim was filed on 3 July 2012 by two claimants alleging that InterContinental Hotels of San Francisco, Inc. and InterContinental Hotels Group Resources, Inc. violated California Penal Code 632.7, based upon the alleged improper recording of cellular phone calls originating from California to IHG customer care and reservations centres. The claimants subsequently amended the claim to include Six Continents Hotels, Inc. The parties entered into a settlement agreement to resolve all class claims, and on 8 February 2016, the Court issued an order granting approval of the settlement.

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Shareholder information

Exchange controls and restrictions on payment of dividends

There are no restrictions on dividend payments to US citizens.

Although there are currently no UK foreign exchange control restrictions on the export or import of capital or the payment of dividends on the ordinary shares or the ADSs, economic sanctions which may be in force in the UK from time to time impose restrictions on the payment of dividends to persons resident (or treated as so resident) in or governments of (or persons exercising public functions in) certain countries.

Other than economic sanctions which may be in force in the UK from time to time, there are no restrictions under the Articles or under English law that limit the right of non-resident or foreign owners to hold or vote the ordinary shares or the ADSs. In addition, the Articles contain certain limitations on the voting and other rights of any holder of ordinary shares whose holding may, in the opinion of the Directors, result in the loss or failure to secure the reinstatement of any licence or franchise from any US governmental agency held by Six Continents Hotels, Inc. or any subsidiary thereof.

Taxation

This section provides a summary of material US federal income tax and UK tax consequences to the US holders, described below, of owning and disposing of ordinary shares or ADSs of the Company. This section addresses only the tax position of a US holder who holds ordinary shares or ADSs as capital assets. This section does not, however, discuss all of the tax considerations that may be relevant to any particular US holder, such as the provisions of the Internal Revenue Code of 1986, as amended (IR Code) known as the Medicare Contribution tax or tax consequences to US holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities who use a mark-to-market method of tax accounting;
- persons holding ordinary shares or ADSs as part of a straddle, conversion transaction, integrated transaction or wash sale, or persons entering into a constructive sale with respect to the ordinary shares or ADSs;
- persons whose functional currency for US federal income tax purposes is not the US dollar;
- partnerships or other entities classified as partnerships for US federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt organisations;
- persons who acquired the Company's ADSs or ordinary shares pursuant to the exercise of any employee stock option or otherwise in connection with employment; or
- persons who, directly or indirectly, own 10 per cent or more of the Company's voting stock.

This section does not generally deal with the position of a US holder who is resident in the UK for UK tax purposes or who is subject to UK taxation on capital gains or income by virtue of carrying on a trade, profession or vocation in the UK through a branch, agency or permanent establishment to which such ADSs or ordinary shares are attributable ("trading in the UK").

As used herein, a 'US holder' is a person who, for US federal income tax purposes, is a beneficial owner of ordinary shares or ADSs and is: (i) a citizen or individual resident of the US; (ii) a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the US, any state therein or the District of Columbia; (iii) an estate whose income is subject to US federal income tax regardless of its source; or (iv) a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust.

This section is based on the IR Code, its legislative history, existing and proposed regulations, published rulings and court decisions, and on UK tax laws and the published practice of HM Revenue and Customs (HMRC), all as of the date hereof. These laws, and that practice, are subject to change, possibly on a retroactive basis.

This section is further based in part upon the representations of the ADR Depository and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. For US federal income tax purposes, an owner of ADRs evidencing ADSs will generally be treated as the owner of the underlying shares represented by those ADSs. For UK tax purposes, in practice, HMRC will also regard holders of ADSs as the beneficial owners of the ordinary shares represented by those ADSs (although case law has cast some doubt on this). The discussion below assumes that HMRC's position is followed.

Generally, exchanges of ordinary shares for ADSs, and ADSs for ordinary shares, will not be subject to US federal income tax or UK taxation on capital gains, although UK stamp duty reserve tax (SDRT) may arise as described below.

The US Treasury has expressed concerns that parties to whom ADSs are pre-released before shares are delivered to the depository, or intermediaries in the chain of ownership between holders and the issuer of the securities underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by US holders of ADSs. Such actions would also be inconsistent with the claiming of the preferential rates of tax, described below, for qualified dividend income. Accordingly, the availability of the preferential rates of tax for qualified dividend income described below could be affected by actions taken by parties to whom the ADSs are pre-released.

Investors should consult their own tax advisors regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of ordinary shares or ADSs in their particular circumstances.

The following disclosures assumes that the Company is not, and will not become, a positive foreign investments company (PFIC), as described below.

Taxation of dividends

UK taxation

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

A US holder who is not resident for UK tax purposes in the UK and who is not trading in the UK will generally not be liable for UK taxation on dividends received in respect of the ADSs or ordinary shares.

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US federal income taxation

A US holder is subject to US federal income taxation on the gross amount of any dividend paid by the Company out of its current or accumulated earnings and profits (as determined for US federal income tax purposes). Distributions in excess of the Company's current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the US holder's basis in the shares or ADSs and thereafter as capital gain. Because the Company has not historically maintained, and does not currently maintain, books in accordance with US tax principles, the Company does not expect to be in a position to determine whether any distribution will be in excess of the Company's current and accumulated earnings and profits as computed for US federal income tax purposes. As a result, it is expected that amounts distributed will be reported to the Internal Revenue Service (IRS) as dividends.

Subject to applicable limitations and the discussion above regarding concerns expressed by the US Treasury, dividends paid to certain non-corporate US holders will be taxable at the preferential rates applicable to long-term capital gain if the dividends constitute 'qualified dividend income'. The Company expects that dividends paid by the Company with respect to the ADSs will constitute qualified dividend income. US holders should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to be taxed at these preferential rates.

Dividends must be included in income when the US holder, in the case of shares, or the ADR Depository, in the case of ADSs, actually or constructively receives the dividend, and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. For foreign tax credit limitation purposes, dividends will generally be income from sources outside the US.

The amount of any dividend paid in pounds sterling will be the US dollar value of the sterling payments made, determined at the spot sterling/US dollar rate on the date the dividend distribution is includible in income, regardless of whether the payment is in fact converted into US dollars. If the dividend is converted into US dollars on that date, a US holder should not be required to recognise foreign currency gain or loss in respect of the dividend income. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date the payment is converted into US dollars will be treated as ordinary income or loss from sources within the US.

Taxation of capital gains

UK taxation

A US holder who is not resident for UK tax purposes in the UK and who is not trading in the UK will not generally be liable for UK taxation on capital gains, or eligible for relief for allowable losses, realised or accrued on the sale or other disposal of ADSs or ordinary shares. A US holder of ADSs or ordinary shares who is an individual and who, broadly, has temporarily ceased to be resident in the UK or has become temporarily treated as non-resident for UK tax purposes for a period of not more than five years (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes treated as non-resident for less than five years of assessment) and who disposes of ordinary shares or ADSs during that period may, for the year of assessment when that individual becomes resident again in the UK, be liable to UK tax on capital gains (subject to any available exemption or relief), notwithstanding the fact that such US holder was not treated as resident in the UK at the time of the sale or other disposal.

US federal income taxation

A US holder who sells or otherwise disposes of ordinary shares or ADSs will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the amount realised and its tax basis in the ordinary shares or ADSs, each determined in US dollars. Such capital gain or loss will be long-term capital gain or loss where the US holder has a holding period greater than one year. Losses may also be treated as long-term capital losses to the extent of certain 'extraordinary dividends' that qualified for the preferential tax rates on qualified dividend income described above. The capital gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

PFIC rules

Based on the manner in which the Group operates its business and on estimates of the value of its assets (which estimates are based, in part, on the market value of the Company's ADSs) the Company believes that it was not a PFIC for US federal income tax purposes for its 2015 taxable year. However, this conclusion is an annual factual determination and thus may be subject to change. If the Company were a PFIC for any taxable year during which a US holder owned ordinary shares or

ADSs, gain realised on the sale or other disposition of ordinary shares or ADSs would, in general, not be treated as capital gain. Instead, gain would be treated as if the US holder had realised such gain ratably over the holding period for the ordinary shares or ADSs and, to the extent allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC, would be taxed as ordinary income. The amount allocated to each other taxable year would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. In addition, similar rules would apply to any 'excess distribution' received on the ordinary shares or ADSs (generally, the excess of any distribution received on the ordinary shares or ADSs during the taxable year over 125 per cent of the average amount of distributions received during a specified prior period), and the preferential rates for qualified dividend income received by certain non-corporate US holders would not apply.

Certain elections may be available (including a market-to-market election) to US holders that would result in alternative treatments of the ordinary shares or ADSs. If the Company were a PFIC for any taxable year in which a US holder held ordinary shares or ADSs, a US holder would generally be required to file IRS Form 8621 with their annual US federal income tax returns, subject to certain exceptions.

Additional tax considerations

UK inheritance tax

An individual who is neither domiciled nor deemed domiciled in the UK (under certain UK rules relating to previous domicile or long residence) is only chargeable to UK inheritance tax to the extent the individual owns assets situated in the UK. As a matter of UK law, it is not clear whether the situs of an ADS for UK inheritance tax purposes is determined by the place where the depository is established and records the entitlements of the deposit holders, or by the situs of the underlying share which the ADS represents, but the UK tax authorities may take the view that the ADSs, as well as the ordinary shares, are or represent UK-situs assets.

However, an individual who is domiciled in the US (for the purposes of the Estate and Gift Tax Convention (the Convention), and is not a UK national as defined in the Convention, will not be subject to UK inheritance tax (to the extent UK inheritance tax applies) in respect of the ordinary shares or ADSs on the individual's death or on a transfer of the ordinary shares or ADSs during their lifetime, provided that any applicable US federal gift or estate tax is paid, unless the ordinary

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shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base of an individual used for the performance of independent personal services. Where the ordinary shares or ADSs have been placed in trust by a settlor, they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the US and was not a UK national. If no relief is given under the Convention, inheritance tax may be charged on death and also on the amount by which the value of an individual's estate is reduced as a result of any transfer made by way of gift or other undervalue transfer, broadly within seven years of death, and in certain other circumstances. Where the ordinary shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the Convention generally provides for either a credit against US federal tax liabilities for UK inheritance tax paid or for a credit against UK inheritance tax liabilities for US federal tax paid, as the case may be.

UK stamp duty and SDRT

Neither stamp duty nor SDRT will generally be payable in the UK on the purchase or transfer of an ADS, provided that the ADS and any separate instrument or written agreement of transfer are executed and remain at all times outside the UK. UK legislation does however provide for stamp duty (in the case of transfers) or SDRT to be payable at the rate of 1.5 per cent on the amount or value of the consideration (or, in some cases, the value of the ordinary shares) where ordinary shares are issued or transferred to a person (or a nominee or agent of a person) whose business is or includes issuing depository receipts or the provision of clearance services. In accordance with the terms of the deposit agreement, any tax or duty payable on deposits of ordinary shares by the depository or by the custodian of the depository will typically be charged to the party to whom ADSs are delivered against such deposits.

Following litigation on the subject, HMRC has accepted that it will no longer seek to apply the 1.5 per cent SDRT charge when new shares are issued to a clearance service or depository receipt system on the basis that the charge is not compatible with EU law. In HMRC's view, the 1.5 per cent SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depository receipt system unless they are an integral part of an issue of share capital. This view is currently being challenged in further litigation. Accordingly, specific professional advice should be sought before paying the 1.5 per cent SDRT or stamp duty charge in any circumstances.

A transfer of the underlying ordinary shares will generally be subject to stamp duty or SDRT, normally at the rate of 0.5 per cent of the amount of value of the consideration (rounded up to the next multiple of £5 in the case of stamp duty). A transfer of ordinary shares from a nominee to its beneficial owner, including the transfer of underlying ordinary shares from the depository to an ADS holder, under which no beneficial interest passes, will not be subject to stamp duty or SDRT.

US backup withholding and information reporting

Payments of dividends and sales proceeds with respect to ADSs and ordinary shares may be reported to the Inland Revenue Service (IRS) and to the US holder. Backup withholding may apply to these reportable payments if the US holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US holders (including, among others, corporations) are not subject to information reporting and backup withholding. The amount of any backup withholding from a payment to a US holder will be allowed as a credit against the holder's US federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS. US holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Certain US holders who are individuals (and under proposed US Treasury regulations, certain entities controlled by individuals) may be required to report information relating to their ownership of non-US securities unless the securities are held in accounts at financial institutions (in which case the accounts may be reportable if maintained by non-US financial institutions). US holders should consult their tax advisers regarding any reporting obligations they may have with respect to the Company's ordinary shares or ADSs.

Disclosure controls and procedures

As of the end of the period covered by this report, the Group carried out an evaluation under the supervision and with the participation of the Group's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Group's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act 1934). These are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act 1934 is recorded, processed, summarised and reported within the specified periods. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Group's disclosure controls and procedures were effective.

Summary of significant corporate governance differences from NYSE listing standards

The Group's statement of compliance with the principles and provisions specified in the UK Corporate Governance Code issued by the Financial Reporting Council in the UK in 2014 (the Code) is set out on pages 66 and 67.

IHG has also adopted the corporate governance requirements of the US Sarbanes-Oxley Act and related rules and of the NYSE, to the extent that they are applicable to it as a foreign private issuer. As a foreign private issuer, IHG is required to disclose any significant ways in which its corporate governance practices differ from those followed by US companies. These are as follows.

Basis of regulation

The Code contains a series of principles and provisions. It is not, however, mandatory for companies to follow these principles. Instead, companies must disclose how they have applied them and disclose, if applicable, any areas of non-compliance along with an explanation for the non-compliance. In contrast, US companies listed on the NYSE are required to adopt and disclose corporate governance guidelines adopted by the NYSE.

Independent Directors

The Code's principles recommend that at least half the board, excluding the chairman, should consist of independent non-executive directors. As at 22 February 2016, the Board consisted of the Chairman, independent at the time of his appointment, two Executive Directors and eight Independent Non-Executive Directors. NYSE listing rules applicable to US companies state that companies must have a majority of independent directors. The NYSE set out five bright line tests for director independence. The Board's judgement is that all of its Non-Executive Directors are independent. However, it did not explicitly take into consideration the NYSE's tests in reaching this determination.

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Chairman and Chief Executive Officer

The Code recommends that the chairman and chief executive officer should not be the same individual to ensure that there is a clear division of responsibility for the running of the Company's business. There is no corresponding requirement for US companies. The roles of Chairman and Chief Executive Officer were, as at 22 February 2016 and throughout 2015, fulfilled by separate individuals.

Committees

The Company has a number of Board Committees which are similar in purpose and constitution to those required for domestic companies under NYSE rules. The NYSE requires US companies to have both remuneration and nominating/corporate governance committees composed entirely of independent directors, as defined under the NYSE rules. The Company's Nomination Committee consists only of Non-Executive Directors and the Company's Audit and Remuneration Committees consists entirely of Non-Executive Directors who are independent under the standards of the Code, which may not necessarily be the same as the NYSE independence standards. The nominating/governance committee is responsible for identifying individuals qualified to become Board members and to recommend to the Board a set of corporate governance principles. As the Company is subject to the Code, the Company's Nomination Committee is only responsible for nominating, for approval of the Board, candidates for appointment to the Board, though it also assists in developing the role of the Senior Independent Non-Executive Director. The Company's Nomination Committee consists of the Chairman and all the Independent Non-Executive Directors.

The Chairman of the Company is not a member of either the Remuneration or the Audit Committee. As set out on page 62, the Audit Committee is chaired by an Independent Non-Executive Director who, in the Board's view, has the experience and qualifications to satisfy the criterion under US rules for an 'audit committee financial expert'.

Non-Executive Director meetings

Non-management directors of US companies must meet on a regular basis without management present, and independent directors must meet separately at least once per year. The Code requires: (i) the Board Chairman to hold meetings with the Non-Executive Directors without the Executive Directors present; and (ii) the Non-Executive Directors to meet at least annually without the Chairman present to appraise the Chairman's performance. The Company's Non-Executive Directors have met without Executive Directors being present, and intend to continue this practice, after every Board meeting if possible.

Shareholder approval of equity compensation plans

The NYSE rules require that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions to those plans. The Company complies with UK requirements which are similar to the NYSE rules. The Board does not, however, explicitly take into consideration the NYSE's detailed definition of 'material revisions'.

Code of Conduct

The NYSE requires companies to adopt a code of business conduct and ethics, applicable to directors, officers and employees. Any waivers granted to directors or officers under such a code must be promptly disclosed. As set out on page 153, IHG's Code of Conduct is applicable to all Directors, officers and employees, and further information on the Code of Conduct is available on the Company's website at www.ihgplc.com/investors under corporate governance. No waivers have been granted under the Code of Conduct.

Compliance certification

Each chief executive of a US company must certify to the NYSE each year that he or she is not aware of any violation by the Company of any NYSE corporate governance listing standard. As the Company is a foreign private issuer, the Company's Chief Executive Officer is not required to make this certification. However, he is required to notify the NYSE promptly in writing after any of the Company's executive officers become aware of any non-compliance with those NYSE corporate governance rules applicable to the Company.

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Selected five-year consolidated financial information

The selected consolidated financial data set forth in the table below for the years ended 31 December 2011, 2012, 2013, 2014 and 2015 have been prepared in accordance with IFRS as issued by the IASB and in accordance with IFRS as adopted by the EU, and is derived from the Group Financial Statements, which have been audited by its independent registered public accounting firm, Ernst & Young LLP.

IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the Group Financial Statements for the years presented. The selected consolidated financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Group Financial Statements and notes thereto included elsewhere in this Annual Report and Form 20-F.

Group income statement data

For the year ended 31 December	\$m, except earnings per ordinary share				
	2015	2014	2013	2012	2011
Revenue	1,803	1,858	1,903	1,835	1,768
Total operating profit before exceptional operating items	680	651	668	605	548
Exceptional operating items	819	29	5	(4)	57
Total operating profit	1,499	680	673	601	605
Financial income	5	3	5	3	2
Financial expenses	(92)	(83)	(78)	(57)	(64)
Profit before tax	1,412	600	600	547	543
Tax:					
On profit before exceptional items	(180)	(179)	(175)	(151)	(117)
On exceptional operating items	(8)	(29)	(6)	1	(4)
Exceptional tax	–	–	(45)	141	43
	(188)	(208)	(226)	(9)	(78)
Profit for the year from continuing operations:	1,224	392	374	538	465
Attributable to:					
Equity holders of the parent	1,222	391	372	537	465
Non-controlling interest	2	1	2	1	–
Earnings per ordinary share (continuing and total operations):					
Basic	520.0¢	158.3¢	140.9¢	187.1¢	160.9¢
Diluted	513.4¢	156.4¢	139.3¢	183.9¢	157.1¢

Group statement of financial position data

31 December	\$m, except number of shares				
	2015	2014	2013	2012	2011
Goodwill and other intangible assets	1,226	643	518	447	400
Property, plant and equipment	428	741	1,169	1,056	1,362
Investments and other financial assets	420	368	321	239	243
Non-current trade and other receivables	3	3	–	–	–
Retirement benefit assets	–	8	7	99	21
Non-current tax receivable	37	34	16	24	41
Deferred tax assets	49	87	108	204	106
Current assets	1,606	624	700	852	784
Assets classified as held for sale	–	310	228	534	217
Total assets	3,769	2,818	3,067	3,455	3,174
Current liabilities	1,369	943	928	972	1,066
Long-term debt	1,239	1,569	1,269	1,242	670
Net assets/(liabilities)	319	(717)	(74)	317	555

Equity share capital	169	178	189	179	162
IHG shareholders' equity	309	(725)	(82)	308	547
Number of shares in issue at end of the year (millions)	248	248	269	268	290

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Return of funds

Since March 2004, the Group has returned over £4.8bn of funds to shareholders by way of special dividends, capital returns and share repurchase programmes.

Return of funds programme	Timing	Total return	Returned to date
£501m special dividenda	Paid in December 2004	£501m	£501m
£250m share buyback	Completed in 2004	£250m	£250m
£996m capital returna	Paid in July 2005	£996m	£996m
£250m share buyback	Completed in 2006	£250m	£250m
£497m special dividenda	Paid in June 2006	£497m	£497m
£250m share buyback	Completed in 2007	£250m	£250m
£709m special dividenda	Paid in June 2007	£709m	£709m
£150m share buyback	n/ab	£150m	£120m
\$500m special dividenda, c	Paid in October 2012	£315md (\$500m)	£315me (\$505m)
\$500m share buyback	Completed in 2014	£315md (\$500m)	£315m (\$500m)f
\$350m special dividend	Paid in October 2013	£229mg (\$350m)	£228mh (\$355m)
\$750m special dividenda	Paid in July 2014	£447mi (\$750m)	£446mj (\$763m)
Total		£4,909m	£4,877m

a Accompanied by a share consolidation.

b This programme was superseded by the share buyback programme announced on 7 August 2012.

c IHG changed the reporting currency of its Consolidated Financial Statements from sterling to US dollars effective from the Half-Year Results as at 30 June 2008.

d The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate of \$1=£0.63, as set out in the circular detailing the special dividend and share buyback programme published on 14 September 2012.

e Sterling dividend translated at \$1=£0.624.

f Translated into US dollars at the average rates of exchange for the relevant years (2014 \$1=£0.61; 2013 \$1=£0.64; 2012 \$1 = £0.63).

g The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate of \$1=£0.65, as announced in the Half-Year Results to 30 June 2013.

h Sterling dividend translated at \$1=£0.644.

i The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate translated at \$1=£0.597.

j Sterling dividend translated at \$1=£0.5845.

Purchases of equity securities by the Company and affiliated purchasers

During the financial year ended 31 December 2015, 1,209,985 ordinary shares were purchased by the Company's employee share ownership trust, at prices ranging from 2,545 pence to 2,594 pence per share, for the purpose of satisfying future share awards to employees.

	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programmes	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programmes
Month 1	438,185	2,591.9301	nil	23,611,725a
Month 2	771,800	2,577.1100	nil	23,611,725a

Month 3 (no purchases this month)	nil	nil	nil	23,611,725a
Month 4 (no purchases this month)	nil	nil	nil	23,611,725a
Month 5 (no purchases this month)	nil	nil	nil	23,611,725b
Month 6 (no purchases this month)	nil	nil	nil	23,611,725b
Month 7 (no purchases this month)	nil	nil	nil	23,611,725b
Month 8 (no purchases this month)	nil	nil	nil	23,611,725b
Month 9 (no purchases this month)	nil	nil	nil	23,611,725b
Month 10 (no purchases this month)	nil	nil	nil	23,611,725b
Month 11 (no purchases this month)	nil	nil	nil	23,611,725b
Month 12 (no purchases this month)	nil	nil	nil	23,611,725b

a Reflects the resolution passed at the Company's General Meeting held on 30 June 2014.

b Reflects the resolution passed at the Company's AGM held on 8 May 2015.

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Share price information

The principal trading market for the Company's ordinary shares is the London Stock Exchange (LSE). The ordinary shares are also listed on the NYSE, trading in the form of ADSs evidenced by ADRs. Each ADS represents one ordinary share. The Company has a sponsored ADR facility with JPMorgan as ADR Depositary. The following table shows, for the financial periods indicated, the reported high and low middle market quotations (which represent an average of closing bid and ask prices) for the ordinary shares on the LSE, as derived from the Official List of the UK Listing Authority, and the highest and lowest sales prices of the ADSs as reported on the NYSE composite tape.

Year ended 31 December	£ per ordinary share		\$ per ADSa	
	high	low	high	low
2011	14.35	9.55	23.28	15.27
2012	17.25	11.60	27.82	18.25
2013	20.39	17.37	33.54	26.90
2014	27.10	18.66	42.51	30.88
2015	28.80	22.09	43.55	33.52
Quarters in the year ended 31 December				
2014				
First quarter	20.47	18.66	34.08	30.88
Second quarter	24.21	19.04	41.51	31.60

Third quarter	24.75	21.99	42.51	36.84
Fourth quarter	27.10	21.20	42.38	34.03
2015				
First quarter	27.56	25.33	41.59	38.32
Second quarter	28.80	25.66	43.55	38.90
Third quarter	27.43	22.09	42.68	33.52
Fourth quarter	27.74	22.87	40.41	34.91
2016				
First quarter (to 22 February)	25.95	21.84	38.14	32.11
Month ended				
August 2015	26.78	22.87	41.67	35.88
September 2015	24.47	22.09	37.53	33.52
October 2015	26.01	22.87	39.88	34.91
November 2015	27.74	24.41	40.41	37.00
December 2015	26.58	24.89	39.58	37.51
January 2016	25.95	22.11	38.14	32.11
February 2016 (to 22 February)	24.70	21.84	35.52	32.26

a Fluctuations in the exchange rates between sterling and the US dollar will affect the dollar equivalent of the sterling price of the ordinary shares on the LSE and, as a result, are likely to affect the market price of ADSs.

Dividend history

The table below sets forth the amounts of ordinary dividends on each ordinary share and special dividends, in respect of each financial year indicated.

	Interim dividend		Final dividend		Total dividend		Special dividend	
	pence	cents	pence	cents	pence	cents	pence	cents
2015	17.7	27.5	40.3	57.5	58.0	85.0		
2014	14.8	25.0	33.8	52.0	48.6	77.0	174.9a	293.0a
2013	15.1	23.0	28.1	47.0	43.2	70.0	87.1	133.0
2012	13.5	21.0	27.7	43.0	41.2	64.0	108.4a	172.0a
2011	9.8	16.0	24.7	39.0	34.5	55.0	–	–
2010	8.0	12.8	22.0	35.2	30.0	48.0	–	–
2009	7.3	12.2	18.7	29.2	26.0	41.4	–	–
2008b	6.4	12.2	20.2	29.2	26.6	41.4	–	–
2007	5.7	11.5	14.9	29.2	20.6	40.7	200a	–
2006	5.1	9.6	13.3	25.9	18.4	35.5	118a	–
2005	4.6	8.1	10.7	18.7	15.3	26.8	–	–
2004	4.3	7.7	10.0	19.1	14.3	26.8	72.0a	–
2003	4.05	6.8	9.45	17.4	13.5	24.2	–	–

a Accompanied by a share consolidation.

b IHG changed the reporting currency of its Consolidated Financial Statements from sterling to US dollars effective from the Half-Year Results as at 30 June 2008. Starting with the interim dividend for 2008, all dividends have first been determined in US dollars and converted into sterling immediately before announcement.

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Shareholder information continued

Shareholder profiles

Shareholder profile by type as at 31 December 2015

Category of shareholder	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
Private individuals	39,496	92.30	13,195,194	5.59
Nominee companies	1,411	3.30	189,574,897	80.29
Limited and public limited companies	1,728	4.04	16,801,603	7.12
Other corporate bodies	151	0.35	15,055,870	6.38
Pension funds, insurance companies and banks	7	0.02	1,489,692	0.63
Total	42,793	100	236,117,256	100

Shareholder profile by size as at 31 December 2015

Range of shareholdings	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
1 – 199	26,891	62.84	1,705,145	0.72
200 – 499	8,434	19.71	2,686,009	1.14
500 – 999	3,881	9.07	2,711,655	1.15
1,000 – 4,999	2,726	6.37	5,170,149	2.19
5,000 – 9,999	244	0.57	1,710,155	0.72
10,000 – 49,999	311	0.73	7,100,198	3.01
50,000 – 99,999	88	0.21	6,330,753	2.68
100,000 – 499,999	149	0.35	35,233,511	14.92
500,000 – 999,999	31	0.07	24,531,357	10.39
1,000,000 and above	38	0.09	148,938,324	63.08
Total	42,793	100	236,117,256	100

Shareholder profile by geographical location as at 31 December 2015

Country/Jurisdiction	Percentage of issued share capital ^a
UK	48.6
Rest of Europe	18.4
US (including ADRs)	29.7
Rest of world	3.3
Total	100

^a The geographical profile presented is based on an analysis of shareholders (by manager) of 40,000 shares or above where geographical ownership is known. This analysis only captures 90.3% of total issued share capital. Therefore, the known percentage distributions have been multiplied by 100/90.3 (1.107) to achieve the figures shown in the table above.

As of 22 February 2016, 15,495,192 ADSs equivalent to 15,495,192 ordinary shares, or approximately 6.3 per cent of the total issued share capital, were outstanding and were held by 676 holders. Since certain ordinary shares are registered in

the names of nominees, the number of shareholders on record may not be representative of the number of beneficial owners.

As of 22 February 2016, there were a total of 42,642 recorded holders of ordinary shares, of whom 253 had registered addresses in the US and held a total of 557,405 ordinary shares (0.23 per cent of the total issued share capital).

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Exhibits

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

Exhibit 1a	Articles of Association of the Company (incorporated by reference to Exhibit 1 of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 11 April 2011)
Exhibit 4(a)(i)	Share sale and purchase agreement relating to InterContinental Hong Kong, between Hotel InterContinental London (Holdings) Limited and Supreme Key Limited dated 10 July 2015
Exhibit 4(a)(ii)	Amended and restated trust deed dated 16 June 2015 relating to a £1.5 billion Euro Medium Term Note programme, among InterContinental Hotels Group PLC, Six Continents Limited, InterContinental Hotels Limited and HSBC Corporate Trustee Company (UK) Limited
Exhibit 4(a)(iii)	Five-year \$1.275 billion bank facility agreement dated 30 March 2015, among InterContinental Hotels Group PLC and certain of its subsidiaries, and Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Citibank, N.A. London Branch, Commerzbank Aktiengesellschaft, London Branch, DBS Bank Ltd., London Branch, HSBC Bank plc, SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Royal Bank Of Scotland plc, U.S. Bank National Association and Wells Fargo Bank N.A., London Branch
Exhibit 4(a)(iv)a	\$400 million bank facility agreement dated 13 January 2015, among InterContinental Hotels Group PLC and certain of its subsidiaries, and Bank of America Merrill Lynch International Limited (incorporated by reference to Exhibit 4(a)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(a)(v)a	Share sale and purchase agreement between Kimpton Group Holding LLC and Dunwoody Operations, Inc. dated 15 December 2014 (incorporated by reference to Exhibit 4(a)(ii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(a)(vi)a	Share sale and purchase agreement relating to InterContinental Paris – Le Grand, between BHR Holdings BV and Constellation Hotels France Grand SA dated 7 December 2014 (incorporated by reference to Exhibit 4(a)(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(a)(vii)a	Contribution agreement relating to InterContinental New York Barclay, between Barclay Operating Corp., InterContinental Hotels Group Resources, Inc., Constellation Barclay Holding US, LLC, and 111 East 48th Street Holdings, LLC dated 19 December 2013 (incorporated by reference to Exhibit 4(a)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February

2014)

Exhibit 4(c)(i)a	Paul Edgecliffe-Johnson's service contract dated 6 December 2013, commencing on 1 January 2014 (incorporated by reference to Exhibit 4(c)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2014)
Exhibit 4(c)(ii)a	Tracy Robbins' service contract dated 9 August 2011 (incorporated by reference to Exhibit 4(c)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 29 March 2012)
Exhibit 4(c)(iii)a	Kirk Kinsell's service contract commencing on 1 August 2010, as amended by a letter dated 5 July 2010 (incorporated by reference to Exhibit 4(c)(ii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 11 April 2011)
Exhibit 4(c)(iv)a	Richard Solomons' service contract dated 16 March 2011, commencing on 1 July 2011 (incorporated by reference to Exhibit 4(c)(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 11 April 2011)
Exhibit 4(c)(v)a	Rules of the InterContinental Hotels Group Long Term Incentive Plan as amended on 2 May 2014 (incorporated by reference to Exhibit 4(c)(ix) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(c)(vi)a	Rules of the InterContinental Hotels Group Annual Performance Plan as amended on 2 May 2014 (incorporated by reference to Exhibit 4(c)(x) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 8	List of subsidiaries as at 31 December 2015 (can be found on pages 140 and 141)
Exhibit 12(a)	Certification of Richard Solomons filed pursuant to 17 CFR 240.13a-14(a)
Exhibit 12(b)	Certification of Paul Edgecliffe-Johnson filed pursuant to 17 CFR 240.13a-14(a)
Exhibit 13(a)	Certification of Richard Solomons and Paul Edgecliffe-Johnson furnished pursuant to 17 CFR 240.13a-14(b) and 18 U.S.C.1350
Exhibit 15(a)	Consent of independent registered public accounting firm, Ernst & Young LLP

^a Incorporated by reference.

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Glossary

adjusted

excluding the effect of exceptional items and any relevant tax.

ADR

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

ADR Depository (JPMorgan)

JPMorgan Chase Bank N.A.

ADS

an American Depositary Share as evidenced by an ADR, being a registered negotiable security, listed on the New York Stock Exchange, representing one ordinary share of 15 265/329 pence each of the Company.

AGM

Annual General Meeting of InterContinental Hotels Group PLC.

AMEA

Asia, Middle East and Africa.

Annual Report

The Annual Report and Form 20-F in relation to the years ending 31 December 2014 or 2015, as relevant.

APP

Annual Performance Plan.

Articles

the Articles of Association of the Company for the time being in force.

average daily rate

rooms revenue divided by the number of room nights sold.

basic earnings per ordinary share

profit available for IHG equity holders divided by the weighted average number of ordinary shares in issue during the year.

capital expenditure

purchases of property, plant and equipment, intangible assets, associate and joint venture investments, and other financial assets.

cash-generating units (CGUs)

the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Code

UK Corporate Governance Code issued in September 2014 by the Financial Reporting Council in the UK.

Companies Act

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

Company

InterContinental Hotels Group PLC.

comparable RevPAR

a comparison for a grouping of hotels that have traded in all months in both financial years being compared. Principally excludes new hotels, hotels closed for major refurbishment and hotels sold in either of the two years.

constant currency

a current-year value translated using the previous year's exchange rates.

contingencies

liabilities that are contingent upon the occurrence of one or more uncertain future events.

continuing operations

operations not classified as discontinued.

currency swap

an exchange of a deposit and a borrowing, each denominated in a different currency, for an agreed period of time.

derivatives

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

direct channels

methods of booking hotel rooms (both digital and voice) not involving third party intermediaries.

Director

a director of InterContinental Hotels Group PLC.

EBIT

earnings before interest and tax.

EBITDA

earning before interest, tax, depreciation and amortisation.

Employee Engagement survey

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

EU

the European Union.

euro or €

the currency of the European Economic and Monetary Union.

exceptional items

items that are disclosed separately because of their size or nature.

extended-stay

hotels designed for guests staying for periods of time longer than a few nights and tending to have a higher proportion of suites than normal hotels (Staybridge Suites and Candlewood Suites).

fee margin or fee-based margin

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

fee revenue

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

franchisee

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

goodwill

the difference between the consideration given for a business and the total of the fair values of the separable assets and liabilities comprising that business.

Group or IHG

the Company and its subsidiaries.

Guest Heartbeat

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

Guest Reservation System or GRS

our global electronic guest reservation system, currently HOLIDEX, IHG's proprietary system.

hedging

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

hotel revenue

revenue from all revenue-generating activity undertaken by managed and owned and leased hotels, including room nights, food and beverage sales.

IASB

International Accounting Standards Board.

ICETUS

InterContinental Executive Top-Up Scheme.

IC Plan

InterContinental Hotels UK Pension Plan.

IFRS

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

indirect channels

online travel intermediaries and business and leisure travel agents.

interest rate swap

an agreement to exchange fixed for floating interest rate streams (or vice versa) on a notional principal.

liquidated damages

payments received in respect of the early termination of franchise and management contracts, where applicable.

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Long Term Incentive Plan.

managed leases

properties structured for legal reasons as operating leases but with the same characteristics as management contracts.

management contract

a contract to operate a hotel on behalf of the hotel owner.

market capitalisation

the value attributed to a listed company by multiplying its share price by the number of shares in issue.

net debt

borrowings less cash and cash equivalents, including the exchange element of the fair value of currency swaps hedging the borrowings.

net rooms supply

net total number of IHG hotel rooms.

NYSE

New York Stock Exchange.

occupancy rate

rooms occupied by hotel guests, expressed as a percentage of rooms that are available.

ordinary share

from 9 October 2012 until 30 June 2014, the ordinary shares of 14 194/329 pence each in the Company; and from 1 July 2014, the ordinary shares of 15 265/329 pence each in the Company.

owner

the ultimate owner of a hotel property.

pipeline

hotels/rooms that will enter the IHG System at a future date. A new hotel only enters the pipeline once a contract has been signed and the appropriate fees paid. In rare circumstances, a hotel will not open for reasons such as the financing being withdrawn.

ppt

a percentage point is the unit for the arithmetic difference of two percentages.

revenue management

the employment of pricing and segment strategies to optimise the revenue generated from the sale of room nights.

revenue per available room or RevPAR

rooms revenue divided by the number of room nights that are available (can be mathematically derived from occupancy rate multiplied by average daily rate).

room count

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

rooms revenue

revenue generated from the sale of room nights.

royalties

fees, based on rooms revenue, that a franchisee pays to the brand owner for use of the brand name.

SEC

US Securities and Exchange Commission.

Six Continents

Six Continents Limited; previously Six Continents PLC and re-registered as a private limited company on 6 June 2005.

sterling or pounds sterling, £, pence or p

the pound sterling, the currency of the United Kingdom.

subsidiary undertaking

a company over which the Group exercises control.

System

hotels/rooms operating under franchise and management agreements together with IHG owned and leased hotels/rooms, globally (the IHG System) or on a regional basis, as the context requires.

System contribution to revenue

per cent of rooms revenue delivered through IHG's direct and indirect systems and channels.

System Fund or Fund

assessment fees and contributions collected from hotels within the IHG System for the specific use of marketing, the IHG Rewards Club loyalty programme and the global reservation system.

technology fee income

income received from hotels under franchise and management agreements for the use of IHG's Guest Reservation System.

total gross revenue

total rooms revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels. Other than owned and leased hotels, it is not revenue wholly attributable to IHG, as it is mainly derived from hotels owned by third parties.

Total Shareholder Return or TSR

the theoretical growth in value of a shareholding over a period, by reference to the beginning and ending share price, and assuming that dividends, including special dividends, are reinvested to purchase additional units of the equity.

UK

the United Kingdom.

UK GAAP

United Kingdom Generally Accepted Accounting Practice.

US

the United States of America.

US 401(k) Plan

the Defined Contribution 401(k) plan.

US Deferred Compensation Plan

the Defined Contribution Deferred Compensation Plan.

US dollars, US\$, \$ or ¢

the currency of the United States of America.

working capital

the sum of inventories, receivables and payables of a trading nature, excluding financing and taxation items.

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Investor information

Website and electronic communication

As part of IHG's commitment to reduce the cost and environmental impact of producing and distributing printed documents in large quantities, this Annual Report and Form 20-F 2015 has been made available to shareholders through our website at www.ihgplc.com/investors under financial library.

Shareholders may electronically appoint a proxy to vote on their behalf at the 2016 AGM. Shareholders who hold their shares through CREST may appoint proxies through the CREST electronic proxy appointment service, by using the procedures described in the CREST Manual.

Shareholder hotel discount

IHG offers discounted hotel stays (subject to availability) for registered shareholders only, through a controlled-access website. This is not available to shareholders who hold shares through nominee companies, ISAs or ADRs. For further details please contact the Company Secretary's office (see page 179).

Responsible Business Report

In line with our commitment to responsible business practices, this year we have produced a Responsible Business Report showcasing our approach to responsible business and progress against our corporate responsibility targets. Visit www.ihgplc.com/responsiblebusiness for details.

The IHG® Foundation

Launched in 2016, the IHG Foundation is an independent charitable trust that sets the foundations for stronger, healthier and more prosperous communities around the world. Visit www.ihgfoundation.com to learn more.

Registrar

For information on a range of shareholder services, including enquiries concerning individual shareholdings, notification of a shareholder's change of address and amalgamation of shareholder accounts (in order to avoid duplicate mailing of shareholder communications), shareholders should contact the Company's Registrar, Equiniti, on 0371 384 2132a (calls from within the UK) or +44 (0) 121 415 7034 (calls from outside the UK).

Dividend services

Dividend Reinvestment Plan (DRIP)

The Company offers a DRIP for shareholders to purchase additional IHG shares with their cash dividends. For further information about the DRIP, please contact our Registrar helpline on 0371 384 2268a. See www.shareview.co.uk/info/drip for a DRIP application form and information booklet.

Bank mandate

We encourage shareholders to have their dividends paid directly into their UK bank or building society accounts, to ensure efficient payment and clearance of funds on the payment date. For further information, please contact our Registrar (see page 179).

Overseas payment service

It is also possible for shareholders to have their dividends paid directly to their bank accounts in a local currency. Charges are payable for this service. Go to www.shareview.co.uk/info/ops for further information.

Out-of-date/unclaimed dividends

If you think that you have out-of-date dividend cheques or unclaimed dividend payments, please contact our Registrar (see page 179).

Individual Savings Account (ISA)

Equiniti offers a Stocks and Shares ISA that can invest in IHG shares. For further information, please contact Equiniti on 0371 384 2244a.

Share dealing services

Equiniti offers the following share-dealing facilities.

Postal dealing

For more information, call 0371 384 2248a.

Telephone dealing

For more information, call 0345 603 7037b.

Internet dealing

Visit www.shareview.co.uk for more information.

Changes to the base cost of IHG shares

Details of all the changes to the base cost of IHG shares held from April 2003 to December 2015, for UK Capital Gains Tax purposes, may be found on our website at www.ihgplc.com/investors under shareholder centre/tax information.

'Gone away' shareholders

Working with ProSearch (an asset reunification company), we continue to look for shareholders who have not kept their contact details up to date. We have funds waiting to be claimed and are committed to doing what we can to pay these to their rightful owners. Please contact ProSearch on 01903 894100 or email info@prosearchassets.com for further details.

Shareholder security

Many companies have become aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. More detailed information on this or similar activity can be found at www.fca.org.uk/consumers/scams on the Financial Conduct Authority website.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

American Depositary Receipts (ADRs)

The Company's shares are listed on the NYSE in the form of American Depositary Shares, evidenced by ADRs and traded under the symbol 'IHG'. Each ADR represents one ordinary share. All enquiries regarding ADR holder accounts and payment of dividends should be directed to JPMorgan Chase Bank, N.A., our ADR Depositary bank (contact details shown on page 179).

Documents on display

Documents referred to in this Annual Report and Form 20-F that are filed with the SEC can be found at the SEC's public reference room located at 100 F Street, NE Washington, D.C. 20549. For further information and copy charges please call the SEC at 1-800-SEC-0330. The Company's SEC filings since 22 May 2002 are also publicly available through the SEC's website at www.sec.gov. Copies of the Company's Articles can be obtained via the website at www.ihgplc.com/investors under corporate governance or from the Company's registered office on request.

a Lines are open from 8.30am to 5.30pm Monday to Friday, excluding UK public holidays.

b Lines are open from 8.00am to 4.30pm Monday to Friday, excluding UK public holidays.

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Financial calendars

Dividends

2015 Interim dividend of 17.7p per share
(27.5¢ per ADR)

2015

2 October

Payment date	2016
2015 Final dividend of 40.3p per share (57.5¢ per ADR)	
Ex-dividend date	31 March
Record date	1 April
Payment date	13 May
Other dates	
	2015
Financial year end	31 December
	2016
Announcement of Preliminary Results for 2015	23 February
Announcement of 2016 First Quarter Interim Management Statement	6 May
Annual General Meeting	6 May
Announcement of Half-Year Results for 2016	2 August
Announcement of 2016 Third Quarter Interim Management Statement	21 October
Financial year end	31 December
	2017
Announcement of Preliminary Results for 2016	February

Contacts

Registered office

Broadwater Park, Denham, Buckinghamshire, UB9 5HR,
United Kingdom

Telephone:
+44 (0) 1895 512 000

Fax:
+44 (0) 1895 512 101

www.ihgplc.com

For general information about the Group's business, please contact the Corporate Affairs department at the above address.
For all other enquiries, please contact the Company Secretary's office at the above address.

Registrar

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom

Telephone:
0371 384 2132 (UK calls)
+44 (0) 121 415 7034 (non-UK calls)

For those with hearing difficulties a text phone is available on 0371 384 2255 for UK callers with compatible equipment.

www.shareview.co.uk

ADR Depositary

JPMorgan Chase Bank N.A., PO Box 64504, St. Paul,
MN 55120-0854, United States of America

Telephone:
+1 800 990 1135 (US calls) (toll-free)
+1 651 453 2128 (non-US calls)

Email: jpmorgan.adr@wellsfargo.com

www.adr.com

Auditor

Ernst & Young LLP

Investment bankers

Bank of America Merrill Lynch
Goldman Sachs

Solicitors

Freshfields Bruckhaus Deringer LLP

Stockbrokers

Bank of America Merrill Lynch
Goldman Sachs

IHG® Rewards Club

If you wish to enquire about, or join, IHG Rewards Club,
visit www.ihg.com/rewardsclub or telephone:

0871 226 1111a (UK)

+44 20 3349 9033b (Europe and Africa)

+1 888 211 9874c (US and Canada)

+1 800 272 9273c (Mexico)

+1 801 975 3063d (English) (Central and South America)

+1 801 975 3013d (Spanish) (Central and South America)

+971 4 429 0530d (Middle East)

+02 9935 8362d (Australia)

+86 21 2033 4848d (Mandarin and Cantonese)
(China and Hong Kong)

+81 3 5767 9325d (Japan)

+63 2 857 8778d (Korea)

+63 2 857 8788d (all other countries in Asia Pacific)

a Telephone calls to this number are charged at 13p per minute. Standard network rates apply. Calls from mobiles will be higher.

b International calling rates apply.

c Toll-free.

d Toll charges apply.

STRATEGIC REPORT

GOVERNANCE

GROUP FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

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Forward-looking statements

The Annual Report and Form 20-F 2015 contains certain forward-looking statements as defined under US legislation (Section 21E of the Securities Exchange Act of 1934) with respect to the financial condition, results of operations and business of InterContinental Hotels Group and certain plans and objectives of the Board of Directors of InterContinental Hotels Group PLC with respect thereto. Such statements include, but are not limited to, statements made in the Chairman's Statement and in the Chief Executive Officer's Review. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. These statements are based on assumptions and assessments made by InterContinental Hotels Group's management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. There are a number of factors that could cause actual results and developments to differ materially from those expressed in, or implied by, such forward-looking statements, including, but not limited to: the risks of political and economic developments; the risk of events that adversely impact domestic or international travel; the risks of the hotel industry supply-and-demand cycle; the Group being subject to a competitive and changing industry; the Group's exposure to risks related to executing and realising benefits from strategic transactions, including acquisitions; the Group's dependence upon a wide range of external stakeholders and business partners; the Group's exposure to increasing competition from online travel agents and intermediaries; the risks related to identifying, securing and retaining franchise and management agreements; the risks in relation to changing technology and systems; the Group's reliance on the reputation of its brands and is exposed to inherent reputation risks; the Group's exposure to risks associated with its intellectual property; the risks involved in the Group's reliance upon its reservation system and other key technology platforms, and the risks that could cause the failure of these systems; the risks associated with safety, security and crisis management; the ability to acquire and retain the right people, skills and capability to manage growth and change; the risks associated with the Group's financial stability and its ability to borrow and satisfy debt covenants; the risk of litigation; the risks related to information security and data privacy; compliance with existing and changing regulations and societal expectations across numerous countries, territories and jurisdictions; and the risks associated with insuring its business.

The main factors that could affect the business and financial results are described in the Strategic Report of the Annual Report and Form 20-F 2015.

Designed and produced
by
Addison Group

www.addison-group.net

Managed by **RR
Donnelley**

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



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United Kingdom
Tel +44 (0) 1895 512 000
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Web www.ihgplc.com
Make a booking at www.ihg.com



A different way to stay (above) The lobby and front desk of The Kimpton Goodland, in Goleta, near Santa Barbara (CA).

Kimpton Hotels & Restaurants

In January 2015, InterContinental Hotels Group acquired Kimpton Hotels & Restaurants, the world's leading boutique hotel business. San Francisco-based Kimpton Hotels & Restaurants is a leading collection of boutique hotels and restaurants and the acknowledged industry pioneer that first introduced the boutique hotel concept to the United States. The award-winning restaurants and bars are led by talented chefs and bartenders that offer guests a chance to dine like a local.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

INTERCONTINENTAL HOTELS
GROUP PLC
(Registrant)

By: /s/ Paul Edgecliffe-Johnson
Name: Paul Edgecliffe-Johnson
Title: Chief Financial Officer

Date: March 3, 2016

10 July 2015

HOTEL INTERCONTINENTAL LONDON (HOLDINGS) LIMITED

SIX CONTINENTS LIMITED

SUPREME KEY LIMITED

SALE AND PURCHASE DEED

for the sale and purchase of
the entire issued share capital of Trifaith Investments Limited



Freshfields Bruckhaus Deringer

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SALE AND PURCHASE DEED

dated 10th July 2015

PARTIES

1. **HOTEL INTERCONTINENTAL LONDON (HOLDINGS) LIMITED**, a company incorporated in England and Wales (registered number 06451128) whose registered address is at Broadwater Park, Denham, Buckinghamshire, UB9 5HR (the *Seller*);
2. **SIX CONTINENTS LIMITED**, a company incorporated under the laws of England and Wales (registered number 00913450) whose registered address is at Broadwater Park, Denham, Buckinghamshire, UB9 5HR (the *Seller's Guarantor*); and
3. **SUPREME KEY LIMITED**, a business company incorporated under the laws of British Virgin Islands (company number 1624302) whose registered address is at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands (the *Purchaser*),

(each a *Party* in this Agreement and together, the *Parties*).

Words and expressions used in this Agreement shall be interpreted in accordance with Schedule 11.

IT IS AGREED:

PREAMBLE

- (A) Trifaith Investments Limited (hereinafter referred to as the *Company*) was incorporated with limited liability as an international business company, and subsequently automatically re-registered as a business company, under the laws of the British Virgin Islands. The Company is the owner of InterContinental Hong Kong Limited (hereinafter referred to as the *Subsidiary*) and the Subsidiary is the owner of the InterContinental Hong Kong Hotel. Further details relating to the Company and the Subsidiary are set out in Schedule 7.
- (B) The Seller intends to sell all of the issued shares of the Company (the *Shares*) and the Purchaser intends to purchase the Shares on and subject to the terms of this Agreement.
- (C) The Purchaser is a joint venture between Panorama and Uniever, where Panorama and Uniever, as at the date of this Agreement, hold and will, as at Closing, hold 90% and 10% respectively, of the issued share capital of the Purchaser.
- (D) Seller's Guarantor is a member of the Seller Group and, in consideration for the Purchaser entering into this Agreement, the Seller's Guarantor has agreed to guarantee to the Purchaser the performance by the Seller of its obligations under this Agreement.

1. SALE AND PURCHASE

Subject to the terms of this Agreement, the Seller shall sell, and the Purchaser, relying on the Seller Warranties, shall purchase, the Shares on and with effect from Closing. The Shares shall be sold free from Third Party Rights and together with all rights attaching to them (including the right to receive all distributions and dividends declared, paid or made in respect of the Shares on or after Closing).

2. PRICE AND PAYMENT

- 2.1 The price for the Shares (the **Final Price**) shall be the amount which results from the arithmetic sum of US\$928,960,264 (the **Initial Price**) plus or minus, as the case may be, the Working Capital Adjustment.
- 2.2 The Purchaser shall pay to the Seller the amount in US\$ equal to the Initial Price in the manner provided below:
 - (a) the Deposit to Six Continents Hotels, Inc. to the Deposit Account on the date of this Agreement, which shall upon Closing constitute partial payment of the Final Price; and
 - (b) the Closing Balance to the Seller on the Closing Date in accordance with clauses 4 and 15.1.
- 2.3 The Final Price shall be calculated after Closing by adjusting the Initial Price for any differences between the April Working Capital Amount and the Actual Working Capital Amount. Any adjustments referred to in this clause 2.3 shall be done in accordance with Part E of Schedule 6 and shall be treated as adjusting the Initial Price to produce the Final Price.
- 2.4 For the purposes of applying a reference to a monetary sum expressed in HK\$ in calculating the Final Price pursuant to clause 2.3, the Exchange Rate as of the Closing Date shall apply.
- 2.5 Any payment made in satisfaction of a liability arising under a Seller Obligation or a Purchaser Obligation shall to the extent permissible by law adjust the price paid for the Shares.
- 2.6 If any accounts receivable set out in the Post-Closing Statement are still outstanding on the date that falls 60 days after the Closing Date after using commercially reasonable endeavours to collect such accounts receivable in accordance with the Group Companies' past practice, the Purchaser shall prepare a schedule showing such outstanding accounts receivable and shall provide the Seller with such schedule together with the relevant invoices to the extent delivered by the Seller or in the possession of the Group Company at Closing (the aggregate amount of such accounts receivable, the **Bad Debt Amount**). The Seller shall, within 5 Business Days after receipt of the schedule and the invoices, pay to the Purchaser an amount equal to the Bad Debt Amount, provided that it receives simultaneously with the payment an assignment of all of the relevant accounts receivable into the name of the Seller or such other entity as the Seller directs. Following the assignment of the accounts receivable, only the Seller (or such other entity designated by the Seller) shall be entitled to collect such accounts receivable and the Purchaser shall procure that the Group Companies shall take reasonable steps to assist, and cooperate with, the Seller in the collection of such accounts receivable as required by the Seller from time to time at the Seller's cost.

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- 2.7 Each of Six Continents Hotels, Inc. and the holder of the Seller's Bank Account is irrevocably authorised and instructed by the Seller to accept payment of any part of the Final Price (including the Deposit) for and on behalf of the Seller. Accordingly, any payment made under this Agreement by the Purchaser to Six Continents Hotels, Inc. and/or the holder of the Seller's Bank Account shall be an absolute discharge of any obligation to pay the same to the Seller.

3. PRE-CLOSING UNDERTAKINGS

3.1 Unless otherwise required or permitted by the terms of this Agreement or any Transaction Document or as may be approved by the Purchaser (such approval not to be unreasonably withheld, conditioned or delayed), the Seller shall ensure, to the extent permissible under applicable law, that the business of each Group Company is carried on in all material respects in the ordinary course of business and shall comply with the obligations set out in Schedule 1 provided that nothing in this clause 3.1 shall prevent the Seller or any member of the Seller Group from taking any action pursuant to or in furtherance of the Pre-Sale Reorganisation or the Renovation Plan.

3.2 During the Pre-Closing Period, the Seller shall:

- (a) deliver to the Purchaser a copy of the monthly management accounts (i) of the Company prepared in accordance with the Uniform System and (ii) of the Subsidiary prepared substantially in the same form as its management accounts for the month ended 30 April 2015 (as set out in the Data Room under index 2.2.1.8), in each case as soon as reasonably practicable after they become available, and in any event within 20 Business Days after the end of each calendar month during the Pre-Closing Period;
- (b) provided that the Purchaser cooperates, arrange one meeting between Representatives of the Purchaser, Representatives of the Seller and the executive staff of the Hotel so that the Purchaser is able to better understand the services provided by such person(s) to the Group Companies and such other additional meetings as the Parties may, acting reasonably, agree;
- (c) provided that the Purchaser cooperates, arrange for the Purchaser's Representatives to attend one management review and strategy meeting, and all month-end management meetings held by Group Companies in respect of the operations of the Hotel (the former of such meetings may be combined with the meeting referred to in clause 3.2(b)) and such other additional meetings as the Parties may, acting reasonably, agree;
- (d) use reasonable endeavours to assist the Purchaser, upon the Purchaser's request, in the opening of bank accounts with United Overseas Bank to facilitate the Purchaser in obtaining financing to fund its obligations under this Agreement;
- (e) use reasonable endeavours to seek a variation of the Installation and Service Agreement for TV and movie systems in the Hotel with DOCOMO InterTouch Company Limited to remove or amend the notice / reporting requirements under such agreement;
- (f) subject to the Group Companies complying with applicable laws (including having sufficient distributable reserves), pay the Pre-Closing Dividends;

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- (g) procure that the Company passes a special shareholder's resolution of the Subsidiary to change the name of the Subsidiary into such name as provided by the Purchaser no later than 15 Business Days prior to Closing (and which does not include the word InterContinental) and complete and submit the Form NNC2 within 15 days after passing of such special resolution;
 - (h) use reasonable endeavours to procure that all the consultancy agreements set forth in the Data Room folder 5.14 and in the spreadsheet contained at Data Room index 16.13 (the **Consultancy Agreements**) are terminated on or before Closing (unless the Purchaser has notified the Seller in writing that it does not require such Consultancy Agreements to be terminated) and procure that all costs and fees due and/or committed under the Consultancy Agreements are paid by the Group Companies or a member of the Seller Group to the relevant consultant on or prior to Closing;
 - (i) use reasonable endeavours to procure that Bibiana Lai, Linda Hodgson and Barry Cheung cease to be employees of the Subsidiary and become employees of a member of the Seller Group, on or before Closing; and
 - (j) without prejudice to the provisions of the Hotel Management Agreement, use reasonable endeavours to

assign the trademarks set forth in Schedule 9 of the Hotel Management Agreement to a member of the Seller Group on or before Closing at its cost.

4. CLOSING

4.1 Closing shall take place at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Central, Hong Kong on

- (a) 30 September 2015; or
- (b) such other date as may be agreed in writing between the Parties; or
- (c) such other date as notified in accordance with the provisions of this clause 4.

If the day on which Closing was scheduled to take place in accordance with this clause 4 falls on a day on which Tropical Cyclone Warning Signal No.8 or above or black rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. to 12:00 noon or which is a Friday, Closing shall automatically be postponed to the next Business Day other than a Friday on which no Tropical Cyclone Warning Signal No.8 or above or black rainstorm warning signal is hoisted in Hong Kong.

4.2 At Closing each of the Seller and the Purchaser shall deliver or perform (or ensure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that Party or any of its Affiliates (as the case may be) in Schedule 2.

4.3 Subject to clause 4.5, if the Seller (on the one hand) or the Purchaser (on the other hand) fails to comply with any material closing obligation, then the non-defaulting Party shall be entitled (in addition to and without prejudice to other rights and remedies available) by written notice to the Party in default on the date Closing would otherwise have taken place, to:

- (a) require Closing to take place so far as practicable having regard to the defaults which have occurred and (without affecting any other rights and remedies available to the other Party) the Party in default shall use its reasonable endeavours to ensure that such material closing obligation is fulfilled as soon as practicable following Closing; or

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-
- (b) notify the Party in default of a new date for Closing (being not more than 10 Business Days after the original date for Closing) in which case the provisions of clause 4 (other than this clause 4.3(b)) and Schedule 2 shall apply to Closing as so deferred but on the basis that such deferral may only occur once.

4.4 For the purposes of clause 4.3 and clauses 4.7 to 4.10, a **material closing obligation** is:

- (a) in respect of the Seller,
 - (i) the Seller warranting to the Purchaser that the Fundamental Warranties are true and accurate and not misleading as at the Closing Date by reference to the facts and circumstances then subsisting;
 - (ii) as of the Closing Date, there being no event, matter or circumstances which would constitute a breach of the Seller Warranty in paragraph 9.3(a) of Schedule 3 by reference to the facts and circumstances then subsisting and which would result in a material adverse effect on the business of the Group Companies; and
 - (iii) those obligations set out in paragraphs 1(a), (h) and (n) of Part A of Schedule 2;
- (b) in respect of the Purchaser,
 - (i) the Purchaser warranting to the Seller that the Purchaser Warranties set forth in Schedule 5 (other than in paragraphs 8 to 10 (inclusive) of Schedule 5) are true and accurate and not misleading as at the Closing Date by reference to the facts and circumstances then subsisting; and
 - (ii) those obligations set out in paragraphs 1(c), (d), (e) and (f) of Part B of Schedule 2, provided that

the material closing obligation set forth in paragraph 1(e) of Part B of Schedule 2 shall be deemed to be satisfied if (i) the Seller or the Seller's Representatives have not notified the Purchaser or the Purchaser's Representatives, within 72 hours after receipt of the final drafts of the Financing Agreements by the Seller's Representatives in accordance with clause 12.3(b), that such final drafts of the Financing Agreements do not comply with the provisions of clause 12.2(b) and (ii) the Purchaser has complied with clause 12.3(c).

4.5 If an Adverse Title Event occurs before Closing:

(a) as a result of the Seller's act or omission after the date of this Agreement:

- (i) the Seller shall in its sole discretion either (A) take such steps as are necessary in order to restore the Subsidiary's title to the Property to the condition it was prior to the occurrence of the Adverse Title Event and/or (B) to the extent the Adverse Title Event is rectifiable with funding, fund the Subsidiary to put it in substantially the same position as it was prior to the occurrence of the Adverse Title Event;

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- (ii) if the measures referred in clause 4.5(a)(i) have not been completed by the date that Closing is scheduled to occur, either Party may notify the other Party of the new date for Closing (being 10 Business Days after the original date for Closing) in which case the provisions of clause 4 (other than this clause 4.5(a)(ii)) and Schedule 2 shall apply to Closing as so deferred but on the basis that such deferral may only occur once; and

- (iii) if no Party has given notice of the new date for Closing in accordance with clause 4.5(a)(ii) or if the measures referred in clause 4.5(a)(i) have not been completed by the date to which Closing was deferred in accordance with clause 4.5(a)(ii), then the Purchaser shall have the right by written notice to the Seller to be given no later than 10 Business Days after the date on which Closing or deferred Closing, as applicable, should have occurred to:

- (A) require Closing to take place so far as practicable having regard to the Adverse Title Event which has occurred and (without affecting any other rights and remedies available to the Purchaser); or

- (B) terminate this Agreement (other than the Surviving Provisions) in which case clause 4.10 shall apply;

(b) other than as a result of the Seller's act or omission after the date of this Agreement:

- (i) the Seller shall use reasonable endeavours to take such steps as are necessary in order to restore the Subsidiary's title to the Property to the condition it was prior to the occurrence of the Adverse Title Event;

- (ii) if the measures referred to in clause 4.5(b)(i) have not cured the Adverse Title Event on the date that Closing is scheduled to occur, either Party may notify the other Party of the new date for Closing (being 10 Business Days after the original date for Closing) in which case the provisions of clause 4 (other than this clause 4.5(b)(ii)) and Schedule 2 shall apply to Closing as so deferred but on the basis that such deferral may only occur once;

- (iii) if (A) no Party has given notice of the new date for Closing in accordance with clause 4.5(b)(ii) or if the Adverse Title Event has not been cured on the date to which Closing was deferred in accordance with 4.5(b)(ii); and (B) the Adverse Title Event is a Material Adverse Title Event (as agreed between the Seller and the Purchaser or determined by the expert in accordance with clause 4.6), then either Party shall have the right by written notice to be given no later than 10 Business Days after the date on which Closing or deferred Closing, as applicable, should have occurred to terminate this Agreement (other than the Surviving Provisions) in which case clause 4.11 shall apply; and

- (iv) if no Party has given notice in accordance with this clause 4.5(b)(iii) to terminate this Agreement or the Adverse Title Event is not a Material Adverse Title Event, then Closing shall take place so far as practicable having regard to the Adverse Title Event which has occurred and (without affecting any other rights and remedies available to the Purchaser).
- 4.6 If the Seller and the Purchaser agree that an Adverse Title Event has resulted in the value of the Property falling by an amount which is 15% or more of the Initial Price, then a material Adverse Title Event shall be deemed to have occurred (**Material Adverse Title**

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-
- Event**). If the Seller and the Purchaser fail to agree whether a Material Adverse Title Event has occurred, the Seller and the Purchaser shall within 20 Business Days after the relevant Adverse Title Event has occurred agree in good faith to appoint an independent surveyor with experience of the Hong Kong property market and Hong Kong conveyancing law and who is also qualified to practice law in Hong Kong as either a solicitor or barrister to act as expert to determine whether a Material Adverse Title Event has occurred (failing an agreement between the Seller and the Purchaser within 5 Business Days, each of the Seller and the Purchaser may request the president of the Hong Kong Institute of Surveyors to appoint the expert). The expert shall be requested to make his or her decision within 20 Business Days (or such later date as the Seller, the Purchaser and the expert agree in writing) of confirmation and acknowledgement by the expert of its appointment. The provisions in paragraphs 5 (a), (b), (d) and 6 of Part D of Schedule 6 shall apply *mutatis mutandis* (provided that references to “Firm” shall be read as references to “expert”).
- 4.7 If (a) the Seller (on the one hand) or the Purchaser (on the other hand) complies with all its material closing obligations, but fails to comply with any other obligation in Schedule 2 that is not a material closing obligation or (b) one Party fails to comply with its material closing obligations, but the other Party requires Closing to take place in accordance with clause 4.3(a), then the Parties shall be required to proceed to Closing and, to the extent that any such obligation is not complied with at Closing, the defaulting Party shall (without affecting any other rights and remedies available to the other Party) be deemed to have given an undertaking at Closing in favour of the non-defaulting party to procure that such obligation is fulfilled as soon as practicable.
- 4.8 If, in accordance with clause 4.3(b), Closing is deferred and at such deferred Closing a Party fails to comply with its material closing obligations, the non-defaulting Party shall have the right by written notice to the other Party to terminate this Agreement (other than the Surviving Provisions).
- 4.9 If this Agreement is terminated in accordance with clause 4.8 as a result of the Purchaser’s failure to comply with its material closing obligations, the Deposit shall forthwith be forfeited to the Seller absolutely without prejudice to the Seller’s right to claim against the Purchaser (including an action against the Purchaser for specific performance under this Agreement) in respect of any and all Costs which the Seller may sustain over and above the amount of the Deposit forfeited to the Seller arising from the Purchaser’s default or failure to complete the sale and purchase of the Shares in accordance with this Agreement.
- 4.10 If this Agreement is terminated (i) in accordance with clause 4.5(a) or (ii) in accordance with clause 4.8 as a result of the Seller’s failure to comply with its material closing obligations, the Deposit shall be promptly returned to the Purchaser by the Seller without prejudice to the Purchaser’s right to claim against the Seller (including an action against the Seller for specific performance under this Agreement) in respect of any and all Costs which the Purchaser may sustain arising from the Seller’s default or failure to complete the sale and purchase of the Shares in accordance with this Agreement.
- 4.11 If this Agreement is terminated in accordance with clause 4.5(b), the Deposit shall be promptly returned to the Purchaser by the Seller and any and all rights and remedies of either Party including (a) any right to bring an action for damages or (b) any right or remedy which either Party may otherwise have against the other Party either at law, in equity or otherwise shall be automatically waived, relinquished and released.

- 4.12 Other than in accordance with clauses 4.5, 4.8 and 9.6(b), no Party shall be entitled to rescind or terminate this Agreement in any circumstances whatsoever (whether before or after Closing).

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5. SELLER WARRANTIES AND INDEMNITIES

- 5.1 The Seller warrants to the Purchaser that the Seller Warranties are true and accurate and not misleading as at the date of this Agreement. The Seller shall warrant to the Purchaser that the Key Warranties are true and accurate and not misleading as at Closing as if all references to the date of this Agreement were references to the Closing Date and with reference to the facts and circumstances subsisting at that time.
- 5.2 Each of the Seller Warranties is to be construed as a separate Seller Warranty and (except where this Agreement expressly provides otherwise) is not to be limited or restricted by reference to or inference from the terms of any other Seller Warranty.
- 5.3 Any statement in this Agreement qualified by the expression *so far as the Seller is aware* or *to the best of the Seller's knowledge* or any similar expression shall be deemed to be made on the basis of the actual knowledge that those persons set out in Schedule 8, have as at the date of this Agreement.
- 5.4 Other than in the event of fraud or fraudulent misrepresentation, the Seller Warranties are given subject to the limitations set out in clause 9 and Schedule 4. The Seller shall not be liable for any Claim if and to the extent that the fact, matter, event or circumstance giving rise to such Claim is fairly disclosed by this Agreement, the title deeds and documents of the Property dated on or before the date of this Agreement, any other Transaction Document, the Disclosure Letter or any document contained in the Data Room.
- 5.5 The Purchaser acknowledges and agrees that, except as provided under the Seller Warranties, no other statement, promise or forecast made by or on behalf of the Seller or any member of the Seller Group or the Group Companies may form the basis of any Claim by the Purchaser or any other member of the Purchaser Group under or in connection with this Agreement or any Transaction Document. In particular, the Purchaser acknowledges and agrees that the Seller does not make any representation or warranty as to the accuracy of any forecasts, estimates, projections, statements of intent or opinion provided to the Purchaser or its Representatives whether on or before or after the date of this Agreement (including any documents in the Data Room).
- 5.6 The Purchaser agrees and undertakes with the Seller that neither it nor any other member of the Purchaser Group has any rights against, and will waive and shall not make any claim against, any employee, director, officer, adviser or agent of: (i) any of the Group Companies; or (ii) any member of the Seller Group on whom the Purchaser may have relied before agreeing to any term of this Agreement or any other Transaction Document or before entering into this Agreement or any other Transaction Document.
- 5.7 The Seller undertakes that it shall indemnify the Purchaser (for itself and as trustee for each Group Company) in respect of any Losses which have actually been incurred by the Purchaser and/or any of the Group Companies as a result of any failure by any Group Company to pay any person who was previously (but is not at the date of this Agreement) an employee of any Group Company (**Former Employees**) any of his or her statutory wage entitlements (including any statutory annual leave pay, statutory sickness allowance, statutory holiday pay, statutory maternity leave pay) under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) in relation to the employment or cessation of such employment of the Former Employees in respect of a period or periods of employment from 13 July 2007 up to and including Closing. The Seller may (at its own costs) conduct all discussions, negotiations and correspondence and the reaching of all agreements with the Former Employees relating to the matters set forth in this clause 5.7. Claims under this clause 5.7 must be notified to the Seller in writing before the date that is the seventh (7th) anniversary of the date of this Agreement. Paragraphs 8, 10, 11, 12, 13, 14 and 16 of Schedule 4 shall apply *mutatis mutandis* to any claims under this clause 5.7.

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6. PURCHASER WARRANTIES

- 6.1 The Purchaser warrants to the Seller that the warranties set out in Schedule 5 are true and accurate and not misleading as at the date of this Agreement. The Purchaser shall warrant to the Seller that the warranties set out in Schedule 5 are true and accurate and not misleading as at Closing (except for the warranty set forth in paragraph 8 of Schedule 5) as if all references to the date of this Agreement were references to the Closing Date and with reference to the facts and circumstances then subsisting.
- 6.2 Any statement in this Agreement qualified by the expression *so far as the Purchaser is aware* or any similar expression shall be deemed to be made on the basis of the actual knowledge that those persons referred to in paragraph 15 of Schedule 4 have as at the date of this Agreement.

7. MANAGEMENT OF PRE-CLOSING TAX AFFAIRS

- 7.1 The Seller shall (at its own cost) prepare and have conduct of all matters (including the conduct of all negotiations and correspondence and the reaching of all agreements) relating to the Tax returns and computations of the Group Companies for all accounting periods ended on or before the Closing Date, to the extent that the same have not been prepared before the Closing Date. The Seller or its duly authorised agent shall prepare such returns and submit them to the Purchaser no later than 15 Business Days before the date on which such Tax returns are required to be filed with the appropriate Tax Authority without incurring interest or penalties. The Purchaser shall procure that the returns and computations shall be authorised, signed and submitted to the relevant Tax Authority without amendment or with such amendments as the Purchaser reasonably considers to be necessary. The Purchaser shall procure that the Group Companies, at the Seller's cost, afford such access to their books, accounts and records as is necessary and reasonable to enable the Seller or its duly authorised agent to prepare such returns and computations, and to conduct matters relating to them, and shall give the Seller all such assistance as may reasonably be required to agree those returns and computations with the relevant Tax Authority. The Seller shall use reasonable efforts to keep the Purchaser informed about the actions taken in relation to the matters set forth in this clause 7.1.
- 7.2 In respect of any accounting period for Tax purposes commencing before Closing and ending after Closing (the *Straddle Period*) the Purchaser shall procure that the Tax returns of each of the Group Companies shall be prepared on a basis which is consistent with the manner in which those Tax returns were prepared for all previous accounting periods ending before Closing. The Purchaser shall procure that the Group Companies provide to the Seller all Tax returns relating to the Straddle Period no later than 15 Business Days before the date on which such Tax returns are required to be filed with the appropriate Tax Authority without incurring interest or penalties. The Purchaser shall further procure that the Group Companies shall take the Seller's reasonable comments into account before the Tax returns are submitted to the appropriate Tax Authority.
- 7.3 The Tax Covenant shall come into effect at Closing.

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8. CONDUCT OF PURCHASER CLAIMS

If the Purchaser becomes aware of any claim or potential claim by a third party or of any other matter or circumstance that might result in a Claim (other than a Tax Claim to which paragraph 5 of Part A of Schedule 9 shall apply) or a claim under clause 5.7 being made by the Purchaser (a *Third Party Claim*), the Purchaser shall:

- (a) as soon as reasonably practicable (and in any event within 10 Business Days of becoming aware of it) give notice of the Third Party Claim to the Seller and ensure that the Seller is given reasonable information and facilities to investigate it;
- (b) not (and ensure that each member of the Purchaser Group shall not) admit liability or make any

agreement or compromise in relation to the Third Party Claim without the prior written approval of the Seller (such approval not to be unreasonably withheld or delayed), provided that the Purchaser, any Group Company, and all other members of the Purchaser Group shall be entitled to make an admission of liability, agreement, settlement or compromise in relation to a Third Party Claim without the approval of the Seller if not to do so could reasonably be expected to result in a material adverse effect on the business or the financial position of the Purchaser, any Group Company or any other member of the Purchaser Group; and

- (c) (subject to the Purchaser or the relevant member of the Purchaser Group being indemnified by the Seller against all reasonable out-of-pocket costs and expenses incurred in respect of that Third Party Claim) ensure that it and each member of the Purchaser Group shall:
- (i) take such action as the Seller may reasonably request to avoid, resist, dispute, appeal, compromise or defend the Third Party Claim;
 - (ii) allow the Seller (if it elects to do so) to take over the conduct of all proceedings and/or negotiations arising in connection with the Third Party Claim; and
 - (iii) provide such information and assistance as the Seller may reasonably require in connection with the preparation for and conduct of any proceedings and/or negotiations relating to the Third Party Claim,

provided that:

- (A) the Seller shall not make any settlement or compromise of the Third Party Claim which is likely to result in a material adverse effect on the business or the financial position of the Purchaser, any Group Company or any other member of the Purchaser Group without the prior approval of the Purchaser (such approval not to be unreasonably withheld or delayed); and
- (B) the Seller shall use reasonable endeavours to preserve legal privilege and to comply with obligations of confidence in favour of a third party and the Purchaser shall not be required to disclose any information that has been prepared on request by the Purchaser in connection with its claim against the Seller.

The failure of the Purchaser to comply fully with its obligations under this clause 8 shall reduce the Seller's liability with regard to the relevant Claim to the extent that the amount of such claim is increased, or not reduced, by such failure.

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9. STATE AND CONDITION OF THE PROPERTY

9.1 The Purchaser acknowledges and agrees that, prior to entering into this Agreement:

- (a) the Seller has made available to the Purchaser, or otherwise allowed the Purchaser access to, the Property and such books, records and files of the Seller relating to the Property and the Hotel (other than those books, records or files containing Confidential Materials) as contained in the Data Room;
- (b) the Purchaser has conducted (or has waived its right to conduct) certain Property Due Diligence (including due diligence with respect to Hazardous Materials);
- (c) the Purchaser has reviewed, examined, evaluated and verified the results of its Property Due Diligence with the assistance of experts appointed by the Purchaser;
- (d) the Purchaser is an experienced investor that specialises in the investment in and ownership and operation of hotel properties in geographically diverse markets, and as such, it is a sophisticated real estate owner, investor and manager with particular experience in the acquisition, ownership and operation of hotels;
- (e) the Purchaser has the ability through its own employees, or through agents, independent contractors, consultants or other experts with whom it has a relationship, to evaluate fully the investment

- characteristics of the Property and to assess fully all issues pertaining to the title to the Property, the value of the Property, the rights and liabilities of the Purchaser as the successor to the Seller under any hotel agreements and other material contracts, the past performance of the Hotel, the projected performance of the Hotel, the structural integrity and soundness of all improvements and structures located at the Property, the environmental condition of the Property and the compliance of the Property and the Hotel (and the operation and management thereof) with all applicable laws;
- (f) the Purchaser has confirmed independently all information that it considers material to its decision to enter into and complete this Agreement and the Transaction Documents; and
 - (g) except for, and only to the extent of, the Seller Warranties and such other covenants, undertakings and indemnities of the Seller in this Agreement and the other Transaction Documents, the Purchaser is entering into the Proposed Transaction based exclusively upon its own due diligence (including any Property Due Diligence).
- 9.2 The Purchaser acknowledges and agrees that having had the opportunity to conduct its Property Due Diligence prior to entering into this Agreement (including physical inspections of the Property) and having obtained expert advice, the Purchaser accepts and takes the Property on an “as is, where is” basis.
- 9.3 Without limiting the foregoing, except for and only to the extent of the Seller Warranties and such other covenants, undertakings and indemnities of the Seller in this Agreement and the other Transaction Documents, the Purchaser declares that it is not relying on (and the Seller and each member of the Seller Group and Group Companies does hereby disclaim and renounce) any other representations or warranties of any kind or nature whatsoever, whether oral or written, express or implied, statutory or otherwise, made by the Seller, its Representatives or any other person, as to:

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- (a) the income potential, economic status, uses or merchantability, habitability of the Property or the Hotel or fitness of any part thereof for any particular purposes;
 - (b) the physical state and condition, quality or fitness of the Property and the Hotel and any component thereof, including all fixtures, fittings, finishes, installations and appliances incorporated therein;
 - (c) the area, measurement, dimensions and boundaries of the Property or the accuracy of any floor plans, square footage calculations, lease abstracts, sketches or redevelopment or other analyses relating to the Property or the Hotel;
 - (d) the composition of the Property or the Hotel, or the nature or manner of its construction;
 - (e) the legality of the user of the Property or any structures or erections therein and thereto;
 - (f) the presence or absence, location or scope of any Hazardous Materials in, at, about, on or under the Property;
 - (g) whether the systems, utilities, plant, equipment and installations situated in, on or servicing the Property, including plumbing, sewerage, heating, ventilation and electrical systems, roofing and air conditioning are in working order;
 - (h) the locale of the Property, the leasing market for the Property or the market assumptions the Purchaser utilised in its analysis of the Property, the Hotel and the Final Price (such as hotel occupancy rate, revenue per available room, rental rates, food and beverage revenues, leasing costs, vacancy and absorption rate, land values, replacement costs, maintenance and operating costs, financing costs and the like); and
 - (i) the ability of the Purchaser to obtain any and all necessary government and third party approvals or permits in connection with any present and future uses of the Property or the Hotel (including in connection with the Renovation Plan or other future refurbishment of the Hotel or redevelopment of the Property).

9.4 Without prejudice to any rights or remedies that the Purchaser may have against the Seller as a result of a breach of any of the Seller Warranties and such other covenants, undertakings and indemnities of the Seller in this Agreement and the other Transaction Documents and provided that the releases and waivers set forth below shall not be construed to affect or impair such Purchaser's rights, the Purchaser for itself and its successors and assignees hereby releases the Seller and each member of the Seller Group from, and waives any and all Liabilities against the Seller and each member of the Seller Group attributable to any events or circumstances which have heretofore or may hereafter occur in relation to the Property in respect of the following:

- (a) any matters set forth in promotional materials, documentation, summaries, analyses, reports, projections, summaries, statements or other information in any form (whether written, verbal, electronic or otherwise) (other than those books, records or files containing Confidential Materials that were not contained in the Data Room); and
- (b) any and all Liabilities with respect to the structural, physical or environmental state and condition of the Property and any buildings, structures, installations and/or erections (whether permanent or temporary) situated thereon or therein.

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9.5 During the Pre-Closing Period the Seller shall maintain and keep the Property in a manner consistent with the Seller's past practices with respect to the Property. The Purchaser hereby agrees that the Purchaser shall accept the Property subject to, and the Seller shall have no obligation to cure:

- (a) any violation of applicable laws in relation to the Property; or
- (b) any physical conditions or deviations to the Property that would give rise to violation of any applicable laws.

Any repairs or work required to the Property after the Closing Date are the sole responsibility of the Purchaser and the Purchaser agrees that there is no obligation on the part of the Seller to make any changes, alterations, reinstatement or repairs to the Property, including to cure any violations of applicable laws, comply with the requirements of any insurers or otherwise. The Purchaser is solely responsible after the Closing Date for obtaining any approval, consent or permit necessary for the transfer or use or occupancy of the Property and for any repairs or alterations necessary to obtain the same, all at the Purchaser's cost and expense. For the avoidance of doubt, this clause 9.5 shall also apply to work in connection with the Sea Pile Contract.

9.6 If during the Pre-Closing Period, any part of the Property is materially damaged or destroyed by fire or other casualty or any Land Resumption Order is issued against the Property, the Seller shall promptly give written notice of such event to the Purchaser, and the following provisions shall apply to the fullest extent permissible under applicable law:

- (a) the Seller and the Purchaser agree that if such damage or destruction results in a cost of repair in excess of 20% of the Initial Price or such Land Resumption Order would result in the taking of a portion of the Property worth in excess of 20% of the Initial Price, then in each case a casualty event is deemed to have occurred (**Casualty Event**). If the Seller and the Purchaser fail to agree whether a Casualty Event has occurred, the Seller and the Purchaser shall within 20 Business Days after the relevant event has occurred agree in good faith to appoint an international firm of property valuers to act as expert to determine whether a Casualty Event has occurred (failing an agreement between the Seller and Purchaser within 5 Business Days, each of the Seller and the Purchaser may request the president of the Hong Kong Institute of Surveyors to appoint the expert). The expert shall be requested to make its decision within 20 Business Days (or such later date as the Seller, the Purchaser and the expert agree in writing) of confirmation and acknowledgement by the expert of its appointment. The provisions in paragraphs 5 (a), (b), (d) and 6 of Part D of Schedule 6 shall apply *mutatis mutandis* (provided that references to "Firm" shall be read as references to "expert");
- (b) if a Casualty Event has occurred (as agreed between the Seller and the Purchaser or determined by the

expert under clause 9.6(a)), then each of the Purchaser and the Seller shall have the right to terminate this Agreement by written notice to the other Party to be given no later than 10 Business Days after the date of such agreement or determination, in which case this Agreement (other than the Surviving Provisions) shall terminate, the Deposit shall be promptly returned to the Purchaser by the Seller and any and all rights and remedies of either Party including (i) any right to bring an action for damages, or (ii) any other right or remedy which either Party may otherwise have against the Seller either at law, in equity or otherwise shall be automatically waived, relinquished and released, provided, however, that the Seller shall only have the right to terminate this Agreement if it appears to the Seller acting in good faith and reasonably that the Purchaser will be unable to commence or

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complete the Reinstatement (as defined in clause 19 of the Hotel Management Agreement) as required by the Hotel Management Agreement. Any failure or delay by either Party to notify the other Party of its election to terminate this Agreement following receipt of the Seller's notice of a Casualty Event in accordance with this clause 9.6(b) shall be deemed an election not to terminate this Agreement, in which case the provisions of clause 9.6(c) shall apply; and

- (c) if any part of the Property is damaged or destroyed or the Property becomes subject to any Land Resumption Order and the Purchaser elects not to, or has no right hereunder to, terminate this Agreement on account thereof, then at Closing (and, without prejudice to clause 9.6(c)(iii), after receipt of the Initial Price by the Seller):
 - (i) if applicable, the Property shall exclude such portion of the Property so taken by (or as applicable, shall be subject to) the said Land Resumption Order without any adjustment of the Final Price (without prejudice to any adjustments made in accordance with clause 2.3);
 - (ii) the Seller shall assign to the Purchaser (without recourse to the Seller) all the rights to all compensation or insurance proceeds received after Closing with respect to such casualty or Land Resumption Order (except for business interruption coverage of Hotel operations prior to Closing);
 - (iii) if the amount equal to:
 - (A) the Seller's deductible under its insurance policy, plus, all proceeds or compensation received by the Seller prior to Closing with respect to such casualty or Land Resumption Order, *less*
 - (B) an amount equal to (as applicable):
 - (I) the costs, expenses and fees (including legal fees), expenses and disbursements, incurred by the Seller or any Group Company in connection with such casualty or Land Resumption Order including the reasonable and actual costs incurred by the Seller in stabilising and/or repairing the Property following a Casualty Event; and
 - (II) any portion of the compensation received in respect of the Land Resumption Order that is allocable to loss of use of the Property prior to Closing, and the proceeds of any loss of rental income, business interruption or similar insurance to the extent allocable to the period prior to the Closing Date,

either (x) results in a negative sum, then the Purchaser shall pay to the Seller an amount equal to such sum or (y) results in a positive sum, then the Seller shall pay to the Purchaser an amount equal to such sum. Whichever of the Seller or Purchaser is required to make any payment under this clause 9.6(c) shall make such payment within 10 Business Days after the Closing Date. Any such payment shall be made in accordance with the provisions of clause 15.1 or 15.2 of this Agreement, as the case may be.

- 9.7 The Purchaser acknowledges and agrees to take the Property at Closing subject to and with the benefit of the Existing Leases and the Deed of Mutual Covenant.

10. GUARANTEES AND OTHER THIRD PARTY ASSURANCES

- 10.1 The Purchaser shall use reasonable efforts to procure that at or as soon as reasonably practicable following Closing, each member of the Seller Group is released in full from any Third Party Assurances given by it in respect of obligations of any Group Company. Such reasonable efforts shall include procuring that the Purchaser or a member of the Purchaser Group provides to the relevant third party a guarantee (or other appropriate instrument) in replacement of the Third Party Assurances. In addition, the Purchaser shall use its reasonable efforts to ensure that, as soon as reasonably practicable after becoming aware of any other Third Party Assurance in respect of any obligations of any Group Company (but at the earliest at Closing), each member of the Seller Group is released in full from such Third Party Assurance. The Purchaser shall indemnify the Seller and each of its Affiliates against any and all Liabilities arising after Closing under or by reason of such Third Party Assurance.
- 10.2 The Seller shall use reasonable efforts to procure that at or as soon as reasonably practicable following Closing each Group Company is released in full from any Third Party Assurances given by it in respect of obligations of any member of the Seller Group. Such reasonable efforts shall include procuring that the Seller or a member of the Seller's Group provides to the relevant third party a guarantee (or other appropriate instrument) in replacement of the Third Party Assurances. In addition, the Seller shall use its reasonable efforts to ensure that, as soon as reasonably practicable after becoming aware of any other Third Party Assurance in respect of any obligations of any member of the Seller Group (but at the earliest at Closing), each Group Company is released in full from such Third Party Assurance. The Seller shall indemnify the Purchaser and each of its Affiliates against any and all Liabilities arising after Closing under or by reason of that Third Party Assurance.

11. INSURANCE

- 11.1 From the date of this Agreement until (and including) Closing, members of the Seller Group and the Group Companies shall continue in force all policies of insurance maintained by them in respect of the Group Companies, the Property and the Hotel.
- 11.2 Upon Closing, subject to the terms of the Hotel Management Agreement, all insurance cover arranged in relation to the Group Companies, the Property and the Hotel by the Seller Group (whether under policies maintained with third party insurers or other members of the Seller Group) shall cease (other than in relation to insured events taking place before Closing) and no member of the Purchaser Group shall make any claim under any such policies in relation to insured events arising after Closing. The Seller shall be entitled to make arrangements with its insurers to reflect this clause 11.

12. PURCHASER'S UNDERTAKINGS

- 12.1 The Purchaser represents and undertakes that in performing its obligations under, in carrying out the transactions contemplated by, and in obtaining any Government Approval required in connection with this Agreement and any Transaction Document, no member of the Purchaser Group has engaged or will engage in any conduct in breach of any applicable Anti-Bribery Law. To the extent permissible under applicable law, the Purchaser shall notify the Seller as soon as reasonably practicable of (a) any solicitation, demand and/or other request for anything of value, by or on behalf of any Government Official, relating to any agreement, and/or other request for anything of value, by or on behalf of any Government Official, relating to any agreement, transaction or Government Approval referred to in this paragraph; and (b) any reasonably suspected breach of any applicable Anti-Bribery Law by the Purchaser.

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- 12.2 The Purchaser undertakes that:

- (a) it will enter into a long form debt facility agreement and all related documents (including security documents and Bank Non-disturbance Deed) (the **Financing Agreements**) with the Purchaser's Lenders as soon as reasonably practicable after the date of this Agreement; and
- (b) the Financing Agreements will
 - (i) comply with the definition of Authorized Financing (as defined in the Hotel Management Agreement);
 - (ii) allow an additional facility required to finance the Renovation Costs (as defined in the Hotel Management Agreement) to be provided later by all or any of the Purchaser's Lenders on such terms to be agreed; and
 - (iii) provide that the undertaking of the Renovation (as defined in the Hotel Management Agreement), including the closure of the Hotel caused thereby, would not constitute an event of default (however defined) under the Financing Agreements.

12.3 The Purchaser shall promptly make available to the Seller's Representatives:

- (a) the initial drafts of the Financing Agreements when available, but in any event no later than 19 days before Closing;
- (b) final drafts of the Financing Agreements in the form they will be entered into no later than 72 hours before they will be entered into; and
- (c) accurate and complete executed or agreed form (as applicable) copies of the Financing Agreements in the form as provided pursuant to clause 12.3(b) promptly after the facility agreement has been entered into, provided that, if such executed and agreed form (as applicable) copies of the Financing Agreements are:
 - (i) in respect of those provisions in the Financing Agreements relevant to Authorized Financing, in the same form as the final drafts provided to the Seller in accordance with clause 12.3(b); and
 - (ii) in respect of the remaining provisions in the Financing Agreements, in the same (or substantially the same) form as the final drafts provided to the Seller in accordance with clause 12.3(b),

then the Seller shall not, and shall procure that none of the other members of the Seller Group and the Group Companies shall, take any action that may adversely affect the drawdown of the relevant loan in any way.

12.4 The Purchaser undertakes that it shall, at its own cost, at the written request of the Seller, as soon as reasonably practicable make an application for and obtain a liquor licence in respect of the Hotel, granted by the Liquor Licensing Board of Hong Kong (pursuant to the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong)) in the name of a person nominated by the Purchaser.

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12.5 The Purchaser undertakes that it shall, at the Seller's cost (a) assist with the transfer to such member of the Seller Group as the Seller shall direct any licences, approvals or agreements which are necessary in carrying on the business of the Group Companies to the extent that such licences are in the name of the Subsidiary or the Subsidiary is a party to such approvals or agreements; and (b) to the extent any third party notification or consent is required due to a change of control of the Company, the Purchaser will cooperate and assist the Seller to notify or obtain any consent from such third parties.

12.6 On the date of this Agreement, the Purchaser shall provide the Seller promptly with a copy of the duly executed irrevocable transfer instruction (MT103) in respect of the electronic funds transfer from the Purchaser to the Deposit Account in immediately available funds of the Deposit.

13. SELLER RECORDS, IP/IT AND TRADE MARKS

- 13.1 The Purchaser acknowledges and agrees that the Seller and the Seller Group retain all right, title and interest in and to all Seller Records, Seller IP and the Seller IT Systems, and that, subject to the terms of the Hotel Management Agreement to be entered into at Closing, neither the Purchaser nor any of the Group Companies shall obtain or retain any right, title or interest to the Seller Records, Seller IP or the Seller IT Systems after Closing.
- 13.2 The Purchaser acknowledges and agrees that the Seller Group has exclusive ownership over all Seller Records, Seller IP and Seller IT Systems and the Group Companies shall have no right to use the Seller Records, Seller IP or the Seller IT Systems with effect from Closing, except only by the Subsidiary as permitted under the Hotel Management Agreement. The Seller may, at its sole discretion and at its own cost, remove from the Hotel any Seller Records, Seller IP and Seller IT Systems.
- 13.3 Without affecting the Hotel Management Agreement to be entered into at Closing, the Purchaser acknowledges and agrees that all licences or any right of use expressly or implicitly granted by any member of the Seller Group to any Group Company for the use of the Seller Records, Seller IP, the Seller IT Systems, the InterContinental Brand System or the InterContinental Brand Standards or licences or other agreements granting a Group Company access to any reservation system, marketing program, brand marketing system, property management system, rewards system, quality compliance program, sales and catering system operated by any member of the Seller Group, or granting the use of any guidelines, standards and manuals used in the Hotel, shall terminate immediately upon Closing as between the Seller Group and the Group Companies. Without affecting the Hotel Management Agreement to be entered into at Closing, the Seller, acting on behalf of itself and all members of the Seller Group, and the Purchaser, acting on behalf of the Group Companies, hereby agree to terminate all such licences and other agreements with immediate effect from Closing as between the Seller Group and the Group Companies without requirement to give notice and not subject to any notice period, notwithstanding any conflicting terms of those licenses, to the extent that any such licence has not been formally terminated on or before Closing or does not automatically terminate upon Closing.
- 13.4 Without affecting the terms of the Hotel Management Agreement to be entered at Closing, if during the period of 24 months after the Closing Date, either Party discovers that a Group Company owns any right title or interest to any Seller IT System or the subject-matter of any Seller IP or any other Intellectual Property Right that the Purchaser has agreed under the Hotel Management Agreement that the Group Companies shall not use after Closing, the Parties shall each notify the other as soon as reasonably practicable, and the Purchaser shall procure that the relevant Group Company promptly assigns all such right, title and interest in that Seller IT System or Intellectual Property Right to the Seller or a member of the Seller Group nominated by it, for a nominal consideration (but at the cost and expense of the Seller). Clause 19 shall apply to any such assignment.

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- 13.5 The Purchaser shall procure that otherwise than in accordance with the Hotel Management Agreement to be entered into at Closing, the Group Companies shall not hold themselves out as being part of, or otherwise connected or associated with, the Seller Group.

14. BROKERS' FEES

Each Party represents to the other that such Party has not incurred any obligation to any broker or real estate agent with respect to the Proposed Transaction except for the Broker, which obligation has been incurred by the Seller pursuant to a separate agreement with the Broker in connection with the Proposed Transaction. Except for the Broker and such obligation as set forth above, the Seller and the Purchaser each hereby:

- (a) represent and warrant to the other that it has not employed, retained or consulted any broker, agent or finder in carrying on a negotiation in connection with the Proposed Transaction;
- (b) indemnify and agree to hold the other harmless from and against any and all claims, demands, causes of action, debts, liabilities, judgments and damages (including costs and reasonable legal fees actually

incurred in connection with the enforcement of this indemnity) which may be asserted or recovered against the indemnified party on account of any brokerage fee, commission or other compensation arising by reason of the indemnitor's breach of this representation and warranty.

15. PAYMENTS

- 15.1 Any payment to be made pursuant to this Agreement by the Purchaser (or any member of the Purchaser Group) shall be made in US\$ to the Seller's Bank Account (other than where payment is specified to be to the Deposit Account) in accordance with the Seller's instructions (or such other method as the Seller and the Purchaser may agree in writing).
- 15.2 Any payment to be made pursuant to this Agreement by the Seller (or any member of the Seller Group) shall be made to the Purchaser's Bank Account or as the Purchaser may direct with written notice to the Seller not less than 5 Business Days prior to the payment. The Purchaser agrees to pay each member of the Purchaser Group that part of each payment to which it is entitled.
- 15.3 Payments under clauses 15.1 and 15.2 shall be in immediately available funds by electronic transfer or otherwise in accordance with clause 15.1 or 15.2 (as the case may be) on the due date for payment. Receipt of the amount due under clause 15.1 or 15.2 (as the case may be) shall be an effective discharge of the relevant payment obligation.
- 15.4 The Seller shall not be required to hold the Deposit in an account which receives interest. If this Agreement is terminated by the Purchaser in accordance with clauses 4.5, 4.8 or 9.6(b) and the Seller is required to return the Deposit to the Purchaser in accordance with clauses 4.10, 4.11 or 9.6(b), then the Seller shall have no obligation to pay any interest on such amount.

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- 15.5 If any sum due for payment in accordance with this Agreement is not paid on the due date for payment (including any sum payable under clause 30), the person in default shall pay Default Interest on that sum from but excluding the due date to and including the date of actual payment calculated on a daily basis.
- 15.6 All sums payable under this Agreement shall be paid without set-off or counterclaim.

16. COSTS

- 16.1 Subject to clause 16.2 and except as otherwise provided in this Agreement (or any other Transaction Document), the Seller and the Purchaser shall each be responsible for its own Costs and charges incurred in connection with the Proposed Transaction.
- 16.2 Any and all stamp duty, notarisation fees or other documentary, transfer or registration duties or Taxes (including in each case any related interest or penalties) arising as a result of the entry into or implementation of this Agreement or any of the other Transaction Documents shall be borne equally by the Purchaser and the Seller.

17. ANNOUNCEMENTS

- 17.1 Except as provided in clause 17.2, neither the Seller nor the Purchaser (nor any of their respective Affiliates) shall make any announcement or issue any circular in connection with the existence or subject matter of this Agreement (or any other Transaction Document) without the prior written approval of the other (such approval not to be unreasonably withheld or delayed).
- 17.2 The restriction in clause 17.1 shall not apply to:
- (a) the Seller's Announcement, which will be in Agreed Form as at the date of this Agreement;
 - (b) the Purchaser's Announcement, which will be in Agreed Form as at the date of this Agreement; and
 - (c) the extent that the announcement (other than the Seller's Announcement or the Purchaser's

Announcement) or circular is required by law, by any stock exchange or any regulatory or other supervisory body or authority of competent jurisdiction, whether or not the requirement has the force of law.

17.3 If the exception in clause 17.2(c) applies, the Party who is, or whose Affiliate(s) is/are, making the announcement or issuing the circular shall use its reasonable efforts to provide the other Party with an advanced draft of the announcement or circular.

18. CONFIDENTIALITY

18.1 For the purposes of this clause 18, *Confidential Information* means:

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- (a) information relating to the provisions of, and negotiations leading to, this Agreement and the other Transaction Documents;
 - (b) (in relation to the obligations of the Purchaser) any information received or held by the Purchaser (or any of its Representatives) relating to the Seller Group or, before Closing, any of the Group Companies; and
 - (c) (in relation to the obligations of the Seller) any information received or held by the Seller (or any of its Representatives) relating to the Purchaser Group or, whether before or following Closing, any of the Group Companies,

and includes written information and information transferred or obtained orally, visually, electronically or by any other means and any information which the Party has determined from information it has received including any forecasts or projections.

18.2 Each of the Seller, the Purchaser and their respective Representatives shall maintain Confidential Information in confidence and not disclose Confidential Information to any person except: (a) as permitted by clause 17 or this clause 18; or (b) as the other Party approves in writing.

18.3 Subject to clause 18.4 below, clause 18.2 shall not prevent disclosure by a Party or any of its Representatives:

- (a) to the extent it can demonstrate that:
 - (i) disclosure is required by law or by any stock exchange or any regulatory, governmental or antitrust body (including any Tax Authority) having applicable jurisdiction (provided that, the disclosing Party shall first inform the other Party of its intention to disclose such information and take into account the reasonable comments of the other Party);
 - (ii) disclosure is of Confidential Information which was lawfully in the possession of that Party or any of its Representatives (in either case as evidenced by written records) without any obligation of secrecy before its being received or held;
 - (iii) disclosure is of Confidential Information which has previously become publicly available other than through that Party's action or failure to act (or that of its Representatives); or
 - (iv) disclosure is required for the purpose of any arbitral or judicial proceedings arising out of this Agreement (or any other Transaction Document) or pursuant to an order of a court of competent jurisdiction;
- (b) that this Agreement or the Hotel Management Agreement has been entered into or of the final terms of this Agreement or the Hotel Management Agreement including the Final Price, the identity of the Purchaser and the term of the Hotel Management Agreement; or
- (c) that this Agreement or any Transaction Document has been terminated (where this is the case).

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18.4 Each of the Seller and the Purchaser undertakes that it (and its Representatives) shall only disclose Confidential Information as permitted by this clause 18 if it is reasonably required.

18.5 If this Agreement terminates, the Purchaser shall as soon as practicable on request by the Seller:

- (a) return to the Seller all written documents and other materials relating to any member of the Seller Group, any Group Company or this Agreement (including any Confidential Information) which the Seller (or its Representatives) have provided to the Purchaser (or its Representatives) without keeping any copies thereof;
- (b) destroy all information or other documents derived from such Confidential Information; and
- (c) so far as it is practicable to do so, expunge such Confidential Information from any computer, word processor or other device.

18.6 The obligations of each Party under this clause 18 shall expire on the date that is (a) two (2) years after Closing, or (b) if this Agreement is terminated or rescinded prior to Closing, within two (2) years of the date of this Agreement.

19. ASSIGNMENT

19.1 Unless the Seller and the Purchaser specifically agree in writing, and except that the Purchaser may assign the whole or any part of its rights under this Agreement to the Purchaser's Lenders, no person shall assign, transfer, hold on trust or encumber all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in any of them.

19.2 If an assignment is made in accordance with this clause 19, the liabilities of the Seller and the Seller's Guarantor under this Agreement shall be no greater than such liabilities would have been if the assignment had not occurred.

19.3 Any purported assignment in contravention of this clause 19 shall be void.

20. FURTHER ASSURANCES

20.1 Each of the Seller and the Purchaser shall, from Closing, execute, or procure the execution of, such further documents as may be required by law or be necessary to implement and give effect to the Transaction Documents.

20.2 Each of the Seller and the Purchaser shall procure that its Representatives comply with all obligations under the Transaction Documents that are expressed to apply to any such Representatives.

20.3 The Purchaser shall, and shall procure that the Group Companies shall retain for a minimum of seven (7) years from the Closing Date the Records of the Group Companies. The Seller shall be allowed reasonable access to the Records which relate to the period prior to Closing, including the right to take copies at the Seller's cost as necessary or required in connection with Tax, legal, accounting, regulatory and compliance procedures and obligations or in connection with any claim brought against any member of the Seller's Group, provided

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that the Seller shall use reasonable endeavours to preserve legal privilege and to comply with obligations of confidence in favour of a third party and the Purchaser shall not be required to disclose any information that has been prepared on request by the Purchaser in connection with its claim against the Seller.

20.4 The Seller shall after Closing use reasonable efforts to assist the Purchaser in locating any documents, books, records, contracts and, to the extent they are physically located in the premises of the Group Companies, related correspondence, in each case in relation to the business of the Group Companies for

the period up to Closing to the extent they have not been delivered pursuant to paragraph 1(l) of Part A of Schedule 2.

20.5 Notwithstanding any other provision of this Agreement, neither the Purchaser nor the Seller shall be obliged to take any action or omit to take any action under this Agreement that it believes, in good faith, would cause it to be in violation of any Anti-Bribery Law.

21. NOTICES

21.1 Any notice in connection with this Agreement shall be in writing in English and delivered by hand, fax (other than to Mr. Steve Carroll), registered post or courier using an internationally recognised courier company. A notice shall be effective upon receipt and shall be deemed to have been received:

- (a) at the time of delivery, if delivered by hand, registered post or courier; or
- (b) at the time of transmission if delivered by fax provided that, (i) in each case, where delivery occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day; and (ii) a copy of the notice is delivered by another method permitted under this clause 21.1.

21.2 The postal address and fax number of the Parties for the purpose of clause 21.1 are:

Seller

For the attention of: Mr. Martin Bennett, Corporate Counsel
Hotel Intercontinental London (Holdings) Limited

Address: Broadwater Park, Denham, Buckinghamshire UB9 5HR,
United Kingdom

Fax: (44) 870 191 7465

with a copy to:

For the attention of: Mr. Steve Carroll, Vice President, IHG
Hotel Intercontinental London (Holdings) Limited

Address: 230 Victoria Street #13-00, Bugis Junction Towers,
Singapore 188024

with a copy to:

For the attention of: Mr. Paul Huang, Vice President and Associate General
Counsel, IHG
Hotel Intercontinental London (Holdings) Limited

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Address: Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346-2149,
United States

Fax: (1) 770 604 5075

with a copy to:

For the attention of: Office Managing Partner, Freshfields Bruckhaus Deringer

Address: 11th Floor, Two Exchange Square, Central, Hong Kong

Fax: (852) 2810 6192

**Seller's
Guarantor**

For the attention of: Mr. Martin Bennett, Corporate Counsel
Hotel Intercontinental London (Holdings) Limited

Address: Broadwater Park, Denham, Buckinghamshire UB9 5HR,
United Kingdom

Fax: (44) 870 191 7465

with a copy to:

For the attention of: Mr. Steve Carroll, Vice President, IHG
Hotel Intercontinental London (Holdings) Limited

Address: 230 Victoria Street #13-00, Bugis Junction Towers,
Singapore 188024

with a copy to:

For the attention of: Mr. Paul Huang, Vice President and Associate General
Counsel, IHG
Hotel Intercontinental London (Holdings) Limited

Address: Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346-2149,
United States

Fax: (1) 770 604 5075

with a copy to:

For the attention of: Office Managing Partner, Freshfields Bruckhaus
Deringer

Address: 11th Floor, Two Exchange Square,
Central, Hong Kong

Fax: (852) 2810 6192

Purchaser

For the attention of: Mr. Kenneth Gaw / Mr. Alan Lee

Address: c/o 22/F., 1 Lyndhurst Tower, No. 1 Lyndhurst Terrace,
Central, Hong Kong

Fax: (852) 2530 3662

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22. CONFLICT WITH OTHER AGREEMENTS

If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the Parties and as between any members of the Seller Group and any members of the Purchaser Group) unless (i) such other agreement expressly states that it overrides this Agreement in the relevant respect and (ii) the Seller and the Purchaser are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

23. WHOLE AGREEMENT

This Agreement and the other Transaction Documents together set out the whole agreement between the Parties in respect of the sale and purchase of the Shares and supersede any prior agreement (whether oral or written) relating to the Proposed Transaction (including the letter of intent dated 23 April 2015 (as amended) between the Seller and the Purchaser). It is agreed that:

- (a) no Party shall have any claim or remedy in respect of any statement, representation, warranty or undertaking made by or on behalf of the other Party (or any of its Representatives) in relation to the Proposed Transaction which is not expressly set out in this Agreement or any other Transaction Document;
- (b) any terms or conditions implied by law in any jurisdiction in relation to the Proposed Transaction are excluded to the fullest extent permitted by law or, if incapable of exclusion, any right or remedies in relation to them are irrevocably waived;
- (c) except for the specific remedies set forth herein, the only right or remedy of a Party in relation to any provision of this Agreement or any other Transaction Document shall be for breach of this Agreement or the relevant Transaction Document; and
- (d) except for any liability in respect of a breach of this Agreement or any other Transaction Document, no Party (or any of its Representatives) shall owe any duty of care or have any liability in tort or otherwise to the other Party (or its respective Representatives) in relation to the Proposed Transaction,

provided that this clause 23 shall not exclude any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

24. WAIVERS, RIGHTS AND REMEDIES

Except as expressly provided in this Agreement, no failure or delay by any Party in exercising any right or remedy relating to this Agreement or any of the other Transaction Documents shall affect or operate as a waiver or variation of that right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

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25. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Agreement by e-mail attachment or telecopy shall be an effective mode of delivery.

26. VARIATIONS

No amendment of this Agreement (or of any other Transaction Document) shall be valid unless it is in writing and duly executed as a deed by or on behalf of all of the parties to it.

27. INVALIDITY

Each of the provisions of this Agreement and the other Transaction Documents is severable. If any such provision is held to be or becomes invalid or unenforceable under the law of any jurisdiction, the Parties shall use all reasonable efforts to replace it with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

28. THIRD PARTY ENFORCEMENT RIGHTS

Except as expressly stipulated in this Agreement, this Agreement shall not grant any right to persons who are not a party to this Agreement. To the extent this Agreement expressly grants rights to third parties, the Parties to this Agreement shall be permitted to change or exclude such rights at any time without the consent of the respective third party.

29. GOVERNING LAW AND JURISDICTION

29.1 This Agreement shall be governed by, and interpreted in accordance with Hong Kong laws.

29.2 Except as expressly provided otherwise in this Agreement, the Hong Kong courts shall have non-exclusive jurisdiction in relation to all disputes (including claims for set-off and counterclaims) arising out of or in connection with this Agreement, including disputes arising out of or in connection with:
(a) the creation, validity, effect, interpretation, performance or non-performance of, or the legal relationships established by, this Agreement; and (b) any non-contractual obligations arising out of or in connection with this Agreement. For such purposes each Party irrevocably submits to the jurisdiction of the Hong Kong courts and waives any objection to the exercise of such jurisdiction.

29.3 The Purchaser irrevocably consents to service of process or any other documents in connection with proceedings in any court by personal service, delivery at any address specified in this Agreement or any other usual address, mail or in any other manner permitted by the law of the place of service or the law of the jurisdiction where proceedings are instituted.

29.4 Each of the Purchaser, the Seller and the Seller's Guarantor shall at all times maintain an agent for service of process and any other documents in proceedings in Hong Kong or any other proceedings in connection with this Agreement. In the case of the Purchaser, such agent shall be Gaw Capital Advisors Limited and any claim form, writ, judgment or other notice of

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legal process shall be sufficiently served on the Purchaser if delivered to the agent at 22/F., 1 Lyndhurst Tower, No. 1 Lyndhurst Terrace, Central, Hong Kong, Hong Kong. In the case of the Seller and the Seller's Guarantor, such agent shall be Tricor Secretaries Limited and any claim form, writ, judgment or other notice of legal process shall be sufficiently served on the Seller and the Seller's Guarantor if delivered to the agent at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Each of the Purchaser, the Seller and the Seller's Guarantor may revoke the authority of the agent, provided that it appoints another company incorporated in Hong Kong as agent in its place within a period of 7 Business Days following such revocation of authority and provided further that the Purchaser, the Seller and the Seller's Guarantor promptly notifies the other Parties (as the case may be) in writing of such

appointment.

30. SELLER'S GUARANTEE

- 30.1 The Seller's Guarantor guarantees to the Purchaser the performance of the Seller's obligations in accordance with this Agreement.
- 30.2 The Seller's Guarantor guarantees to pay, on demand, any sum which the Seller fails to pay to the Purchaser in accordance with this Agreement.
- 30.3 This is a continuing guarantee which shall remain in force until all the Seller's obligations under this Agreement have been fulfilled.
- 30.4 The Seller's Guarantor's liability under this clause 30 shall not be discharged or affected by any act, omission or circumstance which, but for this provision, would discharge the Seller's Guarantor to any extent, including any legal limitation, disability or incapacity or any amendment, waiver or release affecting any of the Parties, any other person, this Agreement or any change in the constitution of the Seller's Guarantor.
- 30.5 Any guaranteed moneys which are not recoverable from the Seller for any reason shall, nevertheless, be recoverable from the Seller's Guarantor as principal debtor, by way of indemnity, on the Purchaser's demand.

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SCHEDULE 1

CONDUCT OF THE GROUP COMPANIES PRE-CLOSING

1. Except as referred to in paragraph 3 of this Schedule 1, from the date of this Agreement until Closing, the Seller shall ensure that to the extent permissible under applicable law (unless otherwise required or permitted by the terms of any Transaction Document or as may be approved by the Purchaser in writing, such approval not to be unreasonably withheld, conditioned or delayed):
- (a) no Group Company issues or allots, or agrees to issue or allot any share capital, loan capital, securities convertible into shares or any option or right to subscribe in respect of any share capital, loan capital or securities convertible into shares;
 - (b) other than in relation to an expenditure contemplated in the current Renovation Plan, the 2015 Budget, the 2015 Budget Review and the 2015 Budget Capex Plan for the Hotel (all of which as disclosed to the Purchaser under items 2.4.1, 2.4.2 and 2.4.3 of the Data Room), no Group Company undertakes to make any capital expenditure in excess of HK\$2,000,000 per annum unless such capital expenditure is fully paid for on or before Closing;
 - (c) other than in relation to an expenditure contemplated in the 2015 Budget, the 2015 Budget Review and the 2015 Budget Capex Plan for the Hotel (all of which as disclosed to the Purchaser under items 2.4.1, 2.4.2 and 2.4.3 of the Data Room), no Group Company enters into any contract (including, any contract for the purchase or disposal of assets, shares, property or any other interest), other than in the ordinary course of business for the relevant Group Company or the Hotel or save for any contract that can be terminated in accordance with its terms on or before the Closing Date;
 - (d) no Group Company creates any Third Party Right over the Shares, the Property or the shares or assets of any Group Company;
 - (e) no Group Company disposes or acquires any fixed asset with a net book value in excess of HK\$2,000,000;
 - (f) no Group Company reduces its paid-up share capital;

- (g) no Group Company alters or agrees to alter the provisions of its Constitutional Documents;
- (h) no Group Company incurs any Financial Debt (for the avoidance of doubt, trade payables or receivables in the ordinary course of business of the Hotel shall not be considered Financial Debt);
- (i) no Group Company enters into any joint venture, consortium, partnership or profit (or loss) sharing agreement or arrangement;
- (j) except in the ordinary course of business, no Group Company creates, extends or grants any guarantee, indemnity, performance bond or other security or contingent obligation in the nature of a financial obligation including letters of comfort or support, utility guarantees;

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- (k) no Group Company appoints any directors, secretaries or grants power of attorneys other than in the ordinary course of business or to consummate the Proposed Transaction;
 - (l) no Group Company starts any civil, criminal, arbitration or other proceedings the value of which is HK\$2,000,000 or more, unless failure to do so could reasonably be expected to give rise to criminal or governmental proceedings against any of the Seller, any member of the Seller's Group or any Group Company;
 - (m) no Group Company enters into, amends, terminates or disposes of any tenancy or lease agreement in respect of a Property other than in the ordinary course of business;
 - (n) no Group Company allows any of its insurance policies to lapse or takes any action or omission which could void or render voidable such material insurances;
 - (o) no Group Company engages (other than on a temporary basis) or dismisses (other than for just cause) any Key Manager or makes any material variation to the terms and conditions of employment of any Key Manager (other than those required by law or variations to the standard employment policies, including those set out in the Data Room under 10.5.3), in circumstances which are likely to increase in aggregate the total staff costs of the Group Companies by more than HK\$2,000,000 per annum;
 - (p) no Group Company passes any resolution in general meeting other than in the ordinary course of business;
 - (q) no Group Company declares, pays or makes any dividend or distribution other than the Pre-Closing Dividends in accordance with clause 3.2(f);
 - (r) each Group Company maintains its inventory (as recorded in its books) at such level that is necessary to meet the requests by the Hotel customers in all material respects at any given time;
 - (s) none of the Seller or any Group Company takes any action which results in an Adverse Title Event occurring and not having been cured or remedied by the Closing Date; and
 - (t) none of the Seller and the Group Companies makes any filing with any Governmental Authority in relation to the Proposed Transaction (other than in connection with the Pre-Closing Dividends).
2. The Purchaser shall not withhold or delay its approval to any request by the Seller under or in connection with this Schedule 1 if to do so may disrupt the efficient operations of the Hotel or any Group Company.
 3. Paragraph 1 of this Schedule 1 shall not restrict or prevent the Group Companies from:
 - (a) renewing the Pre-Approved Contracts or such contracts which expire before Closing on substantially the same terms;
 - (b) to the extent permissible by applicable laws, doing anything required or necessary to distribute the Pre-Closing Dividends;
 - (c) doing anything required by, or necessary to give effect to, any Transaction Document;

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- (d) doing anything required by, or necessary to give effect to, the Renovation Plan; and
 - (e) entering into, renewing, amending, waiving any default under or terminating any food and beverage related contracts, including any licencing or operational arrangements, in connection with the existing food and beverage outlets in the Hotel, provided that the Seller shall keep the Purchaser informed as soon as reasonably practicable in advance of any discussions and/or negotiations in relation thereto and shall consult with the Purchaser regarding, and shall allow the Purchaser's Representatives to participate in, any such discussions and/or negotiations with the relevant counterparties.

SCHEDULE 2

CLOSING ARRANGEMENTS

Part A : Seller Obligations

- 1. At Closing, the Seller shall deliver or ensure that there is delivered to the Purchaser (or made available to the Purchaser's reasonable satisfaction):
 - (a) share transfer forms duly executed by the Seller in respect of the Shares it holds in favour of the Purchaser;
 - (b) the share certificate(s) in the name of the Seller relating to all shares it holds in the Company;
 - (c) the original of any power of attorney under which any document to be delivered to the Purchaser under this paragraph has been executed;
 - (d) the share certificates in the name of the Company relating to all the shares it holds in the Subsidiary together with instruments of transfer and declarations of trust (duly stamped, where appropriate) in respect of any shares which are held by nominees or an indemnity in the Agreed Form for any lost share certificate;
 - (e) duly executed resignation letters from every director and secretary of each Group Company in the Agreed Form;
 - (f) evidence (which may be a copy of an email) that the Company has notified the registered agent of the Company to (i) change the instructing party to such person(s) as the Purchaser may notify to the Seller no later than 10 Business Days prior to Closing and (ii) has instructed the registered agent to update the register of members of the Company;
 - (g) copies of the certificate of incumbency (dated as of the Closing Date), showing the Purchaser as the sole shareholder of the Company, and the register of directors of the Company showing the Purchaser's nominee(s) as the new directors of the Company;
 - (h) a copy of the register of members showing the Purchaser as the sole shareholder of the Company;
 - (i) a copy of a resolution of the board of directors of the Seller authorising the execution of and the performance by it of its obligations under this Agreement and the other Transaction Documents to which it is a party;
 - (j) a copy of a resolution of the board of directors of the Company authorising:
 - (i) the registration of the transfer of the Shares into the name of the Purchaser and the issue of an original share certificate for the Shares in the name of the Purchaser (subject to the presentation to

the Company of the original share certificates relating to the Shares);

- (ii) resignations of the existing directors and secretary of the Company subject to and with effect from Closing;

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- (iii) appointment of those persons nominated by the Purchaser as directors and secretary of the Company (whose names shall be provided by the Purchaser to the Seller in writing not less than 10 Business Days prior to the Closing Date) subject to and with effect from the Closing Date; and

- (iv) the change of the registered office of the Company to such place as the Purchaser may notify the Seller of in writing not less than 10 Business Days prior to the Closing Date;

and to deal with and resolve upon such other matters as the Purchaser and the Seller may agree in writing, for the purposes of giving effect to the provisions of this Agreement;

- (k) a copy of a resolution of the board of directors of the Subsidiary authorising:

- (i) resignations of the existing directors and secretary of the Subsidiary subject to and with effect from Closing;

- (ii) appointment of those persons nominated by the Purchaser as directors and secretary of the Subsidiary (whose names shall be provided by the Purchaser to the Seller in writing not less than 10 Business Days prior to the Closing Date) subject to and with effect from the Closing Date; and

- (iii) the change of the registered office of the Subsidiary to such place as the Purchaser may notify the Seller of in writing not less than 10 Business Days prior to the Closing Date;

and to deal with and resolve upon such other matters as the Purchaser and the Seller may agree in writing, for the purposes of giving effect to the provisions of this Agreement;

- (l) in respect of each Group Company and to the extent they are in the possession of the relevant Group Company, the statutory and minutes books, share certificate books, common seal, certificate of incorporation, certificate of incorporation on change of name, business registration certificate, copies of the Group Companies Tax returns for the 3 preceding years, together with copies of the Constitutional Documents, cheque books and books of account;
- (m) the title deeds and documents of the Property listed in Part B of Schedule 10 (in the form as indicated in Part B of Schedule 10); and
- (n) all Hotel Management Documents duly executed by the Seller or, as the case may be, members of the Seller Group.

Part B : Purchaser Obligations

1. At Closing, the Purchaser shall:

- (a) deliver or ensure that there is delivered to the Seller a copy of a resolution (certified by a duly appointed officer as true and correct) of the board of directors of the Purchaser authorising the execution of and the performance by the Purchaser of its obligations under this Agreement and each of the other Transaction Documents to be executed by it;

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- (b) copy of the certificate of incumbency (dated no later than one Business Day before the Closing Date), showing Panorama and Uniever as sole shareholders of the Purchaser in the percentages specified in Recital (C);

- (c) deliver or ensure that there is delivered to the Seller duly executed share transfer forms and consent to act as director forms;
- (d) deliver or ensure that there is delivered to the Seller all Hotel Management Documents duly executed by the Purchaser, members of the Purchaser Group or the Purchaser's Lenders, as the case may be;
- (e) deliver or ensure that there is delivered accurate and complete executed copies of the Financing Agreements in the form as provided pursuant to clause 12.3(c) and which comply with the provisions set forth in clause 12.2(b), to the extent not already provided in accordance with clause 12.3(c) or deemed satisfied in accordance with clause 4.4(b)(ii);
- (f) pay to the Seller the Closing Balance in accordance with clause 2.2(b); and
- (g) provide the Seller promptly with a copy of the duly executed irrevocable transfer instruction (MT103) in respect of the electronic funds transfer from the Purchaser to the Seller's Bank Account in immediately available funds of the Closing Balance.

Part C : General

1. All documents and items delivered at Closing pursuant to this Schedule 2 shall be held by the recipient to the order of the person delivering the same until such time as Closing shall be deemed to have taken place. Simultaneously with:
 - (a) delivery of all documents and all items required to be delivered at Closing (or waiver of the delivery of it by the person entitled to receive the relevant document or item); and
 - (b) receipt of an electronic funds transfer from the Purchaser to the Seller's Bank Account in immediately available funds of the Closing Balance,

the documents and items delivered in accordance with this Schedule 2 shall cease to be held to the order of the person delivering them and Closing shall be deemed to have taken place.

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SCHEDULE 3 SELLER WARRANTIES

For the avoidance of doubt, each statement set out below in this Schedule 3 is made subject to and on the terms of clause 5 and Schedule 4.

1. THE SELLER GROUP AND THE SHARES

1.1 Authorisations, valid obligations, filings and consents.

- (a) * The Seller has obtained all corporate authorisations and all other governmental, statutory, regulatory or other consents, licences or authorisations required to empower it to enter into and perform its obligations under this Agreement.
- (b) * The Seller's Guarantor has obtained all corporate authorisations and all other governmental, statutory, regulatory or other consents, licences or authorisations required to empower it to enter into and perform its obligations under this Agreement.
- (c) * Entry into and performance by each member of the Seller Group of this Agreement and/or any other Transaction Document to which it is a party will not: (i) breach any provision of its Constitutional Documents; or (ii) result in a breach of any laws or regulations in its jurisdiction of incorporation or of any order, decree or judgment of any court or any Governmental Authority, where (in either case) the breach would materially and adversely affect its ability to enter into or perform its obligations under this Agreement and the other Transaction Documents to which any of them is a party.

- (d) * This Agreement and the other Transaction Documents will, when executed, constitute valid and binding obligations of the Seller in accordance with their terms.
- (e) * This Agreement and the other Transaction Documents will, when executed, constitute valid and binding obligations of the Seller's Guarantor in accordance with their terms.
- (f) * Neither the Seller nor any other member of the Seller Group which is a party to any Transaction Document is insolvent or bankrupt under the laws of its jurisdiction of incorporation, unable to pay its debts as they fall due or has proposed or is liable to any arrangement (whether by court process or otherwise) under which its creditors (or any group of them) would receive less than the amounts due to them. There are no proceedings in relation to any compromise or arrangement with creditors or any winding up, bankruptcy or insolvency proceedings concerning the Seller or any other member of the Seller Group which is a party to any Transaction Document and no events have occurred which would justify such proceedings. No steps have been taken to enforce any security over any assets of the Seller or any member of the Seller Group which is a party to any Transaction Document and no event has occurred to give the right to enforce such security.

1.2 The Seller, the Seller's Guarantor, the Shares and the Group Companies.

- (a) * Each of the Seller and the Group Companies is validly incorporated, in existence and duly registered under the laws of its jurisdiction of incorporation. The Seller and each other of the Group Companies has full power under its Constitutional Documents to conduct its business as conducted at the date of this Agreement and at Closing.

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- (b) * The Seller's Guarantor is validly incorporated, in existence and duly registered under the laws of its jurisdiction of incorporation. The Seller's Guarantor has full power under its Constitutional Documents to conduct its business as conducted at the date of this Agreement and at Closing.
 - (c) * The Shares constitute the whole of the issued share capital of the Company. All the Shares are, or are deemed to be, fully paid and the Seller is or will at Closing be: (i) the sole legal and beneficial owner of the Shares free from all Third Party Rights; and (ii) entitled to transfer or procure the transfer of the Shares on the terms of this Agreement.
 - (d) * There are no Third Party Rights on, over or affecting any part of the issued or unissued share capital of each Group Company. No claim has been made by any person to be entitled to any Third Party Right which has not been waived in its entirety or satisfied in full.
 - (e) * No member of the Seller Group has entered into any agreement whereby any person (other than a Group Company) has the right (exercisable now or in the future and whether contingent or not) to call for the transfer or issue of any share or loan capital in any Group Company.
 - (f) * The information on the Group Companies set out in Schedule 7 is accurate in all material respects. All the issued shares in the Subsidiary are held by the Company free from all Third Party Rights.
 - (g) * Since 30 June 2012:
 - (i) other than (i) the redemption by Subsidiary from the Company of 1,048,235,597 redeemable preference shares in its capital on 21 January 2015 and (ii) the agreement between the Seller and the Company for the repurchase of 751 US\$1.00 par value shares in the Company dated 21 January 2015 (in each case together with any ancillary documentation, collectively the **Redemption**), no Group Company has repaid, redeemed or purchased any of its share capital or issued any share capital as paid up otherwise than by receipt of consideration therefor.
 - (ii) other than the Redemption, no Group Company has been directly or indirectly engaged or involved in any scheme of reconstruction or amalgamation or any reorganisation or reduction of share capital or conversion of securities nor has any Group Company transferred any business carried on by it.

- (h) * The copy of the Constitutional Documents of each Group Company contained in the Data Room is complete and accurate in all material respects.
- (i) * Since 30 June 2012, each Group Company has complied with all material legal requirements:
 - (i) under the BVI Business Companies Act 2004 (as amended) and the Companies Ordinance (as applicable) relating to its Constitutional Documents (including all resolutions passed or purported to have been passed);

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- (ii) relating to the filing of all documents required by the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
 - (iii) relating to the Redemption; and
 - (iv) relating to the Pre-Sale Reorganisation.
- (j) * No Group Company has given any power of attorney or other authority (express, implied or ostensible) which is outstanding or effective to any person to enter into any contract or commitment on its behalf other than to its employees and the bankers of the relevant Group Company to enter into ordinary course contracts in the normal course of their duties.
- 1.3 Other interests. * Other than the entire issued share capital of the Subsidiary being legally and beneficially owned by the Company, no Group Company owns any shares or equity (or similar) interest in any other company, partnership, firm, undertaking or other entity.

2. FINANCIAL MATTERS

2.1 The Last Accounts.

- (a) The Last Audited Accounts give a true and fair view of the state of affairs of the Subsidiary as at the Last Accounts Date, and of its profit and cash flows for the year then ended in accordance with HKFRS and have been properly prepared in accordance with the Companies Ordinance.
- (b) The Last Unaudited Accounts have been prepared in good faith and with all due care and attention, and fairly present and do not misstate the state of affairs of the Company as at the Last Accounts Date and its profits for the period ended on that date.
- (c) The Last Accounts:
 - (i) comply with the requirements of all applicable law; and
 - (ii) were prepared on the same basis and in accordance with the same accounting policies consistently applied in the 3 preceding years and in accordance with accounting principles generally accepted in the relevant country of incorporation at the time they were prepared unless as otherwise set out in note 4 (Changes in accounting policies and disclosures) of the Last Audited Accounts.

- 2.2 Management Accounts. On the basis of the accounting bases, practices and policies used in their preparation and having regard to the purpose for which they were prepared, the Management Accounts: (a) fairly present in all material respects the financial condition of the Group Companies to which they relate and their assets and liabilities as at 30 April 2015 and of the results of the Group Companies for the period from 1 January 2015 to 30 April 2015; and (b) have been prepared on materially the same basis and in accordance with the same accounting policies which have been used for the preparation of the Last Audited Accounts and are not misleading in any material respect.

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2.3 Assets and liabilities.

- (a) So far as the Seller is aware, no Group Company has any capital commitment or is engaged in any scheme or project requiring the expenditure of capital in excess of HK\$2,000,000.
- (b) Each Group Company owns or has a right to use under hire-purchase contracts, leases or other arrangements (as described in 9.15 of the Data Room) all its material assets shown or comprised in the Last Accounts, and, so far as the Seller is aware, all such material assets are in its possession or under its control.
- (c) * So far as the Seller is aware, the assets owned or the rights used by the Group Companies together comprise all the assets necessary for the continuation of the business carried on by the relevant Group Company in all material respects as carried on at the date of this Agreement (save for assets which have to be replaced or renewed within the ordinary course of business of the Hotel).
- (d) So far as the Seller is aware, no Group Company has any liabilities (actual or contingent) which is not or will not be shown or otherwise specifically provided for in the Last Accounts, the Management Accounts or the Post-Closing Statement, which taken together, are, or are reasonably likely to be, materially adverse to the business of the Group Companies taken as a whole.

2.4 Position since Last Accounts Date. Since the Last Accounts Date:

- (a) save for the permitted activities referred to in Schedule 1, the Group Companies have carried on their business, in all material respects, in the ordinary and usual course of business and, so far as the Seller is aware, no fixed asset or stock has been written up nor any debt written off;
- (b) so far as the Seller is aware, no Group Company has entered into any contract which gives rise to expenditure of more than HK\$2,000,000 per annum;
- (c) save as conducted pursuant to the Pre-Sale Reorganisation, no Group Company has declared, authorised, paid or made any dividend or other distribution, nor has any Group Company reduced its paid-up share capital;
- (d) save as conducted pursuant to the Pre-Sale Reorganisation, no Group Company has issued or agreed to issue any share or loan capital;
- (e) no resolution of any member(s) of any Group Company in general meetings has been passed other than resolutions relating to the business of the annual general meeting which was not special business;
- (f) the financial year end of each Group Company has not changed from 31 December;
- (g) * no event of default has occurred which would entitle any third party to call for the repayment of Financial Debt of any Group Company prior to its normal maturity date;
- (h) no material asset of any Group Company has been acquired or disposed of on capital account, or has been agreed to be acquired or disposed of, otherwise than in the ordinary course of business;

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- (i) no Group Company has been involved in any transaction which gives rise to a material Tax liability to any Group Company on deemed (as opposed to actual) income, profits or gains or which results in the relevant Group Company becoming liable to pay or bear a material Tax liability directly or primarily chargeable against or attributable to another person, firm or company; and
 - (j) * other than changes made to the corporate benefits programs by members of the Seller Group in the ordinary course of business, no remuneration (including bonuses) or benefit payable to any officer or employee of any Group Company has been increased nor has any Group Company undertaken any obligation to increase any such remuneration at any future date with or without retrospective effect, which taken together could increase the total staff costs of the Group Companies by more than HK\$2,000,000 per annum.

2.5 Statutory books. The statutory books of each Group Company required to be kept by applicable laws in

its jurisdiction of incorporation have been maintained in all material respects in accordance with laws in its jurisdiction of incorporation.

- 2.6 Other books and records. So far as the Seller is aware, all material accounts, books, ledgers and financial records of each Group Company have been kept in accordance with normal business practice and are in the possession of the relevant Group Company or under its control.

3. FINANCIAL DEBT

Save as disclosed, no Group Company owes any Financial Debt to any person.

4. REGULATORY MATTERS

4.1 Licences.

- (a) * So far as the Seller is aware, all material licences, permissions, authorisations, consents and other approvals currently required for the carrying on of the business now being carried on by each Group Company have been granted or issued in favour of the relevant Group Company or staff, as applicable, and are valid and in full force and effect.
- (b) So far as the Seller is aware, no Group Company has received any written notice from a Governmental Authority since 30 June 2012 alleging that any Group Company does not have any material licence, permission, authorisation (public or private) or consent required for carrying on its business effectively in the places and in the manner in which it is carried on at the date of this Agreement in accordance with all applicable laws and regulations.

A licence, permission, authorisation, consent or approval is *material* for this purpose if failure to obtain it would have a cost to the Group Companies of HK\$2,000,000 or more.

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- 4.2 Compliance. So far as the Seller is aware, since 30 June 2012, there has been no default by any Group Company under any order, decree or judgment of any court or any Governmental Authority where such default (i) was of a criminal nature; and/or (ii) has had or is likely to have a cost to the Group Companies of HK\$2,000,000 or more.

- 4.3 Grants and allowances. * No Group Company has received any material grant, allowance, aid or subsidy from any Governmental Authority since 30 June 2012.

5. THE BUSINESS ASSETS

- 5.1 Ownership. Each Group Company owns or is entitled to use under hire-purchase contracts, leases or other arrangements (as described in 9.15 of the Data Room) all the assets referred to in the summary of fixed assets annexed to the Disclosure Letter. Save as disclosed such assets are not the subject of any Third Party Right, except for:

- (a) any hire or lease agreement in the ordinary course of business involving expenditure of less than HK\$2,000,000 per annum; and
- (b) title retention provisions in respect of goods and materials supplied to the Group Companies in the ordinary course of business.

5.2 Insurances.

- (a) The Data Room (at item 8.1.10) contains a summary of the insurances maintained by or covering each Group Company. All premiums due in respect of such policies of insurance have been paid in full. So far as the Seller is aware, nothing has been done or omitted to be done whereby any of such policies has or may become void or voidable.
- (b) No claim is outstanding either by the insurer or the insured under any of such policies and no claim

against any Group Company by any third party is outstanding in respect of any risk covered by any of the policies or by any policy previously held by any Group Company.

- (c) So far as the Seller is aware, there are no circumstances which would entitle any Group Company to make a claim in excess of HK\$2,000,000 under any of such insurance policies or which would be required under any of such insurance policies to be notified to the insurers where failure to do so would result in a loss of the relevant Company in excess of HK\$2,000,000.

5.3 Inventory. So far as the Seller is aware, the stock in trade and inventory held by the Group Companies (and as recorded in their books) are in merchantable condition where failure to do so would result in Losses of the relevant Company in excess of HK\$2,000,000.

6. CONTRACTUAL MATTERS

6.1 Material contracts. No Group Company is a party to any agreement:

- (a) under the terms of which, as a direct result of the entry into and performance of the Transaction Documents: (i) any other party will be entitled to be relieved of any material obligation or become entitled to exercise any material right (including any termination or pre-emption right or other option); (ii) any Group Company will be in material default, where such relief, exercise or default is likely to cost to the Group Companies of HK\$2,000,000 or more; or (iii) any Group Company to lose the benefit of any material right or privilege it currently enjoys;

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- (b) which is a material agreement with any member of the Seller Group and is not on an arm's length basis;
 - (c) which is a joint venture, consortium, partnership, or profit (or loss) sharing agreement;
 - (d) which is a contract of service with directors or employees which cannot be terminated by 3 months' prior notice or less without giving rise to any claim for damages or compensation against any Group Company (other than a statutory redundancy payment);
 - (e) for share incentives or share options in shares of any Group Company or incentive payments or payment of bonuses payable by any Group Company, in each case applicable to any of the Employees and/or Former Employees;
 - (f) which materially restricts the freedom of any Group Company to carry on the business now carried on by it in Hong Kong (other than contracts containing confidentiality obligations); and
 - (g) which any Group Company is a party to and which is of a term of longer than 3 years (other than any regulatory license held by any Group Company).

6.2 Default. So far as the Seller is aware, no Group Company has received written notice since 30 June 2012 that it is in material default under any material contract to which it is a party; for this purpose, **material default** means a default which is likely to have a cost to the Group Companies of HK\$2,000,000 or more.

6.3 Others.

- (a) So far as the Seller is aware, no Group Company has received a written notice since 30 June 2012 alleging invalidity, any grounds for determination, rescission, avoidance or repudiation, of any material agreement to which any Group Company is a party, which would result in a Loss to any Group Company in excess of HK\$2,000,000.
- (b) No Group Company has any outstanding bid, tender, sale or service proposal which, if accepted, would be likely to result in a cost to any Group Company in excess of HK\$2,000,000 per annum.
- (c) So far as the Seller is aware, the Data Room contains copies of all written agreements that have been entered into by a Group Company which give rise to any payment obligations that are outstanding as at

the date of this Agreement, on the Group Companies after the date of this Agreement of HK\$2,000,000 per annum or more and are material to the business of the Group Companies taken as a whole.

7. LITIGATION

No Group Company is involved as a party in any material litigation, arbitration, criminal or contentious administrative proceedings and, so far as the Seller is aware, no such proceedings

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are pending or have been threatened in writing by or against a Group Company. So far as the Seller is aware, there is no fact or circumstance likely to give rise to any material litigation, arbitration, criminal or contentious administrative or other proceedings or to any such proceedings against any director or officer of any Group Company in respect of any act or default for which any Group Company might be vicariously liable. For this purpose: (i) **material** means proceedings which (if successful) are likely to result in a cost, benefit or value to the Group Companies of HK\$2,000,000 or more or could otherwise give rise to a material adverse effect on the business of any Group Company; and (ii) any proceedings for collection by a Group Company of debts arising in the ordinary course of business and any proceedings in respect of claims identified in the Disclosure Letter and/or Data Room are excluded.

8. INSOLVENCY ETC.

- 8.1 * No bankruptcy, insolvency or judicial composition proceedings concerning the Seller or any Group Company have been applied for.
- 8.2 * No order has been made and no resolution has been passed for the winding-up or dissolution of any Group Company or for a provisional liquidator to be appointed in respect of any Group Company.
- 8.3 * No receiver, manager or the like, has been appointed of the whole or any part of the assets or undertaking of any Group Company.
- 8.4 So far as the Seller is aware, no circumstances exist which would require an application for any bankruptcy, insolvency or judicial composition proceedings concerning the Seller or any Group Company nor, so far as the Seller is aware, do any circumstances exist according to any applicable bankruptcy or insolvency laws which would justify the avoidance of this Agreement.
- 8.5 * No Group Company is insolvent or is unable to pay its debts within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).
- 8.6 * No unsatisfied judgment, order, decree, award or decision is outstanding against any Group Company.

9. REAL ESTATE

- 9.1 General. * The Property comprises the sole property owned, occupied (save and except the Existing Lease) or otherwise used by the Subsidiary.
- 9.2 Possession and occupation. * Except for the Tenants, Hotel guests, customers and invitees, the Subsidiary has exclusive possession of the Property and (save and except the Existing Lease) no tenancy lease or licence has been granted or agreed to be granted to any other person in respect of the Property or any part thereof which is subsisting.
- 9.3 Title.
 - (a) * Save and except the Existing Known Leases, the Subsidiary has not contracted to sell or let or granted any option over or otherwise disposed of its interest in the Property or mortgaged, charged, created any Third Party Right over or otherwise encumbered such interest or agreed to do so.

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- (b) * The Subsidiary is the legal and beneficial owner of the Property.
- (c) * The Subsidiary is absolutely entitled to the Property free from any Third Party Rights (other than Existing Known Leases).
- 9.4 Outgoings. All rates, government rent, property Tax, management charges and outgoings in respect of the Property that are due and owing have been duly paid.

9.5 Tenancies.

- (a) The Property is subject to the Existing Known Leases which are disclosed in the Data Room. The Existing Known Leases are all Existing Leases relating to the Property.
- (b) So far as the Seller is aware, (i) each Tenant is in material compliance with all applicable covenants, obligations, conditions and restrictions contained in its lease, tenancy or licence agreement; and (ii) no Group Company has entered into any assignment of rental or other monies payable under any of the Existing Leases. The Subsidiary has not encumbered its right to receive such rental and other monies. No premium has been paid to or agreed with the Subsidiary in connection with the Existing Leases. Other than the Existing Leases, no Group Company has agreed to the creation of any sub-lease or sub-tenancies to occupy the Property or any part thereof.
- (c) No written notices of termination or surrender of tenancies/licence have been received by the Subsidiary up to the date of this Agreement.
- (d) * Since 30 June 2012, the Subsidiary has duly and promptly observed and performed all material covenants, obligations, conditions and restrictions imposed under the Existing Leases.

10. ENVIRONMENTAL

- 10.1 Compliance with Environmental Laws. So far as the Seller is aware, no Group Company has received any written statutory complaints or statutory notices since 30 June 2012 alleging or specifying any material breach of or material liability under any Environmental Laws relating to the Group Companies.
- 10.2 Environmental Consents. So far as the Seller is aware, all Environmental Consents required for any activities of the Group Companies at the Property since 30 June 2012 have been obtained and are in full force and effect.

11. TAX

- 11.1 Last Accounts. All liabilities of the Group Companies for Tax measured by reference to income, profits or gains earned, accrued or received on or before the Last Accounts Date or arising in respect of an event occurring on or before the Last Accounts Date are fully provided for or (as appropriate) disclosed in the Last Accounts.
- 11.2 Position since Last Accounts Date. Since the Last Accounts Date, no Group Company has been involved in any transaction which has given rise to a liability to Tax on any Group Company other than Tax in respect of normal trading income or receipts of each Group Company arising from transactions entered into by it in the ordinary course of business.

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- 11.3 Payment of Taxes. All material amounts of Tax due and payable by each Group Company prior to the date of this Agreement has been paid in full.
- 11.4 Returns. Each Group Company has duly, and within any appropriate time limits, made all material returns required to be made to all relevant Tax authorities and all such returns were complete and accurate in all material respects.

- 11.5 Disputes, investigations. No Group Company is involved in any current dispute with or, so far as the Seller is aware, is the subject of any investigation by any Tax authority or has been the subject of any dispute with or, so far as the Seller is aware, has been the subject of any investigation by any Tax authority that remains unresolved.
- 11.6 Records. Each Group Company has sufficient records relating to past events during the six (6) years prior to the date of this Agreement to calculate in all material respects the Tax liability or Relief which would arise on any disposal or realisation of any material asset owned.
- 11.7 Stamp and other duties. Each Group Company has paid promptly all stamp duty and any related sums payable by it under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and any other ordinance or legislation (in whatever country) and no such sums are presently payable by any Group Company under any such ordinance or legislation.
- 11.8 Deductions and withholdings. Each Group Company has made all material deductions in respect, or on account, of any Tax from any payment made by it which it is obliged or entitled to make and has accounted in full to the appropriate authority for all amounts so deducted.

12. EMPLOYMENT

12.1 The Data Room contains:

- (a) copies of the standard terms and conditions of employment applicable to Employees as at the date of this Agreement; and
- (b) details of bonus and salary increment arrangements applicable to Employees as at the date of this Agreement.

12.2 Key Manager. No Key Manager has given notice or has been given notice which has not yet expired terminating his or her employment.

12.3 Remuneration. * No Group Company is obliged to, or has made any provision to, increase or vary any Employee's salary or other remuneration (including benefits, but excluding any bonuses which may be paid in accordance with the standard terms and conditions of employment applicable to Employees which have been disclosed in the Data Room) which could increase the Group Companies' total costs in respect of Employees by more than 10% per annum.

12.4 Collective dismissals. * Since 30 June 2012, no Group Company has initiated or completed the implementation of any collective dismissals involving 20 or more staff over a period of 3 months or less or implemented or entered into a social plan.

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12.5 Others.

- (a) There are no persons who provide full-time services to any Group Company who are not employees of a Group Company.
- (b) * No Group Company has in existence nor is any Group Company proposing to introduce any share incentive scheme, share option scheme or profit sharing scheme for all or any part of its directors or Employees.
- (c) No Group Company is a party to any agreement with any trade unions.
- (d) No Group Company has come to any arrangement pursuant to which any person is to receive any severance related or other payment as a result of the entering into of this Agreement.
- (e) So far as the Seller is aware, each Group Company has, since 30 June 2012, complied with its statutory obligations as an employer to retain records relating to:

- (i) annual leave, sick leave, maternity leave, wages paid and end of year payments under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and notices given or payments made in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);
 - (ii) names, identity card numbers, work commencement date, job titles, the wage periods and wages paid in respect of each wage period, notice period required for the termination of employment and the date of any termination of employment;
 - (iii) work visas (where applicable) or other necessary permits for foreign employees to work in Hong Kong;
 - (iv) monthly contribution records, annual benefit statements in connection with the Pension Schemes; and
 - (v) Tax returns,
- in each case, in respect of its past and current employees.

13. RETIREMENT SCHEMES

13.1 In this paragraph:

- (a) **Pension Scheme** means the InterContinental Hong Kong Limited Management Staff (2000) Defined Contribution Scheme, ORSO registration number RO26723(5), the InterContinental Hong Kong Limited Staff Defined Benefit, ORSO registration number RO26736(7), the Mandatory Provident Fund Scheme administered by AIA, Plan number W88F05 and the IHG International Savings and Retirement Plan administered by Zurich; and
- (b) **Relevant Benefits** means pensions, deferred pensions, allowances, other retirement schemes payments or lump sums payable in respect of retirement and like benefits on death or termination of employment.

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13.2 * All material particulars of the Pension Scheme (including all governing documentation and annual reports for the preceding 2 years) are contained in the Data Room. Other than the Pension Scheme, no Group Company is a party to a pension plan or any other scheme, plan or arrangement for the provision of Relevant Benefits to an Employee or is under any legal liability in respect of any Employee to provide any Relevant Benefits (whether on a funded or unfunded basis) or to contribute to any scheme or arrangement providing Relevant Benefits nor has any proposal been announced in respect of any Employee to pay any Relevant Benefits in respect of, or establish or contribute to, any such scheme or arrangement. Those Pension Schemes which are defined benefits schemes are either fully funded applying reasonable actuarial methods and assumptions and are funded in accordance with any applicable statutory requirements.

13.3 No amendments or alterations have been made to the Pension Scheme since 1 January 2015.

13.4 Details of the current rates of contributions payable in respect of the Pension Scheme by the Group Companies and the Seller are contained in the Data Room and all such contributions which have become due for payment under the Pension Scheme have been paid in accordance with the provisions of the Pension Scheme.

13.5 No Group Company has received notice in writing of any material actions, suits or claims (other than routine claims for benefits) in respect of the Pension Scheme by any Employee and/or Former Employee.

13.6 So far as the Seller is aware, the Pension Scheme has, to the extent it relates to the Employees, been administered in accordance with its governing documents and all material legal requirements.

13.7 No power to increase benefits or prospective benefits under the Pension Scheme has been exercised in

relation to any of the Employees.

14. COMPUTER EQUIPMENT

- 14.1 The Group Companies own or have the right to use the Computer Equipment.
- 14.2 So far as the Seller is aware, no Group Company has received written notice since 30 June 2012 alleging that any Group Company has infringed material rights of any third party in using the Computer Equipment.

15. INTELLECTUAL PROPERTY

- 15.1 No Group Company owns any material Intellectual Property Rights other than Seller IP.
- 15.2 So far as the Seller is aware, details of all subsisting material licences, undertakings, settlements or other agreements or arrangements granted to any Group Company relating to Intellectual Property Rights since 30 June 2012 are contained in the Data Room.
- 15.3 No Group Company has received, since 30 June 2012, a written notice alleging that the operations of a Group Company infringe any Intellectual Property Right of any person.

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16. ANTI-BRIBERY LAWS

- 16.1 * Neither the Seller nor, so far as the Seller is aware, any Group Company has at any time in the two years before the date of this Agreement been under any investigation or been convicted of an activity in violation of applicable Anti-Bribery Law.
- 16.2 * Each Group Company has in place policies, systems, controls and procedures in relation to applicable Anti-Bribery Law.

17. SANCTIONS

- 17.1 * No member of the Seller Group or any Group Company is, or is owned or controlled by, and no director or holder of more than ten (10) per cent of the equity interests of any Seller Group is, a person (other than holders of publicly traded stock) that is:
- (a) subject to any sanctions administered by the OFAC (including the designation as a “specially designated national or blocked person” thereunder) or the U.S. Department of State, Her Majesty’s Treasury, the European Union, the United Nations Security Council or any other jurisdiction to which the member of the Seller Group or any Group Company is subject; or
 - (b) located in, a citizen of, organized under the laws of, or has its principal place of business in a country or territory that is the subject of comprehensive territorial sanctions (including Iran, North Korea, Sudan and Syria).
- 17.2 * No member of the Seller Group or any Group Company does any material business with countries subject to comprehensive territorial sanctions, or with entities or persons otherwise described in paragraph 17.1(b) above (other than customers of the Hotel or any other hotels owned, managed or operated by any member of the Seller Group), or performs any contract in support of any project in or for the benefit of those countries or any such person (other than customers of the Hotel or any other hotels owned, managed or operated by any member of the Seller Group), save for contracts which are pursuant to licenses or exemptions under the applicable laws.

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SCHEDULE 4

LIMITATIONS ON LIABILITY

1. Time Limits. The Seller shall not be liable for any Claim unless within 30 days of the Purchaser becoming aware of the fact, matter or circumstance reasonably likely to give rise to such Claim, the Seller receives from the Purchaser written notice containing specific details of the Claim including the Purchaser's estimate (on a without prejudice basis) of the amount of the Claim. Such Claims must be made:
 - (a) in the case of a Claim other than a Tax Claim, before the date that is the last day of the 18 months period after the date of this Agreement; or
 - (b) in the case of a Tax Claim, before the date that is the seventh (7th) anniversary of the date of this Agreement.
2. Thresholds for Claims. The Seller shall not be liable for any single Claim:
 - (a) unless the amount of the liability pursuant to that single Claim exceeds HK\$2,000,000; and
 - (b) unless the aggregate amount of the liability of the Seller for all Claims not excluded by paragraph 2(a) exceeds HK\$20,000,000,in which case, subject to paragraph 3 of this Schedule 4, the Seller shall be liable from the first HK\$ and not only for the excess over the amounts set out in paragraphs 2(a) and 2(b) above, this amount being a threshold and not a deductible.
3. Maximum limit for all Claims. The aggregate amount of the liability of the Seller for all Claims shall not exceed an amount equal to the Final Price; provided that:
 - (a) for Tax Claims, the aggregate amount of the liability of the Seller shall not exceed an amount equal to 15% of the Final Price less the amount of any sums paid pursuant to paragraph 3(c) below;
 - (b) for Claims for breach of the Seller Warranty set forth in paragraph 9.3(c) of Schedule 3 when given as at the Closing Date, the aggregate amount of the liability of the Seller shall not exceed an amount equal to 15% of the Final Price (for the avoidance of doubt, Claims for breach of the Seller Warranty set forth in paragraph 9.3(c) of Schedule 3 when given as at the date of this Agreement shall be subject to the limitation set forth in paragraph 3(c) below);
 - (c) for Claims other than (i) Tax Claims and (ii) Claims for breach of the Seller Warranties set forth in paragraphs 1.1, 1.2 (a) to (f) (inclusive), 1.3 and 9.3(a), (b) and, when given as at the Closing Date, 9.3(c) of Schedule 3, the aggregate amount of the liability of the Seller shall not exceed an amount equal to 10% of the Final Price.
4. Claim to be withdrawn unless litigation commenced. Any Claim shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn 6 months after the notice is given pursuant to paragraph 1 of this Schedule 4, unless legal proceedings in respect of it have been commenced by being both issued and served. No new Claim may be made in respect of the facts, matters, events or circumstances giving rise to any such withdrawn Claim.

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5. Matters fairly disclosed. The Seller shall not be liable for any Claim if and to the extent that the fact, matter, event or circumstance giving rise to such Claim is fairly disclosed by this Agreement, the title deeds and documents of the Property dated on or before the date of this Agreement, any other Transaction Document, the Disclosure Letter or any document contained in the Data Room.
 6. Matters provided for or taken into account in adjustments. The Seller shall not be liable for any Claim if and to the extent that the fact, matter, event or circumstance giving rise to the Claim:
 - (a) is allowed, provided or reserved for in the Last Accounts; or

- (b) is provided for or otherwise taken into account in the Post-Closing Statement or any adjustment to the Initial Price.
7. Contingent liabilities. If any Claim is based upon a liability which is contingent only, the Seller shall not be liable to pay unless and until such contingent liability gives rise to an obligation to make a payment. This is without prejudice to the right of the Purchaser to give notice of the Claim in accordance with paragraph 1 and to issue and serve proceedings in respect of it before such time. For the avoidance of doubt, the fact that the liability may not have become an actual liability by the relevant date provided in paragraphs 1(a) and (b) of this Schedule 4 shall not exonerate the Seller in respect of any Claim properly notified before that date.
8. No liability for Claims arising from acts or omissions of Purchaser. The Seller shall not be liable for any Claim to the extent that it would not have arisen but for, or has been increased or not reduced as a result of, any voluntary act, omission or transaction carried out:
- (a) after Closing, by the Purchaser or any member of the Purchaser Group (or its respective directors, employees or agents or successors in title or any of its Affiliates) outside the ordinary and usual course of business of a Group Company as at Closing other than in compliance with a legal obligation created at Closing or upon the instructions of or with the consent of the Seller; or
- (b) before Closing, by any member of the Seller Group or any Group Company acting in accordance with Schedule 1 or at the written direction or request or with the written approval of the Purchaser or any member of the Purchaser Group.
9. Purchaser's duty to mitigate. The Purchaser shall procure that all reasonable steps are taken to mitigate any Losses in respect of a Claim (including Claims for breach of Tax Warranties, but excluding Claims under the Tax Covenant) in accordance with applicable law.
10. Insured Claims. The Seller shall not be liable in respect of any Claim to the extent that (a) the amount of such Claim is covered by a policy of insurance or would have been so covered if the policies of insurance effected by or for the benefit of the Group Companies had been maintained after Closing on no less favourable terms than those existing at the date of this Agreement and (b) the relevant Group Company actually recovers such amount.
11. Recovery from third party after payment from Seller. Where the Seller has made a payment to the Purchaser in relation to any Claim and the Purchaser or any member of the Purchaser Group is entitled to recover (whether by insurance, payment, discount, credit, relief or otherwise) from a third party a sum which indemnifies or compensates the Purchaser or any member of the Purchaser Group (in whole or in part) in respect of the liability or loss which is the subject of a Claim, the Purchaser or relevant member of the Purchaser Group

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shall: (a) promptly notify the Seller of the fact and provide such information as the Seller may reasonably require; (b) take all reasonable steps or proceedings as the Seller may require to enforce such right; and (c) pay to the Seller as soon as practicable after receipt of an amount equal to the amount recovered from the third party (net of Taxation and less any reasonable Costs of recovery), provided that (i) the Seller shall use reasonable endeavours to preserve legal privilege and to comply with obligations of confidence in favour of a third party; and (ii) the Purchaser shall not be required to take, or to procure that any member of the Purchaser Group or any Group Company takes, any such steps if to do so could reasonably be expected to result in a material adverse effect on the business or the financial position of the Purchaser, any Group Company or any other member of the Purchaser Group.

12. No liability for changes in legislation, Tax rules or accounting policy. The Seller shall not be liable for any Claim if and to the extent it is attributable to, or the amount of such Claim is increased as a result of, any: (a) legislation not in force at the date of this Agreement; (b) change of law (or any change in interpretation on the basis of case law), regulation, directive, requirement or administrative practice after the date of this Agreement; (c) change in the rates of Taxation after the date of this Agreement or any

imposition of any Taxation or any withdrawal of Relief not in effect at the date of this Agreement; or (d) changes in accounting policy, basis or practice of the Purchaser or any of the Group Companies introduced or having effect after the date of this Agreement.

13. No double recovery. The Purchaser shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once for the same liability, loss, cost, shortfall, damage, deficiency, breach or other set of circumstances which gives rise to more than one Claim.
14. Consequential loss. Neither the Purchaser nor any member of the Purchaser Group shall be entitled to claim for any punitive or special loss, or loss of goodwill after Closing in respect of any Claim, whether actual or prospective, or for any indirect or consequential loss.
15. Purchaser's knowledge. The Seller shall not be liable for any Claim if and to the extent that the sole direct shareholder of Panorama and any of the following representatives of the Purchaser is actually aware at the date of this Agreement of the fact, matter, event or circumstance which is the subject matter of the Claim: Christophe Vielle, Alan Lee, Tony Lo, Goodwin Gaw and Kenneth Gaw.
16. Waiver of right of set-off. The Purchaser waives and relinquishes any right of set-off or counterclaim, deduction or retention which the Purchaser might otherwise have in respect of any Claim against or out of any payments which the Purchaser may be obliged to make (or procure to be made) to the Seller pursuant to this Agreement or otherwise.
17. Seller to have opportunity to remedy breaches. If a breach of the Seller Warranties is capable of remedy, the Purchaser shall only be entitled to compensation if it gives the Seller written notice of the breach and the breach is not remedied within 30 days after the date on which such notice is served on the Seller. Without prejudice to its duty to mitigate any loss, the Purchaser shall (or shall procure that any relevant member of the Purchaser Group shall) provide all reasonable assistance to the Seller to remedy any such breach at the cost of the Seller. If the Seller has paid to the Purchaser an amount discharging its liability as a result of a breach of any Seller Warranties, the breach of the Seller Warranties is deemed to be cured and the Purchaser shall not be entitled to claim against the Seller for such breach of the Seller Warranties if and to the extent that the subject matter of the claim has been made good or has otherwise been compensated for without cost or expense to the Purchaser or any Group Company.

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18. Tax Claims. Notwithstanding the other provisions of this Schedule, the provisions of paragraphs 4, 5, 6, 7, 8, 11, 12, 13, 15 and 17 of this Schedule shall not apply to a claim under the Tax Covenant and the Tax Warranties, and the provisions of paragraph 9 of this Schedule shall not apply to a claim under the Tax Covenant, and instead in each case the provisions of paragraph 3.1 of Part A of Schedule 9 shall apply.

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SCHEDULE 5

PURCHASER WARRANTIES

1. The Purchaser is validly incorporated, in existence and duly registered under the laws of its jurisdiction and has full power to conduct its business as conducted at the date of this Agreement.
2. Panorama and Uniever are the sole legal and beneficial holders of all the issued shares in the Purchaser. The structure chart showing the ownership structure of the Purchaser provided by the Purchaser's Representatives to the Seller's Representatives on the date of this Agreement is true and accurate and not misleading as at the date of this Agreement and as at Closing.
3. This Agreement and the other Transaction Documents will, when executed, constitute valid and binding obligations of the Purchaser in accordance with their terms.

4. The Purchaser has obtained all corporate authorisations and all other governmental, statutory, regulatory or other consents, licences and authorisations required to empower it to enter into and perform its obligations under this Agreement.
5. Entry into and performance by each member of the Purchaser Group of this Agreement and/or any other Transaction Document to which it is a party will not: (a) breach any provision of its Constitutional Documents; or (b) result in a breach of any laws or regulations in its jurisdiction of incorporation or of any order, decree or judgment of any court or any governmental or regulatory authority, where any such breach would adversely affect to a material extent its ability to enter into or perform its obligations under this Agreement and/or any other Transaction Document to which it is a party.
6. Neither the Purchaser nor any other member of the Purchaser Group which is a party to any Transaction Document is insolvent or bankrupt under the laws of its jurisdiction of incorporation, unable to pay its debts as they fall due or has proposed or is liable to any arrangement (whether by court process or otherwise) under which its creditors (or any group of them) would receive less than the amounts due to them. There are no proceedings in relation to any compromise or arrangement with creditors or any winding up, bankruptcy or insolvency proceedings concerning the Purchaser or any other member of the Purchaser Group which is a party to any Transaction Document and no events have occurred which would justify such proceedings. No steps have been taken to enforce any security over any assets of the Purchaser or any member of the Purchaser Group which is a party to any Transaction Document and no event has occurred to give the right to enforce such security.
7. With respect to the Purchaser's funding of the Final Price:
 - (a) on the date of this Agreement, the Purchaser has made available to the Seller the Commitment Letter (which incorporates a term sheet) in Agreed Form duly executed by the Purchaser and the Purchaser's Lenders to finance the debt portion of the Final Price;
 - (b) the Purchaser has available cash or available loan facilities which will at Closing provide in immediately available funds the necessary cash resources to pay the Initial Price and meet its other obligations under this Agreement (including the payment of the Final Price); and

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- (c) there are no contracts, agreements, arrangements or other understandings (whether reduced to writing or not) between the Purchaser or any of its Representatives on the one hand and providers of debt or equity finance (or any of their Representatives) on the other hand which, at the Closing Date, will not have been disclosed to the Sellers' Representative.
 8. The Purchaser is not aware of any facts or circumstances which could reasonably be expected to result in a Claim being made against the Seller or any misrepresentation by or on behalf of the Seller in connection with the Proposed Transaction.
 9. So far as the Purchaser is aware, neither the Purchaser nor any of its direct or indirect shareholders has, at any time in the 2 years before the date of this Agreement been under any investigation or been convicted of an activity in violation of applicable Anti-Bribery Law.
 10. The Purchaser and each of its direct or indirect shareholders has in place policies, systems, controls and procedures in relation to applicable Anti-Bribery Law.
 11. No member of the Purchaser Group is, or is owned or controlled by, and no director or holder of more than ten (10) per cent of the equity interests of any Purchaser Group is, a person (other than holders of publicly traded stock) that is:
 - (a) subject to any sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department (*OFAC*) (including the designation as a "specially designated national or blocked person" thereunder) or the U.S. Department of State, Her Majesty's Treasury, the European Union, the United Nations Security Council or any other jurisdiction to which the member of the Purchaser Group is

- subject; or
- (b) located in, a citizen of, organized under the laws of, or has its principal place of business in a country or territory that is the subject of comprehensive territorial sanctions (including Iran, North Korea, Sudan and Syria).
12. No member of the Purchaser Group does any material business with countries subject to comprehensive territorial sanctions, or with entities or persons otherwise described in paragraph 11(b) above (other than customers of The Strand Hotel, The Inya Lake Hotel and Thamada Hotel, all in Yangon, Myanmar), or performs any contract in support of any project in or for the benefit of those countries or any such person (other than customers of The Strand Hotel, The Inya Lake Hotel and Thamada Hotel, all in Yangon, Myanmar), save for contracts which are pursuant to licenses or exemptions under the applicable laws.

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**SCHEDULE 6
POST-CLOSING FINANCIAL ADJUSTMENTS**

Part A : Calculation of April Working Capital Amount

April Working Capital	Items	Subsidiary (HK\$)	Company (HK\$)	Consolidation (HK\$)
Non-Current Assets				
Property, plant and equipment	1	Fixed	Fixed	Fixed
Pension scheme asset	2	Fixed	Fixed	Fixed
Investment in a subsidiary	3	Fixed	Fixed	Fixed
	A			Fixed
Current Assets				
Inventories	4	Fixed	Fixed	Fixed
Trade receivables	5	22,814,695	—	22,814,695
- thereof outstanding 90 days or more	5a	0	—	0
- thereof outstanding less than 90 days	5b	22,814,695	—	22,814,695
Prepayments, deposits and other receivables	6	19,919,617	—	19,919,617
Due from the intermediate holding company	7	0	—	0
Due from fellow subsidiaries	8	0	—	0
Tax recoverable	9	0	—	0
Cash and bank balances	10	24,870,354	—	24,870,354
	B			67,604,666

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Current Liabilities				
Trade payables	11	(23,188,644)	—	(23,188,644)
of which provision for Yan Toh Heen renovation		(2,373,000)	—	(2,373,000)

of which provision for unpaid commitment under the				
Consultancy Agreements		(4,272,237)	—	(4,272,237)
Accruals and other payables	12	(100,002,209)	—	(100,002,209)
Due to fellow subsidiaries	13	0	—	0
Due to a subsidiary	14	511,773	(511,773)	0
Provision for failure to pay entitlements to current				
Employees	15	(1,798,483)	—	(1,798,483)
Provision for long services termination payment	16	(1,000,428)	—	(1,000,428)
Tax payable	17	(11,718,051)	—	(11,718,051)
	C			(137,707,815)
Non-Current Liabilities				
Deferred tax liabilities	18	Fixed	Fixed	Fixed
	D	Fixed	Fixed	Fixed
April Working Capital Amount				(70,103,149)

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Part B : Post-Closing Statement Format

Actual Working Capital	Items	Subsidiary (HK\$)	Company (HK\$)	Consolidation (HK\$)
Non-Current Assets				
Property, plant and equipment	1	Fixed	Fixed	Fixed
Pension scheme asset	2	Fixed	Fixed	Fixed
Investment in a subsidiary	3	Fixed	Fixed	Fixed
	A			Fixed
Current Assets				
Inventories	4	Fixed	Fixed	Fixed
Trade receivables	5	[•]	[•]	[•]
- thereof outstanding 90 days or more	5a	[•]	[•]	[•]
- thereof outstanding less than 90 days	5b	[•]	[•]	[•]
Prepayments, deposits and other receivables	6	[•]	[•]	[•]
Due from the intermediate holding company	7	[•]	[•]	[•]
Due from fellow subsidiaries	8	[•]	[•]	[•]
Tax recoverable	9	[•]	[•]	[•]
Cash and bank balances	10	[•]	[•]	[•]
	B			

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Current Liabilities				
Trade payables	11	[•]	[•]	[•]
of which provision for Yan Toh Heen renovation		[•]	[•]	[•]
of which provision for unpaid commitment under the Consultancy Agreements		[•]	[•]	[•]
Accruals and other payables	12	[•]	[•]	[•]
Due to fellow subsidiaries	13	[•]	[•]	[•]
Due to a subsidiary	14	[•]	[•]	[•]
Provision for failure to pay entitlements to current Employees	15	[•]	[•]	[•]
Provision for long services termination payment	16	[•]	[•]	[•]
Tax payable	17	[•]	[•]	[•]
	C			[•]
Non-Current Liabilities				
Deferred tax liabilities	18	Fixed	Fixed	Fixed
	D	Fixed	Fixed	Fixed
Actual Working Capital				
				[•]

1. The Actual Working Capital Amount shall be calculated by taking the amount in the “Consolidation” column of item B and subtracting the amount in the “Consolidation” column of item C; provided that
 - (a) the amount of item B shall be equal to the sum in the “Consolidation” column of items 5b, 6, 7, 8, 9 and 10 only; and
 - (b) the amount of item C shall be equal to the sum in the “Consolidation” column of items 11, 12, 13, 14, 15, 16 and 17.

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2. For the avoidance of doubt, all items marked “Fixed” will not be included in the Post-Closing Statement and will therefore not be taken into account in the calculation of the Actual Working Capital Amount. These items have been included for illustration purposes only to align with the line items in the Last Audited Accounts.
3. Without prejudice to clause 2.6, line item 5 (trade receivables) shall not be adjusted for trade receivables which have been outstanding at the Closing Date for 90 days or more. The division of items 5a and 5b have been included for the sole purpose of facilitating the application (if any) of clause 2.6.
4. The Seller shall use reasonable endeavours to minimise to the extent reasonably practicable the amounts in line items 7 and 8 (Due from the intermediate holding company and Due from fellow subsidiaries) and items 13 and 14 (Due to intermediate holding company and Due to fellow subsidiaries) as at Closing. Such amounts shall only be of a trading nature and relate to the ordinary course of business.
5. Line item 16 (Provision for long services termination payment) shall include a provision as if all employees are made redundant as of 30 April 2015 and the Closing Date, as applicable.

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Part C : Accounting Policies and Procedures

In preparing the Post-Closing Statement:

- (a) in determining which items and amounts are to be included in the Post-Closing Statement, if and to the extent that the treatment or characterisation of the relevant item or amount or type or category of item or amount:
 - (i) is dealt with in the summary of significant accounting policies as outlined in the preparation of the Last Accounts (the **Accounting Principles**), the applicable Accounting Principle(s) used by the Group Companies on a consistent basis shall apply (including in relation to the exercise of accounting discretion and judgement); and
 - (ii) is not dealt with in the Accounting Principles, HKFRS shall apply.
- (b) for the purposes of determining the provision or reserve for Tax in the Post-Closing Statement, an Accounting Period of the Group Company concerned shall be deemed to have ended on Closing.

Part D : Post-Closing Statement

1. The Seller shall, or shall procure that the Seller's accountants shall, after Closing prepare a draft statement (the **Post-Closing Statement**) showing the Actual Working Capital Amount. The Post-Closing Statement shall be in the form set out in Part B of this Schedule 6 and prepared in accordance with Part C of this Schedule 6. The Seller shall deliver the draft Post-Closing Statement to the Purchaser within 20 Business Days after Closing.
2. The Purchaser shall notify the Seller in writing (a **Post-Closing Statement Notice**) within 20 Business Days after receipt of the Post-Closing Statement whether or not it accepts the draft Post-Closing Statement for the purposes of this Agreement. If the Purchaser does not accept the Post-Closing Statement, the Post-Closing Statement Notice shall set out in reasonable detail the Purchaser's reasons for such non-acceptance and specify the adjustments which, in the Purchaser's opinion, should be made to the draft Post-Closing Statement in order for it to comply with the requirements of this Agreement. Except for the matters specifically set out in the Post-Closing Statement Notice, the Purchaser shall be deemed to have agreed the draft Post-Closing Statement in full.
3. If the Purchaser serves a Post-Closing Statement Notice in accordance with paragraph 2, stating in the Post-Closing Statement Notice that the Purchaser does not accept the Post-Closing Statement, the Seller and the Purchaser shall use all reasonable efforts to meet and discuss the objections of the Purchaser and to agree the adjustments (if any) required to be made to the draft Post-Closing Statement, in each case within 20 Business Days after receipt by the Seller of the Post-Closing Statement Notice.
4. If the Purchaser is satisfied with the draft Post-Closing Statement (either as originally submitted or after adjustments agreed between the Seller and the Purchaser pursuant to paragraph 3) or if the Purchaser fails to give a valid Post-Closing Statement Notice within the 20 Business Day period referred to in paragraph 2, then the draft Post-Closing Statement (incorporating any agreed adjustments) shall constitute the Post-Closing Statement for the purposes of this Agreement.

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5. If the Seller and the Purchaser do not reach agreement within 20 Business Days after receipt by the Seller of the Post-Closing Statement Notice, then the matters in dispute may be referred (on the application of either the Seller or the Purchaser) for determination by KPMG or, if that firm is unable or unwilling to act, by such other independent firm of chartered accountants in Hong Kong of international standing as the Seller and the Purchaser shall agree or, failing agreement within 5 Business Days of the Seller and the Purchaser becoming aware of KPMG being unable or unwilling to act, appointed by the President for the time being of the Hong Kong Institute of Certified Public Accountants (the **Firm**). The Firm shall be requested to make its decision within 45 Business Days (or such later date as the Seller, the Purchaser and the Firm agree in writing) of confirmation and acknowledgement by the Firm of its appointment. The following provisions shall apply once the Firm has been appointed:

- (a) the Seller and Purchaser shall each prepare a written statement within 10 Business Days after the Firm's appointment on the matters in dispute which (together with the relevant supporting documents) shall be submitted to the Firm for determination and copied at the same time to the other;
- (b) following delivery of their respective submissions, the Purchaser and the Seller shall each have the opportunity to comment once only on the other's submission by written comment delivered to the Firm not later than 10 Business Days after receipt of the other's submission and, thereafter, neither the Seller nor the Purchaser shall be entitled to make further statements or submissions except insofar as the Firm so requests (in which case it shall, on each occasion, give the other Party (unless otherwise directed) 10 Business Days to respond to any statements or submission so made);
- (c) in giving its determination, the Firm shall state what adjustments (if any) are necessary, solely for the purposes of this Agreement, to the draft Post-Closing Statement in respect of the matters in dispute in order to comply with the requirements of this Agreement and to determine finally the Post-Closing Statement;
- (d) the Firm shall act as an expert (and not as an arbitrator) in making its determination which shall, in the absence of manifest error, be final and binding on the Parties and, without prejudice to any other rights which they may respectively have under this Agreement, the Parties expressly waive, to the extent permitted by law, any rights of recourse they may otherwise have to challenge it.

6. The Seller and the Purchaser shall each be responsible for their own costs in connection with the preparation, review and agreement or determination of the Post-Closing Statement. The fees and expenses of the Firm shall be borne equally between the Seller and the Purchaser or in such other proportions as the Firm shall determine.

7. To enable the Seller and the Purchaser to meet their respective obligations under this Schedule 6, the Seller and the Purchaser shall expeditiously provide to each other and each other's accountants full access to their calculations, working papers, books and records and, in the case of the Purchaser, employees and premises of the Group Companies, for the period from Closing to the date that the draft Post-Closing Statement is agreed or determined. Each of the Seller and the Purchaser shall ensure that each other and each other's accountants shall be given reasonable access to their and their accountants' working papers relating to the Post-Closing Statement and any other submissions by or on their behalf in relation to the Post-Closing Statement. The Seller and the Purchaser shall cooperate fully with each other and

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shall permit the other and/or the other's accountants to take copies (including electronic copies) of the relevant calculations, working papers, books and records and shall provide all assistance reasonably requested by the other to facilitate the preparation, agreement and/or determination of the Post-Closing Statement. For the avoidance of doubt, nothing in this paragraph 7 shall require the Seller to provide access to the books and records of the Seller or any member of the Seller Group. Clause 18.3(a)(iv) shall apply *mutatis mutandis*.

Part E : Financial Adjustments

1. When the Post-Closing Statement has been finally agreed or determined in accordance with this Schedule 6, the Initial Price shall be adjusted with reference to the Post-Closing Statement to produce the Final Price as follows:

- (a) if the Actual Working Capital Amount is greater than the April Working Capital Amount, then the Purchaser shall pay an amount equal to the difference to the Seller; or
- (b) if the Actual Working Capital Amount is less than the April Working Capital Amount, then the Seller shall pay an amount equal to the difference to the Purchaser; and

provided that no payments shall be made at all pursuant to this paragraph 1 if the amount of the difference between the Actual Working Capital Amount of all Group Companies and the April Working Capital Amount is less than HK\$100,000.

2. Whichever of the Seller or Purchaser is required to make any payment under this Part E shall make such payment within 5 Business Days after the date on which the Post-Closing Statement is agreed or so determined. Any such payment shall be made in accordance with the provisions of clause 15.1 or 15.2 of this Agreement, as the case may be.

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SCHEDULE 7
GROUP COMPANIES INFORMATION

Part A : Details of the Company

- | | |
|----------------------------------|--|
| 1. Name: | Trifaiith Investments Limited |
| 2. Date of Incorporation: | 20 December 2000 |
| 3. Place of Incorporation: | The British Virgin Islands |
| 4. Registered Number: | 422029 |
| 5. Registered Office: | P.O. Box
3340 Road Town
Tortola
British Virgin Islands |
| 6. Authorised Share Capital: | US\$50,000.00 divided into 50,000 ordinary shares of US\$1.00 each |
| 7. Issued Capital: | US\$5,499.00, comprising 5,499 ordinary shares of US\$1.00 each, fully paid up |
| 8. Shareholder and Shareholding: | Hotel InterContinental London (Holdings) Limited – 5,499 shares |
| 9. Directors: | Reibel, Jean-Jacques Michel
Chan, Yi Ping
Baillehache, Charles Guy Jacques |
| 10. Registered Agent: | Tricor Services (BVI) Limited |

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Part B: Details of the Subsidiary

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|----------------------------|------------------------------------|
| 1. Name: | InterContinental Hong Kong Limited |
| 2. Date of Incorporation: | 20 December 2000 |
| 3. Place of Incorporation: | Hong Kong |

4. Company Number: 741862
5. Registered Office: Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong
6. Issued Capital: HK\$10,000.00, with a total of 10,000 ordinary shares issued, fully paid-up; and
HK\$1,351,715,653.00, with a total of 1,351,715,653 redeemable preference shares issued, fully paid up
7. Shareholder and Shareholding: Trifaiht Investments Limited – 10,000 ordinary shares
Trifaiht Investments Limited – 1,351,715,653 redeemable preference shares
8. Directors: Reibel, Jean-Jacques Michel
Hou, Jing
Glover, Michael Todd
Macpherson, Kenneth
9. Company Secretary: Tricor Secretaries Limited

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**SCHEDULE 8
KNOWLEDGE**

<u>Name</u>	<u>Position</u>
1. Mr. Jean-Jacques Reibel	Managing Director
2. Mr. Meredith Yong	Resident Manager
3. Ms. Bibiana Lai	Director of Finance
4. Mr. Harvey Wong	Director of Engineering
5. Steve Caroll	VP – Global Corporate Finance – M&A
6. Robert J. Chitty	SVP – Global Head of Corporate Finance – M&A
7. Mr. Ricky Wong	Director of Human Resources

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SCHEDULE 9

TAX

Part A

1. COVENANT TO PAY

1.1 The Seller hereby covenants with the Purchaser to pay to the Purchaser an amount equivalent to:

- (a) any Tax Liability arising in respect of, by reference to or in consequence of:
 - (i) any income, profits or gains earned, accrued or received on or before Closing; and
 - (ii) any Event which occurred on or before Closing,
- (b) any Tax Liability which arises as a result of any Event which occurs after Closing pursuant to a legally-binding obligation (whether or not conditional) entered into by any Group Company on or before Closing, save for obligations entered into in the ordinary course of business of the relevant Group Company and save for any Tax Liability which arises as a result of an Event that gives rise to any actual income, profits or gains arising, earned, accrued or received after Closing;
- (c) together with any reasonable costs (including legal costs), fees and expenses referred to in paragraph 2.

1.2 For the avoidance of doubt, paragraph 1.1 above shall not apply to any Tax Liability arising in respect of, by reference to or in consequence of any income, profits or gains earned, accrued or received after Closing (whether or not as a result of an Event which occurred on or before Closing), or, save as provided at paragraph 1.1(b) above, any Event occurring after Closing.

2. COSTS AND EXPENSES

The covenant contained in paragraph 1 shall extend to all reasonable costs (including legal costs), fees and expenses properly incurred by any Group Company and/or the Purchaser in connection with a successful claim made under paragraph 1, or in satisfying or settling any Tax Liability in accordance with paragraph 5 in respect of which a successful claim is made under paragraph 1.

3. EXCLUSIONS

3.1 The covenant contained in paragraph 1.1 shall not cover any Tax Liability to the extent that:

- (a) provision or reserve (not being a deferred Tax provision or reserve) in respect of that Tax Liability has been made in computing the Tax payable provision in the Post-Closing Statement (or, for taxes other than Corporate Income Taxes, in computing the 'Accruals and other payables' balance reflected in the Post-Closing Statement) or the Tax Liability had the effect of reducing the level of any asset recognised in the Post-Closing Statement; or

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- (b) the Tax Liability was paid or discharged before Closing; or
 - (c) the Tax Liability arises as a result of any change in rates of Tax or of any change in law (or a change in interpretation on the basis of case law), regulation, directive or requirement, or the published practice of any Tax Authority, occurring after the date of this Agreement; or
 - (d) the Tax Liability would not have arisen but for a transaction, action or omission carried out or effected by any of the Purchaser, a Group Company, or any Affiliate of any of them, at any time after Closing, except that this exclusion shall not apply where any such transaction, action or omission:
 - (i) is carried out or effected by the Group Company concerned in the ordinary course of the Group Company's business; provided that for these purposes the following shall be deemed not to be in the ordinary course of business if they otherwise would be (with the effect that the exclusion contained in this paragraph 3.1(d)(i) shall apply):

- (A) any disposal (or deemed disposal for any Tax purpose) of assets other than trading stock by any Group Company;
 - (B) any distribution of assets or other transaction not at arm's length;
 - (C) any change in the use of an asset by any Group Company;
 - (D) anything which has the result of requiring disposal value to be brought into account, or which crystallises a balancing charge, for capital allowances purposes (or has any similar effect under the laws of any relevant foreign jurisdiction); or
- (ii) is carried out or effected by the Group Company concerned pursuant to a legally binding commitment created on or before Closing which cannot reasonably be avoided;
 - (iii) is required by law or any regulatory requirement or is required in accordance with generally accepted accounting principles applicable to that Group Company at Closing;
 - (iv) is carried out or effected by the Group Company concerned pursuant to the request of the Seller; or
- (e) the Tax Liability arises as a result of (other than a change which is necessary in order to comply with the law or generally accepted accounting principles applicable to that Group Company at Closing) a change after Closing in any accounting policy, transfer pricing methodology or Tax reporting practice of any Group Company; or
 - (f) such Tax Liability arises as a result of any Group Company failing to submit the returns and computations required to be made by them or not submitting such returns and computations within the appropriate time limits or submitting such returns and computations otherwise than on a proper basis, in each case after Closing and in each case other than as a result of the Seller's failure to comply with its obligations under clause 7.1 of this Agreement; or

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- (g) the Tax Liability arises as a result of the failure of the Purchaser to comply with any of its obligations contained in paragraph 5 of this Schedule or clause 7 of this Agreement; or
 - (h) any Relief (other than an Accounts Relief or Purchaser's Relief) is available, or is for no consideration made available by the Seller, to any of the Group Companies to set against or otherwise reduce or eliminate the Tax Liability and for this purpose any Relief arising in respect of an accounting period falling partly before and partly after the Closing Date shall be apportioned on a time basis unless some other basis is more reasonable; or
 - (i) the Tax Liability is a liability to Tax comprising interest, penalties, charges or costs in so far as attributable to the unreasonable delay or default of the Purchaser or any Group Company after Closing; or
 - (j) the Tax Liability arises in respect of, and does not exceed, a Windfall Amount.

3.2 The provisions of paragraph 3.1 shall also operate to limit or reduce the liability of the Seller in respect of claims under the Tax Warranties and any other Warranty insofar as it relates to Tax.

3.3 Paragraphs 1, 2, 3, 10 and 14 of Schedule 4 to this Agreement (Limitations on Liability) shall, to the extent provided for in that Schedule, also apply to limit or reduce the liability of the Seller under this Schedule (as well as under the Warranties).

3.4 The limitations set out in paragraphs 3.1 and 3.2 above shall not apply to claims under this Tax Covenant or the Tax Warranties to the extent that they arise as a consequence of, or are delayed as a result of, fraud, wilful misconduct or deliberate or wilful concealment by the Seller.

4. DOUBLE RECOVERY

The Purchaser shall not be entitled to recover any amount pursuant to this Schedule in respect of any claim to the extent that the Purchaser or any of the Group Companies has already recovered any amount in respect of such claim under the Warranties or under any other provision of this Agreement or pursuant to any other agreement with the Seller or any Affiliate of the Seller, or to the extent that recovery has already been made under this Schedule in respect of the same subject matter.

5. NOTIFICATION OF CLAIMS AND CONDUCT OF DISPUTES

5.1 If the Purchaser or any of the Group Companies becomes aware of any Tax Demand or other matter which will result in a Tax Claim, the Purchaser shall give notice to the Seller of that Tax Demand or matter (including reasonably sufficient details of such Tax Demand or matter, the due date for any payment (if available) and the time limits for any appeal (if available), and so far as practicable the amount involved) as soon as possible (and in any event not more than 15 Business Days after the Purchaser or the Group Company concerned becomes aware of such Tax Demand or matter). Any failure to comply with this paragraph 5 shall not prejudice any claim by the Purchaser under this Tax Covenant.

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5.2 Subject to paragraph 5.4, the Purchaser shall take (or procure that the Group Company concerned shall take) such reasonable action as the Seller may reasonably request to avoid, dispute, resist, appeal, compromise or defend any Tax Demand or other matter which could give rise to a Tax Claim (whether notified by the Purchaser, or being a Tax Demand or matter of which the Seller was already aware), and any adjudication in respect thereof. The Seller shall have the right (if it wishes) to control any proceedings taken in connection with such action, and shall in any event be kept fully informed of any actual or proposed developments (including any meetings) and shall be provided with copies of all correspondence and documentation relating to such Tax Demand, matter or action, and such other information, assistance and access to records and personnel as it reasonably requires.

5.3 Subject to paragraph 5.4, the Purchaser shall procure that no Tax Demand, action or issue in respect of which the Seller could be required to make a payment under the Tax Warranties or this Schedule is settled or otherwise compromised without the Seller's prior written consent, such consent not to be unreasonably withheld, and the Purchaser shall, and shall procure that each Group Company and their respective advisers shall, not submit any correspondence or return or send any other document to any Tax Authority where the Purchaser or any such person is aware or could reasonably be expected to be aware that the effect of submitting such correspondence or return or sending such document would or could be to put such Tax Authority on notice of any matter which could give rise to, or could increase, a Tax Claim, without first affording the Seller a reasonable opportunity to comment thereon and without taking account of such comments so far as it is reasonable to do so.

5.4 Paragraphs 5.2 and 5.3 are subject to the following conditions:

- (a) the Seller shall indemnify the Purchaser against all costs and expenses reasonably incurred in connection with any such action or proceedings as are referred to in paragraph 5.2;
- (b) the Seller shall not be entitled to require the Purchaser or any Group Company to make any settlement or compromise of any Tax Demand or agree any matter in the conduct of the Tax Demand which is likely to result in a material adverse effect on the business or the financial position of the Purchaser, any Group Company or any other member of the Purchaser Group;
- (c) the Seller shall use reasonable endeavours to preserve legal privilege and to comply with obligations of confidence in favour of a third party and nothing in this paragraph 5 shall require the Purchaser to disclose any information that has been prepared on request by the Purchaser in connection with its claim against the Seller; and
- (d) if the Seller does not request the Purchaser to take any appropriate action within 15 Business Days of any notice given to the Seller pursuant to paragraph 5.1, the Purchaser shall be free to satisfy or settle the relevant Tax Liability on such terms as it may reasonably think fit.

6. DUE DATE OF PAYMENT AND INTEREST

6.1 The Seller shall pay to the Purchaser any amount payable under this Schedule on or before the date which is the later of the date 10 Business Days after demand is made therefor

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by the Purchaser and 5 Business Days before the first date on which the Tax in question becomes recoverable by the Tax Authority demanding the same in order to avoid incurring a liability to interest, charge or penalty in respect of the Tax Liability, provided that:

- (a) if the date on which the Tax can be recovered is deferred following application to the relevant Tax Authority, the date for payment by the Seller shall be 5 Business Days before such later date when the amount of Tax is finally and conclusively determined (and for this purpose, an amount of Tax shall be deemed to be finally determined when determined under the applicable Tax Statute, or a decision of a court or tribunal is given or any binding agreement or determination is made, from which either no appeal lies or in respect of which no appeal is made within the prescribed time limit); and
- (b) if a payment or payments to the relevant Tax Authority prior to the date otherwise specified by this paragraph would avoid or minimise interest or penalties, the Seller may at its option pay the whole or part of the amount due to the Purchaser on an earlier date or dates, and the Purchaser shall procure that the Tax in question (or the appropriate part of it) is paid as soon as reasonably practicable to the relevant Tax Authority.

The Seller may, with the Purchaser's consent, not to be unreasonably withheld or delayed, make a direct payment in respect of the Tax Liability in question to the relevant Tax Authority (including through use of certificates of Tax deposit or the equivalent) and the Seller's liability to the Purchaser shall be treated as reduced or eliminated accordingly.

6.2 Any sum not paid by the Seller on the due date for payment specified in paragraph 6.1 shall bear Default Interest from the due date to and including the day of actual payment of such sum. Any interest due under this paragraph shall be paid on the demand of the Purchaser on or following the date of payment of such sum.

7. OVERPROVISIONS

7.1 The Seller may on or before the seventh anniversary of Closing require the auditors for the time being of any relevant Group Company to certify, at the Seller's request and expense, the existence and amount of any Overprovision and the Purchaser shall provide, or procure that each Group Company provides, any reasonable information or assistance required for the purpose of production by the auditors of a certificate to that effect.

7.2 Subject to paragraphs 7.4 and 7.5 below:

- (a) firstly, any Overprovision shall first be set off against any payment then due from the Seller under this Schedule;
- (b) secondly, to the extent there is an excess, that excess shall be carried forward and set against any future payment or payments which become due from the Seller under this Schedule; and
- (c) thirdly, once it is finally determined that no future payment or payments will become due from the Seller, then to the extent that there is an excess, a payment shall promptly be made to the Seller equal to the aggregate of any payment or payments previously made by the Seller under this Schedule (and not previously refunded under this Schedule) up to the amount of the excess and to the extent that there is any remaining excess, a payment shall promptly be made to the Seller equal to the amount of the excess.

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7.3 Either the Seller or the Purchaser may, at its expense, on or before the next anniversary of the date when the certificate is produced in accordance with paragraph 7.1 above, require such certificate to be reviewed by

the auditors for the time being of any relevant Group Company in the event that there are relevant circumstances or facts of which it was not aware, and which were not taken into account, at the time when such certificate was produced, and to certify whether the certificate remains correct or whether it should be amended.

7.4 If following a request under paragraph 7.1 the certificate is amended, the revised amount of Overprovision shall be substituted for the purposes of paragraph 7.2, and any adjusting payment that is required shall be made forthwith.

7.5 For the purposes of this paragraph, any Overprovision shall be determined without regard to any Tax Refund to which paragraph 8 applies or any payment or Relief to which paragraph 9 applies.

8. TAX REFUNDS

8.1 The Purchaser shall as soon as reasonably practicable notify the Seller of any right to receive or actual receipt of any amount by way of repayment of Tax or interest or fees on overpaid Tax, being an amount to which any Group Company is or becomes entitled or receives in respect of an Event occurring or period (or part period) prior to Closing (where or to the extent that such amount was not included in the Post-Closing Statement as an asset and is not a payment or Relief to which paragraph 9 below applies (a *Tax Refund*)). The Purchaser shall take (or shall procure that the Group Company concerned takes) such action as the Seller may reasonably request, subject to the Purchaser and the Group Companies being indemnified against all reasonable costs and expenses in connection with taking of such actions, to obtain such Tax Refund (keeping the Seller informed of the progress of any action taken and providing it with copies of all relevant correspondence and documentation).

8.2 Any Tax Refund actually obtained after Closing, whether by repayment or set off (less any reasonable costs of obtaining it and less any Tax actually suffered thereon) shall be dealt with as follows:

- (a) the amount of the Tax Refund shall be set off against any payment then due from the Seller under this Schedule; and
- (b) to the extent that there is an excess a payment shall promptly be made to the Seller equal to the aggregate of any payment or payments previously made by the Seller under this Schedule (and not previously refunded under this Schedule) up to the amount of the excess and to the extent that there is any remaining excess, a payment shall promptly be made to the Seller equal to the amount of such excess.

9. RECOVERY FROM THIRD PARTIES/TAX SAVINGS FOLLOWING A CLAIM

9.1 If any payment is made by the Seller under this Schedule or the Tax Warranties in respect of a Tax Liability or other matter, and the Purchaser or any Group Company (or any Affiliate of any of them) either receives or is entitled either immediately or at some future

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date to recover or obtain, from any person (other than the Purchaser, any Group Company or any such Affiliate of them) a payment or Relief which would not have arisen but for the Tax Liability or other matter in question or the circumstances giving rise thereto (including in circumstances where a Tax Liability arises because a deduction or other Relief assumed to be available in preparing the Post-Closing Statement is in fact available only in a subsequent period or periods), then:

- (a) the Purchaser shall notify the Seller of that fact as soon as reasonably practicable and if so required by the Seller shall take (or shall procure that the Group Company or other person concerned shall take) such action as the Seller may reasonably request, subject to the Purchaser and the Group Companies being indemnified against all reasonable costs and expenses in connection with taking of such actions, and at the Seller's reasonable cost, to enforce such recovery or to obtain such payment or Relief (keeping the Seller informed of the progress of any action taken and providing it with copies of all relevant correspondence and documentation); and

- (b) if the Purchaser, the Group Company or other Affiliate concerned receives or obtains such a payment or Relief, the Purchaser shall pay to the Seller the lesser of:
 - (i) the amount received or the amount that the Purchaser, the Group Company or other Affiliate concerned saves by virtue of the payment or the Relief; and
 - (ii) the amount paid by the Seller under this Schedule in respect of the Tax Liability

(less any reasonable costs of recovering or obtaining such payment or Relief insofar as not previously reimbursed and any Tax actually suffered thereon).

9.2 Any payment required to be made by the Purchaser pursuant to paragraph 9.1 shall be made:

- (a) in a case where the Purchaser, the Group Company or other Affiliate concerned receives a payment, within 5 Business Days of the receipt thereof; and
- (b) in a case where the Purchaser, the Group Company or other Affiliate concerned obtains a Relief, on or before the date on which the Tax would have become recoverable by the appropriate Tax Authority but for the use of such Relief.

9.3 Any sum not paid by the Purchaser on the due date of payment specified in paragraph 9.2 shall bear Default Interest from the due date to and including the day of actual payment of such sum. Such interest shall be paid on the demand of the Seller.

10. SECONDARY LIABILITIES

10.1 The Seller covenants with the Purchaser to pay to the Purchaser an amount equivalent to any Tax or any amount on account of Tax which any Group Company, or any other member of the Purchaser's Group, is required to pay as a result of a failure by any member of the Seller's Group to discharge that Tax.

10.2 The Purchaser covenants with the Seller to pay to the Seller, an amount equivalent to any Tax or any amount on account of Tax which any member of the Seller's Group is required to pay as a result of a failure by any Group Company, or any other member of the Purchaser's Group, to discharge that Tax.

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10.3 The covenants contained in paragraphs 10.1 and 10.2 shall:

- (a) extend to any reasonable costs (including legal cost), fees and expenses incurred in connection with such Tax or a claim under paragraphs 10.1 and 10.2, as the case may be;
- (b) (in the case of paragraph 10.2) not apply to Tax to the extent that the Purchaser could claim payment in respect of it under paragraph 1.1, except to the extent a payment has been made pursuant to paragraph 1.1 and the Tax to which it relates was not paid by the Group Company concerned; and
- (c) not apply to Tax to the extent it has been recovered under any relevant statutory provision (and the Purchaser or the Seller, as the case may be, shall procure that no such recovery is sought to the extent that payment is made hereunder).

10.4 Paragraphs 5.1, 5.2, 5.3, 5.4 and 6 (conduct of disputes and due date for payment) shall apply to the covenants contained in paragraphs 10.1 and 10.2 as they apply to the covenants contained in paragraph 1.1, replacing references to the Seller by the Purchaser (and vice versa) where appropriate, and making any other necessary modifications.

Part B

1. GROSS UP FOR TAXES AND WITHHOLDINGS

1.1 All sums payable under this Agreement or for breach of any of the Warranties shall be paid free and clear of all deductions or withholdings whatsoever, save only as provided in this Agreement or as required by law.

1.2 If any deduction or withholding is required by law from any payment in respect of a Seller Obligation or a Purchaser Obligation then, except in relation to interest, the payer shall pay such additional amount as will, after such deduction or withholding has been made, leave the payee with the full amount which would have been received by it had no such deduction or withholding been required to be made.

1.3 If any sum paid in respect of a Seller Obligation or a Purchaser Obligation is required to be brought into charge to Tax by the Purchaser or Seller respectively then, except in the case of interest, the payer shall pay such additional amount as shall be required to ensure that the total amount paid, less the Tax chargeable on such amount, is equal to the amount that would otherwise be payable.

1.4 To the extent that any deduction, withholding or Tax in respect of which an additional amount has been paid under paragraph 1.2 or 1.3 above results in the payee obtaining a Relief (all reasonable endeavours having been used to obtain such Relief), the payee shall pay to the payer, within 10 Business Days of obtaining the benefit of the Relief, an amount equal to the lesser of the value of the Relief obtained and the additional sum paid under paragraph 1.2 or 1.3.

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1.5 Paragraph 1.2 or 1.3 above shall not apply to the extent that the deduction, withholding or Tax would not have arisen but for:

- (a) in respect of a payment made in respect of a Seller Obligation, the Purchaser not being Tax resident in the British Virgin Islands, or having some connection with a territory outside that jurisdiction or, in respect of a payment made in respect of a Purchaser Obligation, the Seller not being Tax resident in the United Kingdom, or having some connection with a territory outside that jurisdiction; or
- (b) a change in law after the date of this Agreement; or
- (c) an assignment by the payee of any of its rights under this Agreement.

2. RELIEFS AND BENEFITS

In determining the amount payable in respect of any Purchaser Obligation or Seller Obligation (other than the Tax Covenant and the Tax Warranties, in respect of which paragraph 9 of this Schedule applies) account shall be taken of any Relief or other benefit available to the payee of that amount or another member of its Group in respect of the matter giving rise to the payment, insofar as not taken into account pursuant to paragraph 1.4 above.

3. VAT

3.1 Any sum payable under or pursuant to this Agreement is exclusive of any applicable VAT. If any supply is treated as made for VAT purposes under or pursuant to this Agreement the recipient shall, subject to the receipt of a valid VAT invoice, pay to the supplier an amount equal to such VAT in addition to any other consideration for that supply. Such payment shall be made on demand or, if later, at the same time as any such consideration is payable.

Part C

Definitions and Interpretation

1. DEFINITIONS

1.1 In this Schedule, the following definitions shall have the following meanings:

Accounts Relief means any Relief which was included as an asset in the Closing Statement;

Corporate Income Taxes means any Tax on income, profits or gains;

Purchaser's Relief means any Relief arising to any Group Company to the extent that it arises in respect of an Event occurring, or period commencing, after Closing;

Tax Liability means:

- (a) any liability of any Group Company to make or suffer an actual payment or increased payment of or in respect of or on account of Tax whether or not primarily payable by the relevant Group Company and whether or not the relevant Group Company has or may have any right of reimbursement against any other person;

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- (b) the use or set off of any Accounts Relief or Purchaser's Relief in circumstances where, but for such use or set off, any Group Company would have had a liability to make an actual payment or increased payment of or on account of Tax in respect of which the Purchaser would have been able to make a claim against the Seller under Part A of this Schedule;
 - (c) the disallowance, loss or restriction (other than as a result of use or set off contemplated by (b) above) of any Accounts Relief;

Event means any act, transaction, omission or occurrence of whatever nature including the winding up or dissolution of any person, any failure to take any action which would avoid a deemed distribution of income, any change in residence of any person for the purposes of Tax and shall also include any of the same which is deemed to occur under any Tax Statute;

Overprovision means, applying the accounting policies, principles and practices adopted in relation to the preparation of the Post-Closing Statement (and ignoring the effect of any change in law or other change referred to in paragraph 3.1(e) of this Schedule made after Closing or any Relief arising after Closing), the amount by which any provision in the Post-Closing Statement relating to Tax (other than deferred Tax) is overstated;

Tax Demand means:

- (a) the issue of any notice, demand, assessment, letter or other document by or on behalf of any Tax Authority or the taking of any other action by or on behalf of any Tax Authority (including the imposition, or any document referring to the possible imposition, of any withholding of or on account of Tax); or
- (b) the preparation or submission of any notice, return, assessment, letter or other document by the Purchaser, any Group Company, or any other person,

from which it appears that a Tax Liability may be incurred by or may be imposed on any Group Company, being a Tax Liability which could give rise to a liability for the Seller under paragraph 1.1 of this Schedule (whether alone or in conjunction with other Claims);

Tax Statute means all legislation, directives, orders and regulations in force or coming into force from time to time providing for or imposing Tax;

VAT means value added tax and any similar sales or turnover tax;

Windfall Amount means an amount of income, profits or gains:

- (a) which was actually earned, accrued or received by a Group Company on or before Closing;
- (b) which was not reflected in the Post-Closing Statement but should properly have been reflected in it in accordance with the terms of Schedule 6 to this Agreement; and
- (c) which, if it had been properly reflected in the Post-Closing Statement, would have increased the Final Price paid by the Purchaser by that amount, less Tax thereon.

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2. INTERPRETATION

2.1 General. In this Schedule:

- (a) the headings in this Schedule shall not affect its interpretation; and
- (b) references to claims, liabilities or payments under this Schedule shall include, for the avoidance of doubt, claims, liabilities and payments in respect of a breach of any of the Tax Warranties.

2.2 Accounting Period. In this Schedule, any reference to an *accounting period* includes any period by reference to which any Tax Liability is computed.

2.3 Income, profits or gains. In this Schedule, any reference to *income, profits or gains* earned, accrued or received shall include income, profits or gains deemed to have been, treated or regarded as earned, accrued or received for the purpose of any Tax.

2.4 Deemed end of Accounting Period. In this Schedule:

- (a) for the purposes of determining whether:
 - (i) a Tax Liability or Relief has arisen, or
 - (ii) any Group Company is or becomes entitled to a right to repayment or receives an actual repayment of Tax

in either case, in respect of a period ended on or before Closing or in respect of a period commencing after Closing, an Accounting Period of the Group Company concerned shall be deemed to have ended on Closing; and

- (b) for the purposes of determining whether:
 - (i) any income, profits or gains have been earned, accrued or received, or
 - (ii) an Event has occurred

in either case, on or before Closing or after Closing, an Accounting Period of the Group Company concerned shall be deemed to have ended on Closing.

2.5 Tax Liability. The amount of any Tax Liability shall be:

- (a) to the extent that a Tax Liability involves a liability of any Group Company to make an actual payment or increased actual payment of or in respect of Tax, the amount of the actual payment or increased actual payment;
- (b) to the extent that a Tax Liability involves the use or set off of any Accounts Relief or Purchaser's Relief in circumstances where, but for such use or set off, any Group Company would have had a liability to make an actual payment or increased payment of or on account of Tax in respect of which the Purchaser would have been able to make a claim against the Seller under Part A of this Schedule, the amount of Tax that is actually saved by the use or set off of the Accounts Relief or Purchaser's Relief or, if less, the amount of Tax which is actually payable by the Purchaser Group that would not have been payable but for that use or set off);

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- (c) to the extent that a Tax Liability involves the disallowance, loss or restriction (other than as a result of use or set off contemplated by paragraph 2.5(b) of this Part C) of any Accounts Relief, the amount of Tax which the use of the Accounts Relief would have saved had the Accounts Relief been used by any Group Company in the first accounting period following Closing in which the relevant Group Company could actually have used the Accounts Relief on the assumption that the relevant Group Company then had sufficient profits or was otherwise in a position actually to use the Relief; and
 - (d) to the extent that a Tax Liability involves the disallowance, loss or reduction by any Tax Authority of a right to a repayment of Tax, the amount of the repayment so disallowed, lost or reduced.

**SCHEDULE 10
PROPERTY AND TITLE DEEDS**

Part A: Property

ALL THOSE the estate, right, interest and benefit of and in ALL THOSE 48,797 equal undivided 509,520th parts or shares of and in ALL THAT piece or parcel of ground registered in the Land Registry as KOWLOON INLAND LOT NO. 9844 (the "**Land**") And of and in the messuages, erections and buildings thereon (the "**Development**") TOGETHER with the sole and exclusive right and privilege to hold, use, occupy and enjoy ALL THAT the multi-storeys structure erected on the Land and all those parts of the Land and the Development designated for use as a hotel and as at the date of this Agreement known as the InterContinental Hong Kong (formerly known as The Regent Hong Kong Hotel) and designated as Hotel I in the Deed of Mutual Covenant dated 18 May 2001 and registered in the Land Registry by Memorial No. UB8411864 and as shown on the plans annexed to the Assignment made between Hong Kong Island Development Limited and InterContinental Hong Kong Limited (formerly known as Sharp Delight Investments Limited) dated 18 May 2001 and registered in the Land Registry by Memorial No. UB8411862 and thereon coloured pink and green Held from the Government under certain Agreement and Conditions of Exchange dated 23 December 1977 deposited and registered in the Land Registry as Conditions of Exchange No.11172 as varied and modified by five Modification Letters respectively registered in the Land Registry by Memorial Nos.UB1523763, UB1844320, UB6699985, UB7587182 and 08042201770017 (collectively the "**Government Lease**") SUBJECT to all subsisting rights and rights of way.

Part B: Title Deeds

<u>No.</u>	<u>Document Name</u>	<u>Original / Certified</u>
1.	Conditions of Exchange No. 11172	Certified Copy
2.	Modification Letter Memorial No. UB1523763	Certified Copy
3.	Modification Letter Memorial No. UB1844320	Certified Copy
4.	Modification Letter (with plans) Memorial No. UB6699985	Certified Copy
5.	Modification Letter (with plans) Memorial No. UB7587182	Certified Copy
6.	Modification Letter (with plans) Memorial No. 08042201770017	Certified Copy
7.	Assignment dated 18 May 2001 (Memorial No. UB8411862)	Original
8.	Deed of Mutual Covenant dated 18-05-2001 Memorial No. UB8411864	Certified Copy
9.	Assignment (Common Areas and Facilities) Memorial No. UB8435262	Certified Copy
10.	Management Agreement Memorial No. UB8411865	Certified Copy
11.	Supplement Agreement Memorial No. UB8478794	Certified Copy
12.	Deed of Right of Way HK Memorial No. UB8411863	Certified Copy
13.	Occupation Permit No.K25/83 dated 14 April 1983	Certified Copy

**SCHEDULE 11
DEFINITIONS AND INTERPRETATION**

1. Definitions. In this Agreement, the following words and expressions shall have the following meanings:

Accounting Period means any period by reference to which any income, profits or gains, or any other amounts relevant for the purposes of Tax, are measured or determined;

Accounting Principles has the meaning given in Part C of Schedule 6;

Actual Working Capital Amount means the aggregate consolidated amount of the Working Capital of the Group Companies at Closing as calculated in accordance with Schedule 6;

Adverse Title Event means an event occurring after the date of this Agreement (other than any event occurring by or at the written request of the Purchaser or any member of the Purchaser Group or which the Purchaser has approved in accordance with Schedule 1) and which adversely affects the Subsidiary's good title to the Property within the meaning of sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) (it being understood that the Purchaser shall be deemed to have accepted the good title to the Property as at the date of this Agreement (as shown by the title deeds and documents relating to the Property dated on or before the date of this Agreement available in the Data Room and/or shown by the records of the Land Registry available for public search on the date of this Agreement));

Affiliate means, in relation to any Party, any subsidiary or parent company of that Party and any subsidiary of any such parent company, in each case from time to time;

Agreed Form means, in relation to a document, the form of that document which has been initialled on the date of this Agreement for the purpose of identification by or on behalf of the Seller and the Purchaser (in each case with such amendments as may be agreed in writing by or on behalf of the Seller and the Purchaser);

Agreement means this Sale and Purchase Deed which is executed by the Parties as a deed and is intended to be and is delivered on the date first above, and all references to "this Agreement" shall be understood to be references to "this Deed";

Anti-Bribery Law means (i) the US Foreign Corrupt Practices Act of 1977; (ii) the UK Bribery Act 2010; (iii) Hong Kong anti-corruption legislation including the Prevention of Bribery Ordinance (POBO) (Chapter 201 of the Laws of Hong Kong), Elections (Corrupt and Illegal Conduct) Ordinance (Chapter 554 of the Laws of Hong Kong), the Independent Commission Against Corruption (ICAC) Ordinance (Chapter 204 of the Laws of Hong Kong), and the Banking Ordinance (Chapter 155 of the Laws of Hong Kong); (iv) any other law or other legally binding measure that contains anti-bribery or corruption provisions or that otherwise relates to bribery or corruption; and (v) any other law or other legally binding measure of any jurisdiction that implements the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or that otherwise relates to bribery or corruption, and in respect of all of the foregoing, as amended, and the rules and regulations issued thereunder;

April Working Capital Amount means the aggregate consolidated amount of the Working Capital of the Group Companies as at 30 April 2015 as set forth in Part A of Schedule 6 and being a negative amount equal to HK\$70,103,149 (having been converted, for the purposes of the calculation of the Initial Price, into US\$9,039,736 applying an agreed exchange rate of HK\$7.755 to US\$1.00);

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Bad Debt Amount has the meaning given in clause 2.6;

Broker means Jones Lang LaSalle Hotels & Hospitality Group, 9 Raffles Place, #39-00 Republic Plaza, Singapore 048619;

Business Day means a day other than a Saturday or Sunday or public holiday in Hong Kong on which banks are open in Hong Kong for general commercial business;

Casualty Event has the meaning given in clause 9.6(a);

Claim means any claim for breach of the Warranties, for breach of the obligations contained in clauses 3, 4.5(a), 5.1, 7.3, Schedule 1, Schedule 2 (other than material closing obligations), Schedule 3 and Schedule 9;

Closing means completion of the sale and purchase of the Shares in accordance with the provisions of this Agreement;

Closing Balance means the Initial Price less the Deposit;

Closing Date means the date on which Closing occurs;

Commitment Letter means the letter from United Overseas Bank to the Purchaser's indirect shareholders dated 25 June 2015;

Companies Ordinance means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

Company means Trifaiht Investments Limited, a company incorporated with limited liability under the laws of the British Virgin Islands, details of which are set out in Part A of Schedule 7;

Consultancy Agreements has the meaning given in clause 3.2(h);

Computer Equipment means the computer equipment presently installed or located at the premises of each Group Company and used in the business of the Group Companies, including all associated hardware and software, ancillary and communication equipment connected to it or located at the premises and capable of connection to it and all operating systems software comprised in such equipment and ancillary and communication equipment;

Confidential Information has the meaning given in clause 18.1;

Confidential Materials mean any books, computer software, databases, records or files (whether in electronic or printed format) that consist of or contain any of the following: appraisals, budgets, strategic plans for the Property, internal analyses, information regarding the marketing of the Property for sale; submissions relating to obtaining internal authorisation for the sale of the Property or the Shares by the Seller or any director or indirect owner of any beneficial interest in the Seller, legal and accountant work product, legal-client privileged documents, internal correspondence of the Seller and the Seller Group, any direct or indirect owner of any beneficial interest in the Seller or any of their respective Affiliates and correspondence between or among such parties, or other information or materials in the possession or control of the Seller, its Representatives or Affiliates which the Seller deems proprietary or confidential;

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Constitutional Documents means with respect to an entity its memorandum and articles of association, by-laws or equivalent constitutional documents;

Costs means losses, damages, costs (including reasonable legal costs) and expenses (including Taxation), in each case of any nature whatsoever;

Data Room means the virtual data room comprising the documents and other information relating to the Group Companies and the Property made available by the Seller, copies of all of which (in the form of a DVD) are annexed to the Disclosure Letter;

Deed of Mutual Covenant means the deed of mutual covenant dated 18 May 2001 between Hong Kong Island Development Limited, Kiu Lok Service Management Company Limited and Sharp Delight Investment Limited registered in the Land Registry by Memorial No. UB8411864;

Default Interest means interest at HIBOR plus 7 per cent per annum;

Deposit means an amount equal to US\$93,800,000;

Deposit Account means the bank account of Six Continents Hotels, Inc. at Branch Citibank N.A., Hong Kong; account number 1821972007; swift code CITIHKHX (and/or such other account(s) as the Seller and Purchaser may agree in writing);

Development has the meaning given in Part A of Schedule 10;

Disclosure Letter means the letter from the Seller to the Purchaser executed and delivered immediately before the signing of this Agreement;

Employees means the employees of the Group Companies at the date of this Agreement;

Environment means all or any of the following media, namely air (including the air within buildings or other natural or man-made structures above or below ground), water or land;

Environmental Consents means any material permit, licence, authorisation, approval or consent required under Environmental Laws for carrying on the business of the Group Companies or the use of, or any activities or operations carried out at, any site owned or occupied by any Group Company;

Environmental Laws means all local laws (including common law, statute law, civil and criminal law) which are in force and binding at the date of this Agreement, to the extent that they relate to Environmental Matters;

Environmental Matters means all matters relating to the pollution or protection of the Environment;

Exchange Rate means, with respect to HK\$ for a particular day, the spot rate of exchange (the closing mid point) for HK\$ into US\$ on such date as quoted by The Hongkong and Shanghai Banking Corporation Limited as at the close of business in Hong Kong on such date;

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Existing Leases means the subsisting leases, tenancies, licences or occupation agreements, and the leases, tenancies, licences or occupation agreements committed or agreed to include commitment or agreement by virtue or any option granted under any leases, tenancies, licences or occupation agreements entered into, any offer to lease or licence made before the Closing Date relating to the Property or any part thereof;

Existing Known Leases means:

- (a) the lease agreement between InterContinental Hong Kong Limited and Regency Drug Company Limited dated 16 January 2012 (and related documents and contained in the Data Room at 5.2.2.2 and 5.2.2.6);
- (b) the tenancy agreement between InterContinental Hong Kong Limited and Bluebell Hong Kong Limited in respect of Cigar Shop and Cigar Tasting Room dated 27 September 2013 (and related documents and contained in the Data Room 5.2.2.1, 5.2.2.4 and 5.2.2.5);
- (c) the lease agreement between InterContinental Hong Kong Limited and Tangs Department Stores Limited dated 7 July 2014 (and related documents and contained in the Data Room at 5.2.2.3 and 5.2.2.7);
- (d) the License Agreement for Nobu Hong Kong between Nobu Hong Kong LLC and InterContinental Hong Kong Limited dated 12 September 2006 (as amended from time to time and contained in the Data Room at 5.2.1.1, 5.2.1.2, 5.2.1.4 and 5.2.1.5);
- (e) the services and trademark licence contract between Cooking Development Limited and InterContinental Hong Kong Limited dated 18 December 2002 (contained in the Data Room at 5.2.1.3);

Final Price has the meaning given in clause 2.1;

Financial Debt means borrowings and indebtedness in the nature of borrowing (including by way of acceptance credits, discounting or similar facilities, loan stocks, bonds, debentures, notes, overdrafts or any other similar arrangements the purpose of which is to raise money) owed to any banking, financial, acceptance credit, lending or other similar institution or organisation;

Financing Agreements has the meaning given in clause 12.2(a);

Firm has the meaning given in Part D of Schedule 6;

Former Employees has the meaning given in clause 5.7;

Fundamental Warranties means the Warranties in paragraphs 1.1 (Authorisations, valid obligations, filings and consents), 1.2 (a) to (f) (inclusive), 1.3 (Other interests) and 17 (Sanctions) of Schedule 3;

Government Approval means any authorisation, consent, approval, licence, ruling, permit, tariff, rate, certification, exemption, filing, variance, order, judgment, decree, registration, right or privilege by or with any Governmental Authority;

Governmental Authority means any supra-national, national, state, municipal or local, public, regulatory, governmental or quasi-governmental agency or authority, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government (including any

subdivision, court, administrative agency or commission or other authority thereof), either in or outside Hong Kong, including any Tax Authority;

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Government Lease has the meaning given in Part A of Schedule 10;

Government Official means any person who would constitute either:

- (a) a “foreign public official” as defined in the UK Bribery Act 2010; or
- (b) a “foreign official” as defined in the Foreign Corrupt Practices Act of 1977 of the United States of America,

including:

- (i) an individual who holds a legislative, administrative or judicial position, including a government minister, elected representative of a national or regional assembly, official of a political party, civil servant, magistrate or judge; or
- (ii) an employee, official, officer, agent, representative, or other person acting in an official capacity for or on behalf of a Governmental Authority (including any entity owned or controlled thereby, including state-owned or state-controlled enterprises), political party, party official or political candidate;

Group Companies means the Company and its Subsidiary, and **Group Company** means any of them;

Hazardous Materials means any substance, chemical, waste or material that is or becomes regulated by any Government Authority because of its toxicity, infectiousness, radioactivity, explosiveness, flammability, corrosiveness or reactivity, including asbestos or any asbestos containing substances, flammable explosives, oil, petroleum or any refined petroleum product;

HIBOR means the display rate per annum of the offered quotation for deposits in Hong Kong for a period of one month which appears on the appropriate page of the Reuters Screen (or such other page as the Parties may agree) at or about 11.00 a.m. Hong Kong time on the date on which payment of the sum under this Agreement was due but not paid;

HKFRS means Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

Hong Kong means the Hong Kong Special Administrative Region of the People’s Republic of China;

Hotel means the hotel situated on the Property and commonly known as the InterContinental Hong Kong located at 18 Salisbury Road, Kowloon, Hong Kong;

Hotel Management Agreement means the hotel management agreement in the Agreed Form to be entered into between the Subsidiary and an Affiliate of the Seller on the Closing Date with respect to the management of the Hotel on and from the Closing Date;

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Hotel Management Documents means the following agreements, each in the Agreed Form to be entered on Closing between members of the Seller Group and members of the Purchaser Group and/or the Purchaser’s Lenders (as applicable):

- (a) Hotel Management Agreement to be entered into between the Subsidiary and InterContinental Hotels Group (Greater China) Limited;
- (b) Bank Non-disturbance Deed to be entered into between United Overseas Bank, the Subsidiary and InterContinental Hotels Group (Greater China) Limited;
- (c) Landlord and Tenant Non-disturbance Deed to be entered into between Favor Treasure Limited, the

- Subsidiary and InterContinental Hotels Group (Greater China) Limited;
- (d) Deed of Guarantee in respect of the Hotel Management Agreement to be entered into between the Purchaser and InterContinental Hotels Group (Greater China) Limited;
 - (e) Side Letter to the Hotel Management Agreement regarding Performance Test to be entered into between the Subsidiary and InterContinental Hotels Group (Greater China) Limited;
 - (f) Side Letter to the Hotel Management Agreement regarding Capital Replacements Fund to be entered into between the Subsidiary and InterContinental Hotels Group (Greater China) Limited;
 - (g) Side Letter to the Hotel Management Agreement regarding Definition of Competitor to be entered into between the Subsidiary and InterContinental Hotels Group (Greater China) Limited;
 - (h) Side Letter to the Hotel Management Agreement regarding employee matters to be entered into between the Subsidiary and InterContinental Hotels Group (Greater China) Limited;
 - (i) Side Letter to the Hotel Management Agreement and the Landlord and Tenant Non-disturbance Deed regarding the Manager's right of first offer to be entered into between the Subsidiary and InterContinental Hotels Group (Greater China) Limited;
 - (j) Side Letter to the Hotel Management Agreement regarding the compensation;
 - (k) Memorandum of the Landlord and Tenant Non-disturbance Deed; and
 - (l) Lease agreement to be entered into between Favor Treasure Limited and the Subsidiary;

Initial Price has the meaning given in clause 2.1;

InterContinental Brand Marks means the trade marks and service marks, trade and business names, copyright, logos, slogans, commercial symbols, designs and other branding insignia associated with the *InterContinental, InterContinental Hotels & Resorts, InterContinental Alliance Resort, Hotel Indigo, Crowne Plaza, Crowne Plaza Hotels & Resorts, Holiday Inn, Holiday Inn Hotels and Resorts, Holiday Inn Express, Staybridge Suites and Candlewood Suites, EVEN Hotels, Holidex Plus, HUALUXE Hotels & Resorts* hotel and resort brands, and all related trade and business names, trade marks, service marks, copyrights, logos, slogans, commercial symbols, designs (including designs of associated interior decoration), other branding insignia and internet domain names, whether any such marks are registered or not in use from time to time to identify the *InterContinental, InterContinental Hotels & Resorts, InterContinental Alliance Resort, Hotel Indigo, Crowne Plaza, Crowne Plaza Hotels & Resorts, Holiday Inn, Holiday Inn Hotels and Resorts, Holiday Inn Express, Staybridge Suites and Candlewood Suites, EVEN Hotels, Holidex Plus, HUALUXE Hotels & Resorts* hotel and resort brands and the services and products offered to the consuming public or which contribute to such identification or standards;

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InterContinental Brand Standards has the meaning given to the term "Brand Standards" in the Hotel Management Agreement (but as it applies to the period both before and after Closing);

InterContinental Brand System has the meaning given to the term "System" in the Hotel Management Agreement (but as it applies to the period both before and after Closing) and shall also include the association of the Hotel with the *InterContinental, InterContinental Hotels & Resorts, InterContinental Alliance Resort, Hotel Indigo, Crowne Plaza, Crowne Plaza Hotels & Resorts, Holiday Inn, Holiday Inn Hotels and Resorts, Holiday Inn Express, Staybridge Suites and Candlewood Suites, EVEN Hotels, Holidex Plus, HUALUXE Hotels & Resorts* hotel and resort brands;

Intellectual Property Rights means patents; trade marks and service marks; copyright (including rights in computer software) and moral rights; database rights; utility models; rights in designs; rights in logos and slogans, commercial symbols, trade and business names, internet domain names, get up and other branding insignia; rights in inventions; rights in know-how, and all other intellectual property rights, in each case whether registered or unregistered, and all rights or forms of protection having equivalent or similar effect anywhere in the world and **registered** includes registrations and applications for registration;

Key Manager means any of the department heads of the Hotel whether employed by the Subsidiary or seconded to the Hotel by any member of the Seller Group;

Key Warranties means the Warranties marked with an asterisk (*) in Schedule 3;

Land has the meaning given in Schedule 10;

Land Resumption Order means any order issued by the Chief Executive in Council pursuant to the Lands Resumption Ordinance (Cap 124) for the resumption of the Property or any part thereof for public purposes;

Last Accounts means the Last Audited Accounts and the Last Unaudited Accounts collectively;

Last Audited Accounts the audited financial statements of the Subsidiary for the financial year ended on the Last Accounts Date and which comprises balance sheets and profit and loss accounts as set out in the Data Room together with any notes, reports, statements or documents included in or annexed or attached to them;

Last Unaudited Accounts means the unaudited financial statements of the Company for the financial year ended on the Last Accounts Date and which comprises balance sheets and profit and loss accounts as set out in the Data Room at 2.2.1.5;

Last Accounts Date means 31 December 2014;

Liabilities mean, collectively, any and all problems, conditions, Costs, claims, liabilities, demands or obligations of any kind or nature whatsoever;

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Losses in respect of any matter, event or circumstance includes all losses, claims, demands, actions, proceedings, damages financial and other penalties and other payments, costs, expenses (including tax) or other liabilities of any kind;

Management Accounts means the unaudited accounts of each Group Company, in each case, for the period from 1 January 2015 to 30 April 2015 and which comprises balance sheets and profit and loss accounts as set out in the Data Room together with any notes, reports, statements or documents included in or annexed or attached to them;

Material Adverse Title Event has the meaning given in clause 4.6;

material asset means any asset with a book value in excess of HK\$2,000,000, but excluding the Property;

OFAC has the meaning given in paragraph 11(a) of Schedule 5;

Panorama means Panorama International Trading Limited, a BVI business company incorporated under the laws of British Virgin Islands with BVI company number 1879542;

parent company means any company that in relation to another company (its '*subsidiary*')

- (a) holds a majority of the voting rights in the subsidiary;
- (b) is a member of the subsidiary and has the right to appoint or remove a majority of its board of directors;
- (c) is a member of the subsidiary and controls a majority of the voting rights in it under an agreement with the other members; or
- (d) has the right to exercise a dominant influence over the subsidiary under the subsidiary's articles or a contract authorised by them,

in each case whether directly or indirectly through one or more companies or other entities;

Pension Scheme has the meaning given in paragraph 13.1 of Schedule 3;

Pioneer Global means Pioneer Global Group Limited a company incorporated in Bermuda, listed on the Stock Exchange of Hong Kong Limited with Stock Code 00224;

Post-Closing Statement has the meaning given in Part D of Schedule 6;

Post-Closing Statement Notice has the meaning given in Part D of Schedule 6;

Pre-Approved Contracts means the following contracts entered into by the Subsidiary with:

- (a) PCCW Limited in relation to 7.2M Pocket Wi-Fi x 8 sets;
- (b) ISS Hong Kong Services Limited relation to Over-night Kitchen Cleaning Services;
- (c) PCCW Limited in relation to Business Fixed Lines / IDAP / IDD / Broadband Service;
- (d) Standout Music International Limited in relation to Band – DJ + 3 Piece Band (Tue-Sun);

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(e) Pernod Ricard Hong Kong in relation to Hotel House Pouring Champagne; and

(f) Hitachi Elevator Eng Co (HK) Ltd in relation to Lift Maintenance;

Pre-Closing Dividends means:

- (a) such dividends distributed by the Subsidiary to the Company prior to Closing from the Subsidiary's available distributable profits; and
- (b) such dividends distributed by the Company to the Seller prior to Closing from the Company's available distributable profits;

Pre-Closing Period means the period from and including the date of this Agreement up to Closing;

Pre-Sale Reorganisation means:

- (a) the distribution of the Pre-Closing Dividends in accordance with clause 3.2(f); and
- (b) the change of name of the Subsidiary in accordance with clause 3.2(g);

Property means the leasehold property, brief particulars of which are set out in Part A of Schedule 10;

Property Due Diligence means examinations, inspections, investigations, tests, studies, analyses, appraisals, evaluations and/or investigations with respect to the Property and the Hotel and such information and documents regarding the Property contained in the Data Room, including examination and review of title matters, land use, zoning and other applicable laws and regulations and the physical condition of the Property;

Proposed Transaction means the transaction contemplated by the Transaction Documents;

Purchaser Group means the Purchaser, its Affiliates from time to time, which from Closing shall include the Group Companies, and Pioneer Global;

Purchaser Obligation means any representation, covenant, warranty or undertaking to indemnify given by the Purchaser to the Seller under this Agreement;

Purchaser's Announcement means the announcement in relation to the transactions contemplated under this Agreement to be issued by the Purchaser and/or its direct or indirect shareholder(s) on the date of this Agreement to any third party;

Purchaser's Bank Account means the Purchaser's bank account the details of which shall be notified in writing by or on behalf of the Purchaser to the relevant Party not later than 5 Business Days before the relevant due date of payment (and/or such other account(s) as the Seller and Purchaser may agree in writing);

Purchaser's Lenders means the syndicate(s) of lenders with United Overseas Bank Limited as the facility agent;

Purchaser Warranties means the warranties given by the Purchaser in clause 6 and Schedule 5;

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Records mean all books, files, records, accounts and other documents owned by any member of the Seller Group containing information in relation to the Group Companies including all books of account, ledgers, payroll records, income records, information relating to clients, customers and suppliers;

Redemption has the meaning given in paragraph 1.2(g) of Schedule 3;

Relevant Benefits has the meaning given in paragraph 13.1 of Schedule 3;

Relief includes, unless the context otherwise requires, any allowance, credit, deduction, exemption or set-off in respect of any Tax or relevant to the computation of any income, profits or gains for the purposes of any Tax, or any right to or actual repayment of or saving of Tax (including any fee or interest in respect of Tax) and any reference to the use or set off of Relief shall be construed accordingly;

Renovation Plan means the plan to renovate the Hotel as agreed between the Seller and the Purchaser during the Pre-Closing Period;

Representatives means, in relation to a Party, its respective Affiliates (and in relation to the Purchaser, its respective member of the Purchaser Group) and the directors, officers, employees, agents, advisers, accountants and consultants of that Party and/or of its respective Affiliates;

Sea Pile Contract means the agreement in relation to sea pile and pile cap upgrade formed by a letter of acceptance dated 28 June 2012 and countersigned on 6 July 2012 between the Subsidiary and Stress (Far East) Limited;

Seller's Announcement means the announcement in relation to the transactions contemplated under this Agreement to be issued by the Seller on the date of this Agreement to any third party;

Seller's Bank Account means the bank account of the Seller (or an entity as nominated by the Seller), the details of which shall be provided by the Seller to the Purchaser no later than 5 Business Days prior to Closing, provided that such bank account shall be denominated in US\$ and be maintained with a bank in Hong Kong with a real time gross settlement function;

Seller Group means the Seller and its Affiliates from time to time but excludes the Group Companies;

Seller IT Systems means the software and other information technology systems proprietary to the Seller or the Seller Group, including all software and other information technology systems used to operate the InterContinental Brand System, such as the Seller Group's reservation system, other than those which are exclusively used for the operation of the Hotel;

Seller IP means all Intellectual Property Rights owned by the Seller or the Seller Group, including all right, title and interest to the InterContinental Brand Marks, the InterContinental Brand Standards and the InterContinental Brand System, and including further all Intellectual Property Rights that are used for the purpose of, or which support or contribute to the constitution of the business format of the InterContinental Brand System, either in isolation or combination, and whether for the *InterContinental, InterContinental Hotels & Resorts, InterContinental Alliance Resort, Hotel Indigo, Crowne Plaza, Crowne Plaza Hotels & Resorts, Holiday Inn, Holiday Inn Hotels and Resorts, Holiday Inn Express, Staybridge Suites and Candlewood Suites, EVEN Hotels, Holidex Plus, HUALUXE Hotels & Resorts* hotel and resort brands specifically or for the portfolio of Seller Group hotel brands in general;

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Seller Obligation means any representation, covenant, warranty or undertaking to indemnify given by the Seller to the Purchaser under this Agreement;

Seller Records means any records and documents owned by the Seller prior to Closing including any manuals, models, tools, communications (whether in physical or electronic form), data, information and any other documents which is (a) utilised as part of the Seller and the Seller Group's hotel operational business or proprietary systems, or (b) is related to the Seller and the Seller Group's corporate communications and business, other than those which are exclusively utilised for or exclusively relate to the operation of the Hotel;

Seller Warranties means the warranties given by the Seller in clause 5 and Schedule 3;

Shares means the shares comprising the entire issued share capital of the Company;

Straddle Period has the meaning given in clause 7.2;

Subsidiary means InterContinental Hong Kong Limited, details of which are set out in Part B of Schedule 7;

Surviving Provisions means clauses 14 (Brokers' Fees), 16 (Costs), 17 (Announcements), 18 (Confidentiality), 19 (Assignment), 21 (Notices), 22 (Conflict with other Agreements), 23 (Whole Agreement), 24 (Waivers, Rights and Remedies), 26 (Variations), 27 (Invalidity), 28 (Third Party Enforcement Rights), 29 (Governing Law and Jurisdiction), Schedule 4 (Limitations on Liability) and Schedule 11 (Definitions and Interpretation);

Tax or Taxation means (a) taxes on income, profits and gains, and (b) all other taxes, levies, duties, stamp duties, imposts, charges and withholdings of any fiscal nature, including any excise, property, value added, sales, use, occupation, transfer, franchise and payroll taxes and any social security or social fund contributions, together with all penalties, charges and interest relating to any of the foregoing or to any late or incorrect return in respect of any of them;

Tax Authority means any taxing or other authority (in any jurisdiction) competent to impose any tax liability, or assess or collect any tax;

Tax Claim means a claim for breach of any of the Warranties in respect of Tax or a claim under the Tax Covenant;

Tax Covenant means the covenant relating to tax set out in Schedule 9;

Tax Refund has the meaning given in paragraph 8.1 of Schedule 9;

Tax Warranties means the warranties set out in paragraph 11 of Schedule 3;

Tenants means the lessees, tenants or licensees of the Property or any part thereof under the Existing Leases and includes, as the context may permit or require, any one or more of such lessees, tenants or licensees and **Tenant** shall be construed accordingly;

Third Party Assurances means all guarantees, indemnities, counter indemnities and letters of comfort of any nature given (a) to a third party by a Group Company in respect of any obligation of a member of the Seller Group; and/or (as the context may require) (b) to a third party by a member of the Seller Group in respect of any obligation of a Group Company;

Third Party Claim has the meaning given in clause 8;

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Third Party Right means any interest or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, terms or any other security agreement or arrangement, or any agreement to create any of the above;

Transaction Documents means this Agreement, the Disclosure Letter, the Hotel Management Documents and any other documents in Agreed Form;

Uniever means Uniever Link Limited, a BVI business company incorporated under the laws of the British Virgin Islands with BVI company number 1871914;

Uniform System means the 11th Edition of the Uniform System of Accounts for the Lodging Industry;

Warranties means collectively the Seller Warranties and the Purchaser Warranties, and a **Warranty** shall mean any of them;

Working Capital means, in relation to each Group Company, the working capital of that Group Company comprising each of the line items set out in Part A of Schedule 6;

Working Capital Adjustment means the amount of the difference between the April Working Capital Amount and the Actual Working Capital Amount, calculated in accordance with Part B of Schedule 6; and

Working Hours means 9.30a.m. to 5.30p.m. on a Business Day in the place of receipt of a notice.

2. **Interpretation.** In this Agreement, unless the context otherwise requires:

- (a) references to a **person** include any individual, firm, body corporate (wherever incorporated), government, state or agency of a state or any joint venture, association, partnership, works council or employee representative body (whether or not having separate legal personality);
- (b) references to a paragraph, clause or Schedule shall refer to those of this Agreement unless stated otherwise;
- (c) headings do not affect the interpretation of this Agreement; the singular shall include the plural and vice versa; and references to one gender include all genders;
- (d) references to any Hong Kong legal term or concept shall, in respect of any jurisdiction other than Hong Kong, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction;
- (e) references to HK\$ are references to Hong Kong dollars, the lawful currency from time to time of Hong Kong;
- (f) references to US\$ are references to United States dollars, the lawful currency from time to time of the United States of America;
- (g) for the purposes of applying a reference to a monetary sum expressed in HK\$, an amount in a different currency shall be deemed to be an amount in HK\$ translated at the Exchange Rate at the relevant date (which, in relation to a Claim, shall be the date of the receipt of notice of that Claim under Schedule 3); and

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- (h) any phrase introduced by the terms **including, include, in particular** or any similar expression shall be construed as illustrative and shall not limit the sense and generality of the words preceding those terms, and shall not be construed as being limited to the same class as the preceding words where a wider construction is possible.

3. **Enactments.** Except as otherwise expressly provided in this Agreement, any express reference to an enactment (which includes any legislation in any jurisdiction) includes references to (a) that enactment as amended, consolidated or re-enacted by or under any other enactment before or after the date of this Agreement; (b) any enactment which that enactment re-enacts (with or without modification); and (c) any subordinate legislation (including regulations) made (before or after the date of this Agreement) under that enactment, as amended, consolidated or re-enacted as described at (a) or (b) above, except to the extent that any of the matters referred to in (a) to (c) occurs after the date of this Agreement and increases or alters the liability of the Seller or the Purchaser under this Agreement.

4. **Schedules.** The Schedules comprise schedules to this Agreement and form part of this Agreement.

5. **Inconsistencies.** Where there is any inconsistency between the definitions set out in this Schedule 11 and the definitions set out in any clause or any other Schedule, then, for the purposes of construing such clause or Schedule, the definitions set out in such clause or Schedule shall prevail.

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SIGNATURE

IN WITNESS WHEREOF this Agreement has been duly executed by the parties as a deed and is intended to be and is hereby delivered on the date first above written.

SIGNED, SEALED and DELIVERED)
by Robert John Chitty as attorney for and)
on behalf of **HOTEL INTERCONTINENTAL**)
LONDON (HOLDINGS) LIMITED under a)
power of attorney dated 6 July 2015 in the)
presence of:)



) /s/ Robert John Chitty

Witness – Signature : /s/ Robert Ashworth
Name : ROBERT ASHWORTH
Title/occupation : SOLICITOR
Address : 11F TWO EXCHANGE SQUARE
CENTRAL, HONG KONG

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SIGNED, SEALED and DELIVERED)
by Robert John Chitty as attorney for)
and on behalf of **SIX CONTINENTS**)
LIMITED under a)
power of attorney dated 6 July 2015 in)
the presence of:)



) /s/ Robert John Chitty

Witness – Signature : /s/ Robert Ashworth
Name : ROBERT ASHWORTH
Title/occupation : SOLICITOR
Address : 11F TWO EXCHANGE SQUARE
CENTRAL, HONG KONG

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SEALED with the COMMON SEAL)
of **SUPREME KEY LIMITED**)

and **SIGNED** by
in the presence of:

/s/ Jong - Ho Kim
) Name: JONG - HO KIM
) Title: MANAGING DIRECTOR
)
)
)

Signature of witness: /s/ Jung Yun Kim

Name: JUNG YUN KIM

Title: LEGAL COUNSEL

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16 June 2015

INTERCONTINENTAL HOTELS GROUP PLC
(the *Issuer*)

and

SIX CONTINENTS LIMITED

and

INTERCONTINENTAL HOTELS LIMITED
(together, the *Guarantors*)

and

HSBC CORPORATE TRUSTEE COMPANY (UK) LIMITED
(the *Trustee*)

AMENDED AND RESTATED TRUST DEED
relating to a £1,500,000,000
EURO MEDIUM TERM NOTE PROGRAMME



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THIS AMENDED AND RESTATED TRUST DEED is made on 16 June 2015 (this **TRUST DEED**)

BETWEEN

- (1) **INTERCONTINENTAL HOTELS GROUP PLC** (the *Issuer*);
- (2) **SIX CONTINENTS LIMITED** (*Six Continents*);
- (3) **INTERCONTINENTAL HOTELS LIMITED** (*InterContinental*, and together with Six Continents, the *Guarantors*); and
- (4) **HSBC CORPORATE TRUSTEE COMPANY (UK) LIMITED** (the *Trustee*, which expression includes, where the context admits, all persons for the time being the trustee or trustees of this Trust Deed).

WHEREAS

(A) The Issuer, the Guarantors and the Trustee are party to a trust deed dated 27 November 2009, as supplemented by the first supplemental trust deed dated 7 July 2011 and the second supplemental trust deed dated 9 November 2012 (the *Principal Trust Deed*) relating to the Euro Medium Term Note Programme established by the Issuer, pursuant to which, the Issuer may issue from time to time Notes as set out herein (the *Programme*). The Issuer, the Guarantors and the Trustee desire to amend and restate the Principal Trust Deed in its entirety as set forth in this Trust Deed.

(B) The Trustee has agreed to act as trustee of this Trust Deed on the following terms and conditions.

(C) Notes up to a maximum nominal amount from time to time outstanding of £1,500,000,000 (subject to increase as provided in the Dealer Agreement (as defined below)) (the *Authorised Amount*) may be issued pursuant to the Programme. Any Notes issued under the Programme on or after the date hereof shall be issued pursuant to this Trust Deed. This does not affect any Notes issued under the Programme or any rights or obligations accrued or incurred under the Principal Trust Deed prior to the date of this Trust Deed.

NOW THIS TRUST DEED WITNESSES AND IT IS HEREBY DECLARED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Trust Deed the following expressions have the following meanings:

Additional Rating Agency means Moody's and Fitch;

Agency Agreement means, in relation to the Notes of any Series, the amended and restated agency agreement dated 16 June 2015 (as further amended, modified and restated from time to time) between the Issuer, the Guarantors, the Trustee and HSBC

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Bank plc as Principal Paying Agent appointing the initial Paying Agent and the Calculation Agent in relation to such Series and any other agreement for the time being in force appointing Successor paying agents or a Successor calculation agent in relation to such Series, together with any agreement for the time being in force amending or modifying with the prior written approval of the Trustee any of the aforesaid agreements in relation to such Series;

Agents means, in relation to the Notes of any Series, the Principal Paying Agent, the other Paying Agents, the Calculation Agent or any of them;

Appointee means any attorney, manager, agent, delegate, nominee, custodian, receiver or other person appointed by the Trustee under this Trust Deed;

Auditors means the auditors for the time being of the Issuer or, as the case may be, a Guarantor and, in the event of any of them being unable or unwilling to carry out any action requested of them pursuant to this Trust Deed, means such other firm of chartered accountants in England as may be nominated in writing by the Trustee for the purpose;

Authorised Signatory means any person who (a) is a Director of the Issuer or, as the case may be, the relevant Guarantor or (b) has been notified to the Trustee by any such Director as being an Authorised Signatory pursuant to sub-clause 8(p) (*Authorised Signatories*);

Calculation Agent means, in relation to the Notes of any Series, the institution at its Specified Office initially appointed as calculation agent in relation to such Notes pursuant to the Agency Agreement and/or, if applicable, Successor calculation agent in relation to such Notes at its Specified office;

CGN Permanent Global Note means a Permanent Global Note representing Notes for which the relevant Final Terms specify that the New Global Note form is not applicable;

CGN Temporary Global Note means a Temporary Global Note representing Notes for which the relevant Final Terms specify that the New Global Note form is not applicable;

Change of Control has the meaning given to such term in Condition 2(a) (*Interpretation - Definitions*);

Clearstream, Luxembourg means Clearstream Banking, *société anonyme*;

the Code means the U.S. Internal Revenue Code of 1986, as amended;

Common Safekeeper means an ICSD in its capacity as common safekeeper or a person nominated by the ICSDs to perform the role of common safekeeper;

Conditions means the terms and conditions to be endorsed on, or incorporated by reference in, the Notes of any Series, in the form set out in Schedule 1 or in such other form, having regard to the terms of the Notes of the relevant Series, as may be agreed

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between the issuer, the Principal Paying Agent, the Trustee and the relevant Dealer(s) as modified and supplemented by the Final Terms(s) applicable to such Series, as any of the same may from time to time be modified in accordance with this Trust Deed and any reference in this Trust Deed to a particular numbered Condition shall be construed in relation to the Notes of such Series accordingly;

Contractual Currency means, in relation to any payment obligation of any Note, the currency in which that payment obligation is expressed and, in relation to Clause 14.1 (*Remuneration*), pounds sterling or such other currency as may be agreed between the Issuer and the Trustee from time to time;

Couponholder means the holder of a Coupon;

Coupons means any bearer interest coupons in or substantially in the form set out in Part E of Schedule 2 appertaining to the Notes of any Series and for the time being outstanding or, as the context may require, a specific number thereof and includes any replacement Coupons issued pursuant to Condition 14 (*Replacement of Notes, Coupons and Talons*) and, where the context so permits, the Talons appertaining to the Notes of such Series;

Dealer Agreement means the agreement between the Issuer and the Dealers named therein concerning the purchase of Notes to be issued pursuant to the Programme as amended from time to time or any restatement thereof for the time being in force;

Dealers means any person appointed as a Dealer by the Dealer Agreement and any other person which the Issuer may appoint as a Dealer and notice of whose appointment has been given to the Principal Paying Agent and the Trustee by the Issuer in accordance with the provisions of the Dealer Agreement but excluding any entity whose appointment has been terminated in accordance with the terms of the Dealer Agreement and notice of whose termination has been given to the Principal Paying Agent and the Trustee by the Issuer in accordance with the provisions of the Dealer Agreement and references to the relevant Dealer(s) mean, in relation to any Note, the Dealer(s) with whom the Issuer has agreed the issue and purchase of such Note;

Director means any Director of the Issuer or, as the case may be, a Guarantor, from time to time;

Drawdown Prospectus means a prospectus specific to a Tranche of Notes which may be constituted either (a) by a single document or (b) by a registration document, a securities note and, if applicable, a summary;

Euroclear means Euroclear Bank SA/NV;

Event of Default means any one of the circumstances described in Condition 12 (*Events of Default*);

Extraordinary Resolution has the meaning set out in Schedule 3 (*Provisions for Meetings of Noteholders*);

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FATCA means Sections 1471 through 1474 of the Code (including any regulations thereunder or official interpretation thereof), intergovernmental agreements between the United States and other jurisdictions facilitating the implementation thereof, and any law implementing any such intergovernmental agreement;

FATCA Information has the meaning given to it in Clause 8(ff);

FATCA Withholding means any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA;

Final Terms has the meaning ascribed to it in the Dealer Agreement;

Fitch means Fitch Ratings Ltd or any successor;

Fixed Rate Note means a Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or dates in each year and on redemption or on such other dates as may be agreed between the Issuer, the Guarantors and the relevant Dealer(s) (as indicated in the relevant Final Terms);

Floating Rate Note means a Note on which interest is calculated at a floating rate payable at intervals of one, two, three, six or twelve months or at such other intervals as may be agreed between the Issuer, the Guarantors and the relevant Dealer(s) (as indicated in the relevant Final Terms);

FSMA means the Financial Services and Markets Act 2000;

Global Note means a CGN Temporary Global Note, a CGN Permanent Global Note, an NGN Temporary Global Note or an NGN Permanent Global Note;

ICSDs means Clearstream, Luxembourg and Euroclear;

Issue Date means, in relation to any Note, the date of issue of such Note pursuant to the Dealer Agreement or any other relevant agreement between the Issuer and the relevant Dealer(s);

Interest Commencement Date means, in relation to any interest-bearing Note, the date specified in the relevant Final Terms from which such Note bears interest or, if no such date is specified therein, the Issue Date;

Liabilities or Liability means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis;

London Stock Exchange means the London Stock Exchange plc;

Material Subsidiary has the meaning set out in Condition 2(a) (*Interpretation - Definitions*);

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Moody's means Moody's Investors Service, Inc. or any successor;

NGN Permanent Global Note means a Permanent Global Note representing Notes for which the relevant Final Terms specify that the New Global Note form is applicable;

NGN Temporary Global Note means a Temporary Global Note representing Notes for which the relevant Final Terms specify that the New Global Note form is applicable;

Noteholder and (in relation to a Note) **holder** means the bearer of a Note;

Notes means the bearer notes of each Series constituted in relation to or by this Trust Deed which shall be in or substantially in the form set out in Schedule 2 and, for the time being outstanding or, as the case may be, a specific number thereof and includes any replacement Notes of such Series issued pursuant to Condition 14 (*Replacement of Notes, Coupons and Talons*) and (except for the purposes of Clause 5.1 (*Global Notes*) and 5.3 (*Signature*)) each Global Note in respect of such Series for so long as it has not been exchanged in accordance with the terms thereof;

outstanding means, in relation to the Notes of any Series, all the Notes of such Series other than:

- (a) those which have been redeemed in accordance with this Trust Deed;
- (b) those in respect of which the date for redemption in accordance with the provisions of the Conditions has occurred and for which the redemption moneys (including all interest accrued thereon to the date for such redemption) have been duly paid to the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with Condition 18 (*Notices*)) and remain available for payment in accordance with the Conditions;
- (c) those which have been purchased and surrendered for cancellation as provided in Condition 9(k) (*Redemption and Purchase - Cancellation*) and notice of the cancellation of which has been given to the Trustee;
- (d) those which have become void under Condition 13 (*Prescription*);
- (e) those mutilated or defaced Notes which have been surrendered or cancelled and in respect of which replacement Notes have been issued pursuant to Condition 14 (*Replacement of Notes, Coupons and Talons*); or
- (f) (for the purpose only of ascertaining the aggregate nominal amount of Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes, Coupons and Talons*);

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provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the holders of Notes of any Series;
- (ii) the determination of how many and which Notes of any Series are for the time being outstanding for the purposes of Clauses 11.1 (*Legal Proceedings*) and 9.1 (*Waiver*), Conditions 12 (*Events of Default*) and 16 (*Meetings of Noteholders; Modification and Waiver*) and Schedule 3 (*Provisions for Meetings of Noteholders*);

- (iii) any discretion, power or authority, whether contained in this Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the holders of the Notes of any Series or any of them; and
- (iv) the determination by the Trustee whether any event, circumstance, matter or timing is, in its opinion, materially prejudicial to the interests of the holders of the Notes of any Series;

those Notes (if any) of the relevant Series which are for the time being held by any person (including but not limited to the Issuer, any Guarantor or any Subsidiary) for the benefit of the Issuer, any Guarantor or any Subsidiary shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

Paying Agents means, in relation to the Notes of any Series, the several institutions (including, where the context permits, the Principal Paying Agent) at their respective Specified Offices appointed pursuant to the relative Agency Agreement and/or, if applicable, any additional and/or Successor paying agents in relation to such Series at their respective Specified Offices;

Permanent Global Note means, in relation to any Series, a Global Note to be issued pursuant to Clause 5.1 (*Global Notes*) in the form or substantially in the form set out in Part B of Schedule 2;

Potential Event of Default means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 12 (*Events of Default*), become an Event of Default;

Principal Paying Agent means, in relation to the Notes of any Series, the institution at its Specified Office initially appointed as issuing and principal paying agent in relation to such Series pursuant to the relative Agency Agreement or, if applicable, any Successor principal paying agent in relation to such Series at its Specified Office;

Put Option has the meaning given to such term in Condition 9(f) (*Redemption and Purchase – Redemption at the option of Noteholders*);

Rating Agency means S&P or any of its respective successors or any Substitute Rating Agency and, for the purposes of Condition 9(g) (*Redemption and Purchase – Change of Control Redemption*), includes any Additional Rating Agency;

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Relevant Date has the meaning ascribed to it in Condition 2(a) (*Interpretation - Definitions*);

Reserved Matter has the meaning set out in paragraph 1 of Schedule 3 (*Provisions for Meetings of Noteholders*);

repay includes **redeem** and *vice versa* and **repaid, repayable, repayment, redeemed, redeemable** and **redemption** shall be construed accordingly;

Series means a Tranche of Notes together with any further Tranche or Tranches of Notes expressed to be consolidated and form a single series with the Notes of the original Tranche and the terms of which are identical (save for the issue Date and/or the Interest Commencement Date but including as to whether or not the Notes are listed);

Specified Office means, in relation to any Agent in respect of any Series, either the office identified with its name in Condition 2(a) (*Interpretation - Definitions*) of such Series or any other office notified to any relevant parties pursuant to the Agency Agreement;

Subsidiary has the meaning set out in Condition 2(a) (*Interpretation - Definitions*);

Substitute Rating Agency means any rating agency of international standing substituted for the Rating Agency by the Issuer from time to time with the prior written approval of the Trustee, such approval not to be unreasonably withheld or delayed;

Successor means, in relation to the Paying Agents, such other or further person as may from time to time be appointed pursuant to the Agency Agreement as a Paying Agent;

Successor in Business means in respect of a company (the **Original Company**):

- (a) a company or other entity to whom the Original Company validly and effectually, in accordance with all enactments, orders and regulations in force for the time being and from time to time, transfers the whole or substantially the whole of its business, undertaking and assets for the purpose of assuming and conducting the business of the Original Company in its place; or
- (b) any other entity which acquires in any other manner the whole or substantially the whole of the undertaking, property and assets of the Original Company and carries on as a successor to the Original Company the whole or substantially the whole of the business carried on by the Original Company prior thereto;

S&P means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. or any successor;

Talonholder means the holder of a Talon;

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Talons means any bearer talons appertaining to the Notes of any Series or, as the context may require, a specific number thereof and includes any replacement Talons issued pursuant to Condition 14 (*Replacement of Notes, Coupons and Talons*);

Temporary Global Note means, in relation to any Series, a Global Note to be issued pursuant to Clause 5.1 (*Global Notes*) in the form or substantially in the form set out in Part A of Schedule 2;

this Trust Deed means this Trust Deed and the Schedules (as from time to time modified in accordance with the provisions contained herein) and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions hereof (as from time to time modified as aforesaid) and expressed to be supplemental hereto;

Tranche means all Notes of the same Series with the same Issue Date and Interest Commencement Date;

Trustee Acts means both the Trustee Act 1925 and the Trustee Act 2000 of England and Wales;

Written Resolution means, in relation to any Series, a resolution in writing signed by or on behalf of the holders of 75 per cent. of the aggregate principal amount of the Notes of such Series for the time being outstanding, whether contained in one document or several documents in like form, each signed by or on behalf of one or more such Noteholders; and

Zero Coupon Note means a Note on which no interest is payable.

1.2 Principles of interpretation

In this Trust Deed:

- (a) **Statutory modification:** a provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment;
- (b) **Additional amounts:** principal and/or interest in respect of the Notes of any Series shall be deemed also to include references to any additional amounts, any redemption amounts and any premium which may be payable under the Conditions;
- (c) **Relevant Currency:** relevant currency shall be construed as a reference to the currency in which payments in respect of the Notes and/or Coupons of the relevant Series are to be made as indicated in the relevant Final Terms;
- (d) **Tax:** costs, charges or expenses shall include any value added tax or similar tax charged or chargeable in respect thereof;

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- (e) *Enforcement of rights*: an action, remedy or method of judicial proceedings for the enforcement of rights of creditors shall include, in respect of any jurisdiction other than England, references to such action, remedy or method of judicial proceedings for the enforcement of rights of creditors available or appropriate in such jurisdictions as shall most nearly approximate thereto;
 - (f) *Clauses and Schedules*: a Schedule or a Clause, sub-clause, paragraph or sub-paragraph is, unless otherwise stated, to a schedule hereto or a clause, sub-clause, paragraph or sub-paragraph hereof respectively;
 - (g) *Clearing systems*: Euroclear and/or Clearstream, Luxembourg shall, wherever the context so admits (but not in the case of any Notes in NGN form), be deemed to include references to any additional or alternative clearing system approved by the Issuer and the Trustee;
 - (h) *Trust corporation*: a trust corporation denotes a corporation entitled by rules made under the Public Trustee Act 1906 to act as a custodian trustee or entitled pursuant to any other legislation applicable to a trustee in any jurisdiction other than England to act as trustee and carry on trust business under the laws of the country of its incorporation;
 - (i) *Gender*: words denoting the masculine gender shall include the feminine gender also, words denoting individuals shall include companies, corporations and partnerships, words importing the singular number shall include the plural and, in each case, vice versa;
 - (j) *Records*: any reference to the records of an ICSD shall be to the records that each of the ICSDs holds for its customers which reflect the amount of such customers' interests in the Notes (but excluding any interest in any Notes of one ICSD shown in the records of another ICSD);
 - (k) *Drawdown Prospectus*: each reference to Final Terms shall, in the case of a Series of Notes which is the subject of a Drawdown Prospectus be read and construed as a reference to the final terms of the Notes set out in such Drawdown Prospectus;
 - (l) *Guarantees*: all references in this Trust Deed to guarantees or to an obligation being guaranteed shall be deemed to include respectively references to indemnities or to an indemnity being given in respect thereof; and
 - (m) *Proceedings*: all references in these presents to taking proceedings against the Issuer and/or the Guarantors shall be deemed to include references to proving in the winding up of the Issuer and/or any Guarantor (as the case may be).

1.3 The Conditions

In this Trust Deed, unless the context requires or the same are otherwise defined, words and expressions defined in the Conditions and not otherwise defined herein shall have the same meaning in this Trust Deed.

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1.4 Headings

The headings and sub-headings are for ease of reference only and shall not affect the construction of this Trust Deed.

1.5 The Schedules

The schedules are part of this Trust Deed and shall have effect accordingly.

1.6 Written Notices/Approvals

Any reference to a written notice or approval being given by the Trustee shall, for the avoidance of doubt, be deemed to include such notice being given by email.

2. AMOUNT AND ISSUE OF THE NOTES

2.1 Amount of the Notes

The Notes will be issued in Series in an aggregate nominal amount from time to time outstanding not exceeding the Authorised Amount and, for the purpose of determining such aggregate nominal amount, Clause 14 of the Dealer Agreement shall apply.

2.2 Prior to each Issue Date

By not later than 3.00 p.m. (London time) on the fourth business day in London (which for this purpose shall be a day on which commercial banks are open for business in London) preceding each proposed Issue Date, the Issuer shall:

- (a) deliver or cause to be delivered to the Trustee a draft of the relevant Final Terms and, if applicable, notify the Trustee of any proposed changes to the draft Final Terms delivered to the Trustee; and
- (b) notify the Trustee in writing without delay of the Issue Date and the nominal amount of the Notes of the relevant Tranche.

For the avoidance of doubt, the Trustee shall not be required in any case to approve such Final Terms.

2.3 Constitution of Notes

Upon the issue of the Temporary Global Note, initially representing the Notes of any Tranche, such Notes shall become constituted by this Trust Deed without further formality.

2.4 Further legal opinions

After each anniversary of this Trust Deed and prior to the first issue of any Notes, on each occasion when a legal opinion is delivered to a Dealer pursuant to Clause 5.11 of the Dealer Agreement and on such other occasions as the Trustee so requests, the Issuer will procure, at no cost to the Trustee, that further legal opinions in such form and with such content as the Trustee may require from the legal advisers specified in

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the Dealer Agreement or in the relevant jurisdiction approved by the Trustee are delivered to the Trustee, *provided that* the Trustee shall not be required to approve the applicable legal opinions. In each such case, receipt by the Trustee of the relevant opinion shall be a condition precedent to the issue of Notes pursuant to this Trust Deed.

3. COVENANT TO REPAY

3.1 Covenant to repay

The Issuer covenants with the Trustee that it shall, as and when the Notes of any Series or any of them become due to be redeemed or any principal on the Notes of any Series or any of them becomes due to be repaid in accordance with the Conditions, unconditionally pay or procure to be paid to or to the order of the Trustee in immediately available freely transferable funds in the relevant currency the principal amount of the Notes of such Series or any of them becoming due for payment on that date and shall (subject to the provisions of the Conditions and except in the case of Zero Coupon Notes), until all such payments (both before and after judgment or other order of a court of competent jurisdiction) are duly made, unconditionally pay or procure to be paid to or to the order of the Trustee as aforesaid on the dates provided for in the Conditions interest (which shall accrue from day to day) on the principal amount (or such other amount as may be specified in the Final Terms) of the Notes or any of them of such Series outstanding from time to time as set out in the Conditions (subject to Clause 3.3 (*Interest on Floating Rate Notes following Event of Default*)) *provided that*:

- (a) every payment of principal, interest or other sum due in respect of such Notes or any of them made to the Principal Paying Agent in the manner provided in the Agency Agreement shall satisfy *pro*

tanto, to the extent of such payment, the relevant covenant by the Issuer contained in this Clause except to the extent that there is default in the subsequent payment thereof to the relevant Noteholders or Couponholders (as the case may be) in accordance with the Conditions;

- (b) if any payment of principal or interest in respect of such Notes or any of them is made after the due date, payment shall be deemed not to have been made until either the full amount is paid to the relevant Noteholders or Couponholders (as the case may be) or, if earlier, the seventh day after notice has been given to the relevant Noteholders in accordance with the Conditions that the full amount has been received by the Principal Paying Agent or the Trustee except, in the case of payment to the Principal Paying Agent, to the extent that there is failure in the subsequent payment to the Noteholders or Couponholders (as the case may be) under the Conditions; and
- (c) in any case where payment of the whole or any part of the principal amount due in respect of any Note is improperly withheld or refused upon due presentation of the relevant Note interest shall accrue on the whole or such part of such principal amount (except in the case of Zero Coupon Notes, to which the provision of Condition 8 (*Zero Coupon Note Provisions*) shall apply) from the date of such withholding or refusal until the date either on

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which such principal amount due is paid to the relevant Noteholders or, if earlier, the seventh day after which notice is given to the relevant Noteholders in accordance with the Conditions that the full amount payable in respect of the said principal amount is available for collection by the relevant Noteholders *provided that* on further due presentation of the relevant Note such payment is in fact made.

The Trustee will hold the benefit of this covenant and the other covenants in this Trust Deed on trust for the Noteholders in accordance with their respective interests.

3.2 Following an Event of Default

At any time after any Event of Default or Potential Event of Default shall have occurred or the Notes of all or any Series shall otherwise have become due and repayable or the Trustee shall have received any money which it proposes to pay under Clause 12 (*Application of Moneys*) to the relevant Noteholders and/or Couponholders, the Trustee may:

- (a) by notice in writing to the Issuer, the Guarantors, the Principal Paying Agent and the other Agents require the Principal Paying Agent and the other Agents or any of them:
 - (i) to act thereafter, until otherwise instructed by the Trustee, as Agents of the Trustee under the provisions of this Trust Deed on the terms provided in the Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Agents shall be limited to amounts for the time being held by the Trustee on the trusts of this Trust Deed in relation to the Notes on the terms of this Trust Deed and available to the Trustee for such purpose) and thereafter to hold all Notes and Coupons and all sums, documents and records held by them in respect of Notes and Coupons on behalf of the Trustee; and/or
 - (ii) to deliver up all Notes and Coupons and all sums, documents and records held by them in respect of Notes and Coupons to the Trustee or as the Trustee shall direct in such notice *provided that* such notice shall be deemed not to apply to any document or record which the relevant Agent is obliged not to release by any law or regulation; and
- (b) by notice in writing to the Issuer and the Guarantors require each of them to make all subsequent payments in respect of Notes and Coupons to or to the order of the Trustee and, with effect from the issue of any such notice until such notice is withdrawn, proviso 3.1(a) to Clause 3.1 (*Covenant to repay*) and (so far as it concerns payments by the Issuer and the Guarantors) Clause 12.4

(*Payments to Noteholders and Couponholders*) shall cease to have effect.

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3.3 Interest on Floating Rate Notes following Event of Default

If Floating Rate Notes become immediately due and repayable under Condition 12 (*Events of Default*) the rate and/or amount of interest payable in respect of them will be calculated at the same intervals as if such Notes had not become due and repayable, the first of which will commence on the expiry of the Interest Period (as defined in the Conditions) during which the Notes of the relevant Series become so due and repayable in accordance with Condition 12 (*Events of Default*) (with consequential amendments as necessary) except that the rates of interest need not be published.

3.4 Currency of payments

All payments in respect of, under and in connection with this Trust Deed and the Notes to the relevant Noteholders and Couponholders shall be made in the relevant currency as required by the Conditions.

3.5 Separate Series

The Notes of each Series shall form a separate Series of Notes and accordingly, unless for any purpose the Trustee in its absolute discretion shall otherwise determine, all the provisions of this Trust Deed shall apply *mutatis mutandis* separately and independently to the Notes of each Series and in such Clauses and Schedule the expressions “*Notes*”, “*Noteholders*”, “*Coupons*”, “*Couponholders*”, “*Talons*” and “*Talontholders*” shall be construed accordingly.

4. GUARANTEE

4.1 The Guarantors hereby irrevocably and unconditionally and on a joint and several basis, and notwithstanding the release of any other guarantor or any other person under the terms of any composition or arrangement with any creditors of the Issuer, guarantee to the Trustee:

- (a) the due and punctual payment in accordance with the provisions of this Trust Deed of the principal of and premium (if any) and interest on the Notes and of any other amounts payable by the Issuer under this Trust Deed; and
- (b) the due and punctual performance and observance by the Issuer of each of the other provisions of this Trust Deed on the Issuer’s part to be performed or observed.

4.2 If the Issuer fails for any reason whatsoever punctually to pay any such principal, premium, interest or other amount, the Guarantors shall cause each and every such payment to be made as if the Guarantors instead of the Issuer were expressed to be the primary obligor under this Trust Deed and not merely as surety (but without affecting the nature of the Issuer’s obligations) to the intent that the holder of the relevant Note or Coupon or the Trustee (as the case may be) shall receive the same amounts in respect of principal, premium, interest or such other amount as would have been receivable had such payments been made by the Issuer.

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4.3 If any payment received by the Trustee or any Noteholder or Couponholder under the provisions of this Trust Deed shall (whether on the subsequent bankruptcy, insolvency or corporate reorganisation of the Issuer or, without limitation, on any other event) be avoided or set aside for any reason, such payment shall not be considered as discharging or diminishing the liability of the Guarantors and this guarantee shall continue to apply as if such payment had at all times remained owing by the Issuer and the Guarantors shall indemnify the Trustee and the Noteholders and/or Couponholders (as the case may be) in respect thereof *provided that* the obligations of the Issuer and/or the Guarantors under this sub-clause shall, as regards each payment made to the Trustee or any Noteholder or Couponholder which is avoided or set aside, be contingent upon such payment being reimbursed to the Issuer or other persons entitled through the Issuer.

4.4 Each of the Guarantors hereby agrees that its obligations under this Clause shall be unconditional and that it shall be fully liable irrespective of the validity, regularity, legality or enforceability against the Issuer of, or of any defence or counter-claim whatsoever available to the Issuer in relation to, its obligations under this Trust Deed, whether or not any action has been taken to enforce the same or any judgment obtained against the Issuer, whether or not any of the other provisions of this Trust Deed have been modified, whether or not any time, indulgence, waiver, authorisation or consent has been granted to the Issuer by or on behalf of the Noteholders or the Couponholders or the Trustee, whether or not any determination has been made by the Trustee pursuant to Clause 9 (*Amendments and Substitution*) whether or not there have been any dealings or transactions between the Issuer, any of the Noteholders or Couponholders or the Trustee, whether or not the Issuer has been dissolved, liquidated, merged, consolidated, bankrupted or has changed its status, functions, control or ownership, whether or not the Issuer has been prevented from making payment by foreign exchange provisions applicable at its place of registration or incorporation and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defence to any guarantor. Accordingly, the validity of this guarantee shall not be affected by reason of any invalidity, irregularity, illegality or unenforceability of all or any of the obligations of the Issuer under this Trust Deed and this guarantee shall not be discharged nor shall the liability of a Guarantor under this Trust Deed be affected by any act, thing or omission or means whatever whereby its liability would not have been discharged if it had been the principal debtor.

4.5 Without prejudice to the provisions of Clause 11 (*Enforcement*) the Trustee may determine from time to time whether or not it will enforce this guarantee which it may do without making any demand of or taking any proceedings against the Issuer and may from time to time make any arrangement or compromise with the Guarantors in relation to this guarantee which the Trustee may consider expedient in the interests of the Noteholders.

4.6 The Guarantors waive diligence, presentment, demand of payment, filing of claims with a court in the event of dissolution, liquidation, merger or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest or notice with respect to this Trust Deed or the indebtedness evidenced thereby and all demands whatsoever and covenants that this guarantee shall be a continuing guarantee, shall

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extend to the ultimate balance of all sums payable and obligations owed by the Issuer under this Trust Deed, shall not be discharged except by complete performance of the obligations in this Trust Deed and is additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantors or otherwise.

4.7 If any moneys shall become payable by the Guarantors under this guarantee the Guarantors shall not, so long as the same remain unpaid, without the prior written consent of the Trustee:

- (a) in respect of any amounts paid by it under these guarantees, exercise any rights of subrogation or contribution or, without limitation, any other right or remedy which may accrue to it in respect of or as a result of any such payment; or
- (b) in respect of any other moneys for the time being due to the Guarantors by the Issuer, claim payment thereof or exercise any other right or remedy.

(including in either case claiming the benefit of any security or right of set-off or, on the liquidation of the Issuer, proving in competition with the Trustee). If, notwithstanding the foregoing, upon the bankruptcy, insolvency or liquidation of the Issuer, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities, shall be received by the Guarantors before payment in full of all amounts payable under this Trust Deed shall have been made to the Noteholders, the Couponholders and the Trustee, such payment or distribution shall be received by the Guarantors on trust to pay the same over immediately to the Trustee for application in or towards the payment of all sums due and unpaid under this Trust Deed in accordance with Clause 12 (*Application of Moneys*).

4.8 Until all amounts which may be or become payable by the Issuer under this Trust Deed have been irrevocably paid in full, the Trustee may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by the Trustee in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise), and the Guarantors shall not be entitled to the benefit of the same; and
- (b) hold in a suspense account any moneys received from the Guarantors or an account of the Guarantors' liability under this guarantee, without liability to pay interest on those moneys.

5. THE NOTES

5.1 Global Notes

- (a) The Notes of each Tranche will initially be together represented by a Temporary Global Note. Each Temporary Global Note shall (save as may be specified in the relevant Final Terms) be exchangeable, in accordance with its terms, for interests in a Permanent Global Note or Notes in definitive form together with, where applicable, (except in the case of Zero Coupon Notes) Coupons, and where applicable Talons attached.

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- (b) Each Permanent Global Note shall be exchangeable, in accordance with its terms, for Notes in definitive form.

All Global Notes shall be prepared, completed and delivered to a common depository (in the case of a CGN) or common safekeeper (in the case of a NGN) for Euroclear and Clearstream, Luxembourg in accordance with the provisions of the Dealer Agreement or to another appropriate depository in accordance with any other agreement between the Issuer and the relevant Dealer(s) and, in each case, the Agency Agreement.

5.2 Notes in definitive form

Notes in definitive form will be security printed in accordance with applicable legal and stock exchange requirements substantially in the form set out in Part C of 0. Any Coupons and Talons will also be security printed in accordance with the same requirements and will be attached to the Notes in definitive form at the time of issue. Notes in definitive form will be endorsed with the Conditions and shall have endorsed thereon or attached thereto a copy of the applicable Final Terms (or the relevant provisions thereof).

5.3 Signature

The Global Notes and the Notes in definitive form will be signed manually or in facsimile by a duly authorised person designated by the Issuer and will be authenticated manually by or on behalf of the Principal Paying Agent and if applicable, will be effectuated manually by or on behalf of the Common Safekeeper. The Issuer may use the facsimile signature of a person who at the date such signature was originally produced was such a duly authorised person even if at the time of issue of any Global Note or Note in definitive form he is no longer so authorised. Global Notes and Notes in definitive form so executed, duly authenticated and, if applicable, duly effectuated will be binding and valid obligations of the Issuer and title thereto shall pass by delivery.

5.4 Entitlement to treat holder as owner

The Issuer, the Guarantors, the Trustee and any Paying Agent may deem and treat the holder of any Note and the holder of any Coupon as the absolute owner of such Note or Coupon, as the case may be, free of any equity, set-off or counterclaim on the part of the Issuer or any Guarantor against the original or any intermediate holder of such Note or Coupon (whether or not such Note or Coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of such Note or Coupon) for all purposes and, except as ordered by a court of competent jurisdiction or as

required by applicable law, the Issuer, the Guarantors, the Trustee and any Paying Agent shall not be affected by any notice to the contrary. All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon the Notes.

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5.5 Further Notes

The Issuer shall be at liberty from time to time (but subject always to the provisions of this Trust Deed) without the consent of the Noteholders or Couponholders to create and issue further Notes having terms and conditions the same as the Notes of any Series (or the same in all respects save for the amount and date of the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding Notes of a particular Series.

6. CANCELLATION OF NOTES AND RECORDS

6.1 The Issuer shall procure that all Notes issued by it which are (a) redeemed or (b) purchased by or on behalf of the Issuer, a Guarantor or any Subsidiary and surrendered for cancellation or (c) which, being mutilated or defaced, have been surrendered and replaced pursuant to Condition 14 (*Replacement of Notes, Coupons and Talons*) (together in each case, in the case of Definitive Notes, with all unmatured Coupons attached thereto or delivered therewith), and all Coupons paid in accordance with the relevant Conditions or which, being mutilated or defaced, have been surrendered and replaced pursuant to Condition 14 (*Replacement of Notes, Coupons and Talons*), shall forthwith be cancelled by or on behalf of the Issuer and a certificate stating:

- (i) the aggregate nominal amount of Notes which have been redeemed and the aggregate amounts in respect of Coupons which have been paid;
- (ii) the serial numbers of such Notes in definitive form;
- (iii) the total numbers (where applicable, of each denomination) by maturity date of such Coupons;
- (iv) the aggregate amount of interest paid (and the due dates of such payments) on Global Notes;
- (v) the aggregate nominal amount of Notes (if any) which have been purchased by or on behalf of the Issuer, any Guarantor or any Subsidiary and cancelled and the serial numbers of such Notes in definitive form and, in the case of Notes in definitive form, the total number (where applicable, of each denomination) by maturity date of the Coupons and Talons attached thereto or surrendered therewith;
- (vi) the aggregate nominal amounts of Notes and the aggregate amounts in respect of Coupons which have been so surrendered and replaced and the serial numbers of such Notes in definitive form and the total number (where applicable, of each denomination) by maturity date of such Coupons and Talons;
- (vii) the total number (where applicable, of each denomination) by maturity date of the unmatured Coupons missing from Notes in definitive form bearing interest at a fixed rate which have been redeemed or surrendered and replaced and the serial numbers of the Notes in definitive form to which such missing unmatured Coupons appertained; and

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- (viii) the total number (where applicable, of each denomination) by maturity date of Talons which have been exchanged for further Coupons,

shall be given to the Trustee by or on behalf of the Issuer as soon as possible and in any event within one month after the end of each calendar quarter during which any such redemption, purchase, payment, exchange

or replacement (as the case may be) takes place. The Trustee may accept such certificate as conclusive evidence of redemption, purchase, payment, exchange or replacement *pro tanto* of the Notes or payment of interest thereon or exchange of the relative Talons respectively and of cancellation of the relative Notes and Coupons.

6.2 The Issuer shall procure (a) that the Principal Paying Agent shall keep a full and complete record of all Notes, Coupons and Talons issued by it (other than serial numbers of Coupons) and of their redemption, any cancellation or any payment (as the case may be) and of all replacement notes, coupons or talons issued in substitution for lost, stolen, mutilated, defaced or destroyed Notes, Coupons or Talons, (b) that the Principal Paying Agent shall in respect of the Coupons of each maturity retain (in the case of Coupons other than Talons) until the expiry of ten years from the Relevant Date in respect of such Coupons and (in the case of Talons indefinitely) either all paid or exchanged Coupons of that maturity or a list of the serial numbers of Coupons of that maturity still remaining unpaid or unexchanged and (c) that such records and Coupons (if any) shall be made available to the Trustee at all reasonable times.

7. COVENANT TO COMPLY WITH THE TRUST DEED

7.1 Covenant to comply with the Trust Deed

Each of the Issuer and each Guarantor severally covenants with the Trustee to comply with those provisions of this Trust Deed and the Conditions which are expressed to be binding on it and to perform and observe the same. The Notes and the Coupons are subject to the provisions contained in this Trust Deed, all of which shall be binding upon the Issuer, the Guarantors, the Noteholders, the Couponholders and all persons claiming through or under them respectively. The Trustee shall hold the benefit of this covenant upon trust for itself and the Noteholders and the Couponholders according to its and their respective interests.

7.2 Trustee may enforce Conditions

The Trustee shall itself be entitled to enforce the obligations of the Issuer and each Guarantor under the Notes and the Conditions as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Notes.

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8. COVENANTS BY THE ISSUER AND THE GUARANTORS

So long as any of the Notes remains outstanding, the Issuer and the Guarantors will each:

- (a) *Books of account*: at all times keep and procure that all its Subsidiaries keep such books of account as may be necessary to comply with all applicable laws and so as to enable the financial statements of the Issuer or, as the case may be, the relevant Guarantor to be prepared and, if the Trustee, in its sole opinion, determines that it is necessary to request access to such books of account, allow the Trustee and any person appointed by it, to whom the Issuer, the relevant Guarantor or the relevant Subsidiary (as the case may be) shall have no reasonable objection, free access to the same at all reasonable times during normal business hours and to discuss the same with responsible officers of the Issuer;
- (b) *Event of Default*: give notice in writing to the Trustee forthwith of the coming into existence of any security interest which would require any security to be given to the Notes pursuant to Condition 5 (*Negative Pledge*) or of the occurrence of any Event of Default, Potential Event of Default, Change of Control or Change of Control Put Event and without waiting for the Trustee to take any further action;
- (c) *Certificate of Compliance*: provide to the Trustee within seven days of any request by the Trustee and at the time of the despatch to the Trustee of its annual balance sheet and profit and loss account, and in any event not later than 180 days after the end of its financial year, a certificate, signed by two Authorised Signatories of the Issuer or, as the case may be, the relevant Guarantor certifying that up to a specified date not earlier than seven days prior to the date of such certificate

(the *Certified Date*) the Issuer or, as the case may be, the relevant Guarantor has complied with its obligations under this Trust Deed and the Notes (or, if such is not the case, giving details of the circumstances of such non-compliance) and that as at such date there did not exist nor had there existed at any time prior thereto since the Certified Date in respect of the previous such certificate (or, in the case of the first such certificate, since the date of this Trust Deed) any Event of Default, Potential Event of Default, Change of Control Put Event, Change of Control or other matter which could affect the ability of the Issuer or, as the case may be, the relevant Guarantor to perform its obligations under this Trust Deed or (if such is not the case) specifying the same;

- (d) *Financial statements*: send to the Trustee and to the Principal Paying Agent (if the same are produced) as soon as practicable after their date of publication and in the case of annual financial statements in any event not more than 180 days after the end of each financial year, two copies of the Issuer's or, as the case may be, the relevant Guarantor's consolidated annual balance sheet and profit and loss account and of every balance sheet, profit and loss account, report or other notice, statement or circular issued (or which under any legal or contractual obligation should be issued) to the members or holders of debentures or creditors (or any class of them) of the Issuer or, as the case may be, the relevant Guarantor in their capacity as such at the time of the actual (or legally or contractually required) issue or publication thereof and procure that the same are made available for inspection by Noteholders and Couponholders at the Specified Offices of the Paying Agents as soon as practicable thereafter;

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- (e) *Information*: so far as permitted by applicable law, at all times give to the Trustee such information, opinions, certificates and other evidence as it shall require in accordance with its fiduciary duties and obligations to the Noteholders and in such form as it shall require (including, without limitation, the certificates called for by the Trustee pursuant to Clause 8(c) (*Certificate of Compliance*) for the exercise of its duties, trusts, powers, authorities and discretions vested in it under this Trust Deed or by operation of law;
 - (f) *Notes held by Issuer and the Guarantors*: send to the Trustee forthwith upon being so requested in writing by the Trustee a certificate of the Issuer or, as the case may be, the relevant Guarantor (signed on its behalf by two Authorised Signatories) setting out the total number of Notes of each Series which at the date of such certificate are held by or for the benefit of the Issuer, the relevant Guarantor or any Subsidiary;
 - (g) *Execution of further Documents*: so far as permitted by applicable law, at all times execute all such further documents and do all such further acts and things as may be necessary at any time or times in the opinion of the Trustee to give effect to the provisions of this Trust Deed;
 - (h) *Notices to Noteholders*: send or procure to be sent to the Trustee not less than three business days in London prior to the date of publication, for the Trustee's approval, one copy of each notice to be given to the Noteholders in accordance with Condition 18 (*Notices*) and not publish such notice without such approval (such approval not to be unreasonably withheld or delayed) and, upon publication, send to the Trustee two copies of such notice (such approval, unless so expressed, not to constitute approval of such notice for the purpose of Section 21 of the Financial Services and Markets Act 2000);
 - (i) *Notification of non-payment*: use its reasonable endeavours to procure that the Principal Paying Agent notifies the Trustee forthwith in the event that it does not, on or before the due date for payment in respect of the Notes or Coupons of any Series or any of them receive unconditionally the full amount in the relevant currency of the moneys payable on such due date on all such Notes or Coupons;
 - (j) *Notification of late payment*: in the event of the unconditional payment to the Principal Paying Agent or the Trustee of any sum due in respect of any of the Notes or the Coupons or any of them being made after the due date for payment thereof, forthwith give notice to the Noteholders that

such payment has been made in accordance with Condition 18 (*Notices*);

- (k) *Notification of redemption or payment*: not less than the number of days specified in the relevant Condition prior to the redemption or payment date in respect of any Note or Coupon give to the Trustee notice in writing of the amount of such redemption or payment pursuant to the Conditions and duly proceed to redeem or pay such Notes or Coupons accordingly;
- (l) *Tax or optional redemption*: if the Issuer gives notice to the Trustee that it intends to redeem the Notes pursuant to Conditions 9(b) (*Redemption and*

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Purchase – Redemption for tax reasons) and 9(c) (*Redemption and Purchase – Redemption at the option of the Issuer (Issuer Call Option)*) and prior to the Issuer giving such notice to the Noteholders, provide such information to the Trustee as the Trustee requires in order to satisfy itself of the matters referred to in such Condition;

- (m) *Obligations of Agents*: observe and comply with its obligations and use all reasonable endeavours to procure that the Agents observe and comply with all their obligations under the Agency Agreement and notify the Trustee immediately it becomes aware of any material breach or failure by an Agent in relation to the Notes or Coupons and at all times maintain Paying Agents and a Calculation Agent in accordance with the Conditions;
- (n) *Change of taxing jurisdiction*: if before the Relevant Date for any Note or Coupon the Issuer or any Guarantor shall become subject generally to the taxing jurisdiction of any territory or any political sub-division thereof or any authority therein or thereof having power to tax other than or in addition to the United Kingdom, immediately upon becoming aware thereof notify the Trustee of such event and (unless the Trustee otherwise agrees) enter forthwith into a trust deed supplemental hereto, giving to the Trustee an undertaking or covenant in form and manner satisfactory to the Trustee in terms corresponding to the terms of Condition 11 (*Taxation*) with the substitution for (or, as the case may be, the addition to) the references therein to the United Kingdom of references to that other or additional territory to whose taxing jurisdiction, or that of a political subdivision thereof or an authority therein or thereof, the Issuer or, as the case may be, the relevant Guarantor shall have become subject as aforesaid, such trust deed also to modify Condition 11 (*Taxation*) so that such Condition shall make reference to that other or additional territory;
- (o) *Listing*: at all times use reasonable endeavours to maintain the admission to listing, trading and/or quotation of the Notes of each Series by the relevant competent authority, stock exchange and/or quotation system on which they are admitted to listing, trading and/or quotation on issue as indicated in the relevant Final Terms or, if it is unable to do so having used all reasonable endeavours or, if the Trustee considers that the maintenance of such admission to listing, trading and/or quotation is agreed by the Trustee to be unduly burdensome or impractical and the Trustee is of the opinion that to do so would not be materially prejudicial to the interests of the Noteholders, use reasonable endeavours to obtain and maintain admission to listing, trading and/or quotation of the Notes on such other competent authority, stock exchange and/or quotation system as the Issuer and the Guarantors may (with the approval of the Trustee decide and give notice of the identity of such other competent authority, stock exchange or quotation system to the Noteholders;
- (p) *Authorised Signatories*: upon the execution hereof and thereafter forthwith upon any change of the same, deliver to the Trustee (with a copy to the Principal Paying Agent) a list of the Authorised Signatories of the Issuer and each Guarantor, together with certified specimen signatures of the same;

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- (q) *Payments*: pay moneys payable by it to the Trustee hereunder without set off, counterclaim, deduction or withholding, unless otherwise compelled by law and in the event of any deduction or withholding compelled by law pay such additional amount as will result in the payment to the Trustee of the amount which would otherwise have been payable by it to the Trustee hereunder; and
- (r) *Notification of amendment to agreements*: notify the Trustee of any amendment to the Dealer Agreement, and any amendment(s) to or waiver(s) of the terms of this Trust Deed and the Agency Agreement;
- (s) *Auditor's certificates*: cause to be prepared and certified by the Auditors in respect of each financial accounting period accounts in such form as will comply with all relevant legal and accounting requirements and all requirements for the time being of the relevant stock exchange;
- (t) *Further documents*: at all times execute and do all such further documents, acts and things as may be necessary at any time or times in the reasonable opinion of the Trustee to give effect to this Trust Deed;
- (u) *Appointment and removal of Agents*: give notice to the Noteholders in accordance with Condition 18 (*Notices*) of any appointment, resignation or removal of any Paying Agent or Calculation Agent (other than the appointment of the initial Agents and Calculation Agent) after having obtained the prior written approval of the Trustee thereto or any change of any Paying Agent's specified office and (except as provided by the Agency Agreement or the Conditions) at least 30 days prior to such event taking effect; *provided always that* so long as any of the Notes remains outstanding in the case of the termination of the appointment of the Calculation Agent or so long as any of the Notes or Coupons remains liable to prescription in the case of the termination of the appointment of the Principal Paying Agent no such termination shall take effect until a new Calculation Agent or Principal Paying Agent (as the case may be) has been appointed on terms previously approved in writing by the Trustee;
- (v) *Subsidiaries*: procure its Subsidiaries to comply with all applicable provisions of Condition 9 (*Redemption and Purchase*);
- (w) *Documents available for inspection*: use reasonable endeavours to procure that each Paying Agent makes available for inspection by Noteholders and Couponholders at its specified office copies of this Trust Deed, the Agency Agreement and the then latest audited balance sheet and profit and loss account (consolidated if applicable) of the Issuer and the Guarantors;
- (x) *U.S. Paying Agent*: if, in accordance with the provisions of the Conditions, interest in respect of the Notes becomes payable at the specified office of any Paying Agent in the United States of America promptly give notice thereof to the relative Noteholders in accordance with Condition 18 (*Notices*);
- (y) *Dealer Agreement*: promptly provide the Trustee with copies of all supplements and/or amendments and/or restatements of the Dealer Agreement;

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- (z) *List of Material Subsidiaries*: give to the Trustee (i) on the date hereof and (ii) at the same time as sending to it the certificates referred to in paragraph (c) above, a certificate signed by two Authorised Signatories of the Issuer addressed to the Trustee (with a form and content satisfactory to the Trustee) listing those Subsidiaries of the Issuer which as at the date hereof, as at the Certified Date (as defined in paragraph (c) above) of the relevant certificate given under paragraph (c) above or, as the case may be, as at the first day on which the then latest audited consolidated accounts of the Issuer became available were Material Subsidiaries for the purposes of Condition 12 (*Events of Default*);
 - (aa) *Change in Material Subsidiaries*: give to the Trustee, as soon as reasonably practicable after the acquisition or disposal of any company which thereby becomes or ceases to be a Material

Subsidiary or after any transfer is made to any Subsidiary of the Issuer which thereby becomes a Material Subsidiary, a certificate by two Authorised Signatories of the Issuer addressed to the Trustee (with a form and content satisfactory to the Trustee) to such effect;

- (bb) *Coupons*: upon due surrender in accordance with the Conditions, pay the face value of all Coupons (including Coupons issued in exchange for Talons) appertaining to all Notes purchased by the Issuer, the Guarantors or any other Subsidiary of the Issuer;
- (cc) *Legal Opinions*: prior to making any modification or amendment or supplement to this Trust Deed, procure the delivery of (a) legal opinion(s) as to English and any other relevant law, addressed to the Trustee, dated the date of such modification or amendment or supplement, as the case may be, and in a form acceptable to the Trustee from legal advisers acceptable to the Trustee;
- (dd) *Euroclear and Clearstream*: use all reasonable endeavours to procure that Euroclear and/or Clearstream, Luxembourg (as the case may be) issue(s) any record, certificate or other document requested by the Trustee as soon as practicable after such request;
- (ee) *Notice of rating downgrade*: promptly notify the Trustee upon becoming aware that any of the ratings assigned to the Notes has been downgraded or withdrawn;
- (ff) *FATCA Information*: to the extent it is legally permissible to do so to take commercially reasonable efforts to provide upon request by the Trustee to the Trustee, and consents to the collection and processing by the Trustee of, any authorisations, waivers, forms, documentation and other information relating to its status and required to be collected or reported by the Trustee under FATCA (**FATCA Information**). The Trustee shall treat such forms, documentation or other information relating to or provided by the Issuer as confidential, but the Issuer consents, solely to the extent required for or in connection with the Trustee's compliance with FATCA, to the disclosure, transfer and reporting of such FATCA Information to any relevant government or taxing authority, any member of the Trustee's Group, any sub-contractors, agents, service providers or associates of the Trustee's Group, and a member

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of the Trustee's Group, including transfers to jurisdictions which do not have strict data protection or similar laws. The Issuer agrees to inform the Trustee promptly in writing if there are any changes to the FATCA Information supplied to the Trustee from time to time; and

- (gg) *FATCA Withholding*: use commercially reasonable efforts to provide to the Trustee, upon reasonable request by the Trustee, with information necessary and required for the Trustee to determine whether it is required by applicable law to make any FATCA Withholding from a payment it makes under this Agreement.

9. AMENDMENTS AND SUBSTITUTION

9.1 Waiver

Without prejudice to Clause 9.4 (*Rating Confirmations*), the Trustee may, without any consent or sanction of the Noteholders or Couponholders and without prejudice to its rights in respect of any subsequent breach, Event of Default or Potential Event of Default, from time to time and at any time, but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby, authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any breach or proposed breach by the Issuer or any Guarantor of any of the covenants or provisions contained in this Trust Deed or the Notes or Coupons (other than a proposed breach or breach relating to the subject of a Reserved Matter) or determine that any Event of Default or Potential Event of Default shall not be treated as such for the purposes of this Trust Deed; any such authorisation, waiver or determination shall be binding on the Noteholders and the Couponholders and, if, but only if, the Trustee shall so require, the Issuer shall cause such authorisation, waiver or determination to be notified to the Noteholders as soon as practicable thereafter in accordance with the Conditions; *provided that* the Trustee shall not exercise any powers conferred upon it by this Clause in

contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the holders of not less than 20 per cent. in aggregate principal amount of the Notes then outstanding (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or so as to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Reserved Matters as specified and defined in Schedule 3 (*Provisions for Meetings of Noteholders*).

9.2 Modifications

Without prejudice to Clause 9.4 (*Rating Confirmations*), the Trustee may from time to time and at any time without any consent or sanction of the Noteholders or Couponholders concur with the Issuer and the Guarantors in making (a) any modification to this Trust Deed (other than in respect of Reserved Matters as specified and defined in Schedule 3 or any provision of this Trust Deed referred to in that specification) or the Notes which in the opinion of the Trustee it may be proper to make provided the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders or (b) any modification to this Trust Deed or the Notes if in the opinion of the Trustee such modification is of a formal, minor or technical nature or made to correct a manifest error or an error which

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is, in the opinion of the Trustee, proven. Any such modification shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 18 (*Notices*).

9.3 Substitution

- (a) *Procedure:* Without prejudice to Clause 9.4 (*Rating Confirmations*), the Trustee may (1) without the consent of the Noteholders or the Couponholders, agree to the substitution, in place of the Issuer (or of any previous substitute under this Clause) of a Guarantor or its successor in business or any Subsidiary of the Issuer (hereinafter called the ***Substituted Obligor***) as the principal debtor under this Trust Deed in relation to the Notes and Coupons of any Series and under the Notes and Coupons of that Series and (2) without the consent of the Noteholders or the Couponholders, agree to the substitution of any Subsidiary of any Guarantor (also a ***Substituted Obligor***) in place of a Guarantor (or any previous substitute under this Clause) as the guarantor under this Trust Deed in relation to the Notes and Coupons of any Series and under the Notes and Coupons of that Series, in each case *provided that*:
- (i) a trust deed is executed or some other written form of undertaking is given by the Substituted Obligor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of this Trust Deed, the Notes and the Coupons (with any consequential amendments which the Trustee may deem appropriate) as fully as if the Substituted Obligor had been named in this Trust Deed and on the Notes and the Coupons as the principal debtor in place of the Issuer or, as the case may be, as the guarantor in place of the relevant Guarantor (or of any previous substitute under this Clause);
 - (ii) the Issuer, the Guarantors and the Substituted Obligor execute such other deeds, documents and instruments (if any) as the Trustee may require in order that the substitution is fully effective and comply with such other requirements as the Trustee may direct in the interests of the Noteholders and the Couponholders;
 - (iii) an unconditional and irrevocable guarantee in form and substance satisfactory to the Trustee shall have been given (x) in the case of the substitution of the Issuer as provided in (1) above, by the Issuer and each of the Guarantors or, if one of the Guarantors or its successor in business has become the Substituted Obligor, by the Issuer and the remaining Guarantor or (y) in the case of the substitution of a Guarantor as provided in (2) above, by each of the Guarantors, of the obligations of the Substituted Obligor under this Trust Deed and the Notes;

- (iv) the Trustee is satisfied that (i) the Substituted Obligor has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor or, as the case may be, as a guarantor in respect of this Trust Deed and the Notes and the Coupons

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in place of the Issuer and/or, as the case may be, the Guarantors or the relevant Guarantor (or such previous substitute as aforesaid) and (ii) the Issuer and/or, as the case may be, the Guarantors or the relevant Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee to be fully effective as referred to in sub-clause 9.3(c) and (iii) such approvals and consents are at the time of substitution in full force and effect;

- (v) (without prejudice to the generality of the preceding sub-clauses of this sub-clause 9.3(a)) where the Substituted Obligor is incorporated, domiciled or resident in or is otherwise subject generally to the taxing jurisdiction of any territory or any political sub-division thereof or any authority of or in such territory having power to tax (the ***Substituted Territory***) other than or in addition to the territory, the taxing jurisdiction of which (or to any such authority of or in which) the Issuer or, as the case may be, the relevant Guarantor is subject generally (the ***Issuer's Territory***), the Substituted Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking in form and manner satisfactory to the Trustee in terms corresponding to the terms of Condition 11 (*Taxation*) with the substitution for the reference in that Condition to the Issuer's Territory of references to the Substituted Territory and in such event the Trust Deed and Notes and Coupons will be interpreted accordingly;
- (vi) without prejudice to the rights of reliance of the Trustee under sub-clause 9.3(d) (*Directors' certification*) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders;
- (vii) the Rating Agency has confirmed in writing to the Trustee that the substitution of the Substituted Obligor will not result in:
 - (A) in respect of any Series of Notes which is not specifically rated by any rating agency, a downgrading of the then current credit rating of any rating agency applicable to the class of debt represented by the Notes; or
 - (B) in respect of any Series of Notes which is specifically rated by any rating agency, a downgrading of the then current credit rating applicable to such Series of Notes by such rating agency;
- (b) *Change of law*: in connection with any proposed substitution of the Issuer or any Guarantor or any previous substitute, the Trustee may, in its absolute discretion and without the consent of the Noteholders or the Couponholders agree to a change of the law from time to time governing the Notes and the Coupons and this Trust Deed *provided that* such change of law, in the opinion of the Trustee, would not be materially prejudicial to the interests of the Noteholders;

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- (c) *Extra duties*: the Trustee shall be entitled to refuse to approve any Substituted Obligor if, pursuant to the law of the country of incorporation of the Substituted Obligor, the assumption by the Substituted Obligor of its obligations hereunder imposes responsibilities on the Trustee over and above those which have been assumed under this Trust Deed;
 - (d) *Directors' certification*: if any two directors of the Substituted Obligor certify that immediately prior to the assumption of its obligations as Substituted Obligor under this Trust Deed the

Substituted Obligor is solvent after taking account of all prospective and contingent liabilities resulting from its becoming the Substituted Obligor, the Trustee need not have regard to the financial condition, profits or prospects of the Substituted Obligor or compare the same with those of the Issuer or, as the case may be, the relevant Guarantor (or of any previous substitute under this Clause);

- (e) *Interests of Noteholders*: in connection with any proposed substitution, the Trustee shall not have regard to, or be in any way liable for, the consequences of such substitution for individual Noteholders or the Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Noteholder or Couponholder shall, in connection with any such substitution, be entitled to claim from the Issuer or, as the case may be, the relevant Guarantor any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders;
- (f) *Release of Issuer or, as the case may be, the relevant Guarantor*: any agreement by the Trustee pursuant to sub-clause 9.3(a) (*Procedure*) shall, if so expressed, operate to release the Issuer or, as the case may be, the relevant Guarantor (or such previous substitute as aforesaid) from any or all of its obligations as principal debtor or, as the case may be, as guarantor, in respect of the Notes and Coupons and this Trust Deed (but without prejudice to its liabilities under any guarantee given pursuant to sub-clause 9.3(c) (*Extra duties*)). Not later than fourteen days after the execution of any such documents as aforesaid and after compliance with the said requirements of the Trustee, the Substituted Obligor shall cause notice thereof to be given to the Noteholders; and
- (g) *Completion of substitution*: upon the execution of such documents and compliance with the said requirements, the Substituted Obligor shall be deemed to be named in this Trust Deed and the Notes and Coupons as the principal debtor in place of the Issuer or, as the case may be, the guarantor in place of the relevant Guarantor (or in each case of any previous substitute under this Clause) and this Trust Deed, the Notes and the Coupons shall thereupon be deemed to be amended in such manner as shall be necessary to give effect to the substitution and without prejudice to the generality of the foregoing any references in this Trust Deed, in the Notes and Coupons to the Issuer or, as the case may be, the relevant Guarantor shall be deemed to be references to the Substituted Obligor.

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9.4 Rating Confirmations

For the purposes of determining whether or not the exercise by the Trustee of any of its trusts, powers, authorities, duties and discretions under this Trust Deed (including, without limitation, any modification, waiver, authorisation, determination or substitution), is materially prejudicial to the interests of the Noteholders of any Series of Notes, the Trustee shall be entitled to rely on (but is not bound by) any S&P or any Substituted Rating Agency confirmation received in respect thereof.

10. BREACH

Any breach of or failure to comply by the Issuer or the Guarantors with any such terms and conditions as are referred to in Clauses 8 (*Covenants by the Issuer and the Guarantors*) and 9 (*Amendments and Substitution*) shall constitute a default by the Issuer or the Guarantors (as the case may be) in the performance or observance of a covenant or provision binding on it under or pursuant to this Trust Deed.

11. ENFORCEMENT

11.1 Legal proceedings

The Trustee may at any time, at its discretion and without further notice, institute such proceedings against the Issuer and the Guarantors as it may think fit to recover any amounts due in respect of the Notes which are unpaid or to enforce any of its rights under this Trust Deed or the Conditions but it shall not be bound to take

any such proceedings or any other action under this Trust Deed or the Notes unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in principal amount of the outstanding Notes and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable and all Liabilities incurred by it in connection therewith and *provided that* the Trustee shall not be held liable for the consequence of taking any such action and may take such action without having regard to the effect of such action on individual Noteholders or Couponholders. Only the Trustee may enforce the provisions of the this Trust Deed and the Notes and Coupons and no Noteholder or Couponholder shall be entitled to proceed directly against the Issuer and/or any Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

11.2 Evidence of default

Proof that:

- (a) as regards any specified Note the Issuer has made default in paying any principal due in respect of such Note shall (unless the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Notes in respect of which a corresponding payment is then due;
- (b) as regards any specified Coupon the Issuer has made default in paying any interest due in respect of such Coupon shall (unless the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Coupons in respect of which a corresponding payment is then due; and

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- (c) as regards any Talon, the Issuer has made default in exchanging such Talon for further Coupons and a further Talon as provided by its terms shall (unless the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Talons which are then available for exchange,

and for the purposes of Subclauses 11.2(a) and 11.2(b) a payment shall be a “*corresponding*” payment notwithstanding that it is due in respect of a Note of a different denomination from that in respect of the above specified Note.

12. APPLICATION OF MONEYS

12.1 Application of moneys

All moneys received by the Trustee in respect of the Notes of any Series or amounts payable under this Trust Deed will despite any appropriation of all or part of them by the Issuer (including any moneys which represent principal or interest in respect of Notes or Coupons which have become void under the Conditions shall, unless and to the extent attributable, in the opinion of the Trustee, to a particular Series of the Notes, be apportioned *pari passu* and rateably between each Series of the Notes, and all moneys received by the Trustee under this Trust Deed from the Issuer or, as the case may be, the Guarantors to the extent attributable in the opinion of the Trustee to a particular Series of the Notes or which are apportioned to such Series as aforesaid, be held by the Trustee on trust to apply them (subject to Clause 12.2 (*Investment of moneys*)):

- (a) first, in payment or satisfaction of those Liabilities incurred by the Trustee or any Appointee in the preparation, maintenance and execution of the trusts of this Trust Deed (including remuneration and any additional remuneration of the Trustee);
- (b) secondly, in or towards payment *pari passu* and rateably of all interest remaining unpaid in respect of the Notes of the relevant Series and all principal moneys due on or in respect of the Notes of that Series *provided that* where the Notes of more than one Series become so due and payable, such monies shall be applied as between the amounts outstanding in respect of the different Series *pari passu* and rateably (except where, in the opinion of the Trustee, such monies are paid in respect of a specific Series or several specific Series, in which event such monies shall be applied

solely to the amounts outstanding in respect of that Series or those Series respectively); and

- (c) thirdly, the balance (if any) in payment to the Issuer (without prejudice to, or liability in respect of, any question as to how such payments shall be dealt with as between the Issuer and the Guarantors and any other person).

Without prejudice to this Clause 12, if the Trustee holds any moneys which represent principal or interest in respect of Notes which have become void or in respect of which claims have been prescribed under Condition 13 (*Prescription*), the Trustee will hold such moneys on the above trusts.

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12.2 Investment of moneys

If the amount of the moneys at any time available for payment of principal and interest in respect of the Notes of any Series under Clause 12.1 (*Application of moneys*) shall be less than a sum sufficient to pay at least one-tenth of the principal amount of the Notes of such Series then outstanding, the Trustee may, at its discretion, invest such moneys upon some or one of the investments hereinafter authorised with power from time to time, with like discretion, to vary such investments; and such investment with the resulting income thereof may be accumulated until the accumulations together with any other funds for the time being under the control of the Trustee and available for the purpose shall amount to a sum sufficient to pay at least one-tenth of the principal amount of the Notes of such Series then outstanding and such accumulation and funds (after deduction of any taxes and any other deductibles applicable thereto) shall then be applied in the manner aforesaid.

12.3 Authorised Investments

Any moneys which under this Trust Deed may be invested by the Trustee may be invested in the name or under the control of the Trustee in any of the investments for the time being authorised by English law for the investment by trustees of trust moneys or in any other investments, whether similar to those aforesaid or not, which may be selected by the Trustee or by placing the same on deposit in the name or under the control of the Trustee with such bank or other financial institution as the Trustee may think fit and in such currency as the Trustee in its absolute discretion may determine and the Trustee may at any time vary or transfer any of such investments for or into other such investments or convert any moneys so deposited into any other currency and shall not be responsible for any Liability occasioned by reason of any such investments or such deposit whether by depreciation in value, fluctuation in exchange rates or otherwise. If that bank or institution is the Trustee or a subsidiary, holding company or associated company of the Trustee, it need only account for an amount of interest equal to the amount of interest that would be payable by it on such deposit to an independent customer.

12.4 Payment to Noteholders and Couponholders

The Trustee shall give notice to the Noteholders in accordance with Condition 18 (*Notices*) of the date fixed for any payment under Clause 12.1 (*Application of Moneys*). Any payment to be made in respect of the Notes or Coupons of any Series by the Issuer, any Guarantor or the Trustee may be made in the manner provided in Condition 10 (*Payments*), the Agency Agreement and this Trust Deed and any payment so made shall be a good discharge of such payment to the extent of such payment by the Issuer, the relevant Guarantor or the Trustee (as the case may be).

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12.5 Production of Notes and Coupons

Upon any payment under Clause 12.4 (*Payment to Noteholders and Couponholders*) of principal or interest, the Note or Coupon in respect of which such payment is made shall, if the Trustee so requires, be produced to the Trustee or the Paying Agent by or through whom such payment is made and the Trustee shall in respect of a Note or Coupon (a) in the case of part payment, enface or cause such Paying Agent to enface a memorandum of the amount and date of payment thereon (or, in the case of part payment of an NGN

Temporary Global Note or an NGN Permanent Global Note cause the Principal Paying Agent to procure that the ICSDs make appropriate entries in their records to reflect such payment) or (b) in the case of payment in full, cause such Note or Coupon to be surrendered or shall cancel or procure the same to be cancelled and shall certify or procure the certification of such cancellation.

12.6 Noteholders to be treated as holding all Coupons

Wherever in this Trust Deed the Trustee is required or entitled to exercise a power, trust, authority or discretion under this Trust Deed, the Trustee shall, notwithstanding that it may have express notice to the contrary assume that each Noteholder is the holder of all Coupons and Talons appertaining to each Note of which he is the holder.

12.7 Regulated Activities

Notwithstanding anything in this Trust Deed to the contrary, the Trustee shall not be required to do anything which might constitute a regulated activity for the purpose of the FSMA, unless it is authorised under the FSMA to do so.

The Trustee shall have the discretion at any time (i) to delegate any of the functions which fall to be performed by an authorised person under the FSMA to any agent or person which has the necessary authorisations and licences and (ii) to apply for authorisation under the FSMA and perform any or all such functions itself if, in its absolute discretion, it considers it necessary, desirable or appropriate to do so.

Nothing in this Trust Deed shall require the Trustee to assume an obligation of the Issuer arising under any provision of the listing, prospectus, disclosure or transparency rules (or equivalent rules of any other competent authority besides the Financial Conduct Authority).

13. TERMS OF APPOINTMENT

By way of supplement to the Trustee Acts, it is expressly declared as follows:

13.1 Reliance on Information

- (a) *Advice*: the Trustee may in relation to this Trust Deed act on the opinion or advice of or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant or other expert (whether obtained by the Trustee, the Issuer, any Guarantor, any Subsidiary or any Agent) and shall not be responsible for any Liability occasioned by so acting; any such opinion, advice, certificate or information may be sent or obtained by

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letter, telegram, telex, email or facsimile transmission and the Trustee shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same shall contain some error or shall not be authentic;

- (b) *Certificate of Directors or Authorised Signatories*: the Trustee may call for and shall be at liberty to accept a certificate signed by two Directors and/or two Authorised Signatories of the Issuer or any Guarantor, as the case may be, or other person duly authorised on its behalf as to any fact or matter prima facie within the knowledge of the Issuer or the relevant Guarantor, as the case may be, as sufficient evidence thereof and a like certificate to the effect that any particular dealing, transaction or step or thing is, in the opinion of the person so certifying expedient, as sufficient evidence that it is expedient and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any Liability that may be occasioned by its failing so to do;
- (c) *Certificate of Auditors*: a certificate of the Auditors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantors, the Trustee, the Noteholders and the Couponholders;

- (d) *Resolution or direction of Noteholders*: the Trustee shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any meeting of the Noteholders in respect whereof minutes have been made and signed or a direction of a specified percentage of Noteholders, even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution or the making of the directions or in the case of a Written Resolution in writing or a direction or a request it was not signed by the requisite number of Noteholders or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the making of the directions was not valid or binding upon the Noteholders and the Couponholders;
- (e) *Reliance on certification of clearing system*: the Trustee may call for any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system in relation to any matter. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Cedcom system) in accordance with its usual procedures and in which the holder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by Euroclear or Clearstream, Luxembourg or any other relevant clearing system and subsequently found to be forged or not authentic;

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- (f) *Noteholders as a class*: whenever in this Trust Deed the Trustee is required in connection with any exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Noteholders, it shall have regard to the interests of the Noteholders as a class and in particular, but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences of such exercise for any individual Noteholder resulting from his or its being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantors, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 11 (*Taxation*) and/or any undertaking given in addition thereto or in substitution therefor under this Trust Deed;
 - (g) *Trustee not responsible for investigations*: the Trustee shall not be responsible for, or for investigating any matter which is the subject of, any recital, statement, representation, warranty or covenant of any person contained in this Trust Deed, the Notes or any other agreement or document relating to the transactions herein or therein contemplated or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof;
 - (h) *No obligation to monitor*: the Trustee shall be under no obligation to monitor or supervise the functions of any other person under the Notes or any other agreement or document relating to the transactions herein or therein contemplated and shall be entitled, in the absence of actual knowledge of a breach of obligation, to assume that each such person is properly performing and complying with its obligations;
 - (i) *Notes held by the Issuer*: in the absence of knowledge or express notice to the contrary, the Trustee may assume without enquiry (other than requesting a certificate of the Issuer or any Guarantor under sub-clause 8(f) (*Notes held by Issuer and the Guarantors*)), that no Notes are for the time being held by or for the benefit of the Issuer, any Guarantor or any Subsidiary;
 - (j) *Forged Notes*: the Trustee shall not be liable to the Issuer, any Guarantor or any Noteholder or Couponholder by reason of having accepted as valid or not having rejected any Note or Coupon as

such and subsequently found to be forged or not authentic;

- (k) *Events of Default*: the Trustee shall not be bound to give notice to any person of the execution of this Trust Deed or to take any steps to ascertain whether any Event of Default, Potential Event of Default, Change of Control or Change of Control Put Event has happened and, until it shall have actual knowledge or express notice to the contrary, the Trustee shall be entitled to assume that no such Event of Default, or Potential Event of Default, Change of Control or Change of Control Put Event has happened and that the Issuer and each Guarantor is observing and performing all the obligations on its part contained in the Notes and Coupons and under this Trust Deed and no event has happened as a consequence of which any of the Notes may become repayable;

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- (l) *Legal Opinions*: the Trustee shall not be responsible to any person for failing to request, require or receive any legal opinion relating to any Notes or for checking or commenting upon the content of any such legal opinion and shall not be responsible for any Liability incurred thereby;
 - (m) *Authorised Amount*: the Trustee shall not be concerned, and need not enquire, as to whether or not any Notes are issued in breach of the Authorised Amount;
 - (n) *Trustee not Responsible*: the Trustee shall not be responsible for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of this Trust Deed or any other document relating thereto and shall not be liable for any failure to obtain any rating of Notes (where required), any licence, consent or other authority for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, performance, enforceability or admissibility in evidence of this Trust Deed or any other document relating thereto. In addition the Trustee shall not be responsible for the effect of the exercise of any of its powers, duties and discretions hereunder;
 - (o) *Freedom to Refrain*: notwithstanding anything else herein contained, the Trustee may refrain from doing anything which would or might in its opinion be contrary to any law of any jurisdiction or any directive or regulation of any agency or any state of which would or might otherwise render it liable to any person and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation;
 - (p) *Right to Deduct or Withhold*: notwithstanding anything contained in this Trust Deed, to the extent required by any applicable law, if the Trustee is or will be required to make any deduction or withholding from any distribution or payment made by it hereunder or if the Trustee is or will be otherwise charged to, or is or may become liable to, tax as a consequence of performing its duties hereunder whether as principal, agent or otherwise, and whether by reason of any assessment, prospective assessment or other imposition of liability to taxation of whatsoever nature and whensoever made upon the Trustee, and whether in connection with or arising from any sums received or distributed by it or to which it may be entitled under this Trust Deed (other than in connection with its remuneration as provided for herein) or any investments or deposits from time to time representing the same, including any income or gains arising therefrom or any action of the Trustee in connection with the trusts of this Trust Deed (other than the remuneration herein specified) or otherwise, then the Trustee shall be entitled to make such deduction or withholding or, as the case may be, to retain out of sums received by it an amount sufficient to discharge any liability to tax which relates to sums so received or distributed or to discharge any such other liability of the Trustee to tax from the funds held by the Trustee upon the trusts of this Trust Deed;

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- (q) *FATCA Withholding*: the Trustee shall be entitled to deduct FACTA Withholding and shall have no obligation to gross-up any payment hereunder or to pay any additional amount as a result of such FACTA Withholding; and

- (r) *Reliance by Trustee*: any certificate or report of the Auditors or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of this Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by any engagement or similar letter or by the terms of the certificate or report itself.

13.2 Trustee's powers and duties

- (a) *Trustee's determination*: The Trustee may determine whether or not a default in the performance or observance by the Issuer or any Guarantor of any obligation under the provisions of this Trust Deed or contained in the Notes or Coupons is capable of remedy and if the Trustee shall certify that any such default is, in its opinion, not capable of remedy such certificate shall be conclusive and binding upon the Issuer, the Guarantors, the Noteholders and the Couponholders;
- (b) *Determination of questions*: the Trustee as between itself and the Noteholders and the Couponholders shall have full power to determine all questions and doubts arising in relation to any of the provisions of this Trust Deed and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee, the Noteholders and the Couponholders;
- (c) *Trustee's discretion*: the Trustee shall (save as expressly otherwise provided herein) as regards all the trusts, powers, authorities and discretions vested in it by this Trust Deed or by operation of law have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and the Trustee shall not be responsible for any Liability that may result from the exercise or non-exercise thereof but, whenever the Trustee is under the provisions of this Trust Deed bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or prefunded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all Liabilities which it may incur by so doing;
- (d) *Trustee's consent*: any consent or approval given by the Trustee for the purposes of this Trust Deed may be given on such terms and subject to such conditions (if any) as the Trustee may require. The Trustee may give any

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consent or approval, exercise any power, authority or discretion or take any similar action (whether or not such consent, approval, power, authority, discretion or action is specifically referred to in this Trust Deed) if it is satisfied that the interests of the Noteholders will not be materially prejudiced thereby. For any avoidance of doubt, the Trustee shall not have any duty to the Noteholders in relation to such matters other than that which is contained in the preceding sentence;

- (e) *Conversion of currency*: where it is necessary or desirable for any purpose in connection with this Trust Deed to convert any sum from one currency to another it shall (unless otherwise provided by this Trust Deed or required by law) be converted at such rate(s) of exchange, in accordance with such method and as at such date for the determination of such rate(s) of exchange as may be specified by the Trustee in its absolute discretion as relevant and any rate of exchange, method and date so specified shall be binding on the Issuer, the Guarantors, the Noteholders and the Couponholders;
- (f) *Application of proceeds*: the Trustee shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Notes, the exchange of any Temporary Global Note for any Permanent Global Note or Notes in definitive form, the exchange of any Permanent Global

Note for Notes in definitive form or the delivery of any Note or Coupon to the persons entitled to them;

- (g) *Error of judgment*: the Trustee shall not be liable for any error of judgment made in good faith by any officer or employee of the Trustee assigned by the Trustee to administer its corporate trust matters;
- (h) *Agents*: the Trustee may, in the conduct of the trusts of this Trust Deed instead of acting personally, employ and pay an agent on any terms, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money) and the Trustee shall not be responsible for any Liability incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person;
- (i) *Delegation*: the Trustee may, in the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in it by this Trust Deed, act by responsible officer(s) for the time being of the Trustee and the Trustee may also whenever it thinks fit, whether by power of attorney or otherwise, delegate to any person(s) or fluctuating body of persons (whether being a joint trustee of this Trust Deed or not) all or any of the trusts, powers, authorities and discretions vested in it by this Trust Deed and any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate with the consent of the Trustee) as the Trustee may think fit in the interests of the Noteholders and the Trustee shall not be bound to supervise the proceedings or acts of and shall not in any way or to any extent be responsible for any Liability incurred by reason of the misconduct, omission or default on the part of such delegate or sub-delegate;

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- (j) *Custodians and nominees*: the Trustee may appoint and pay any person to act as a custodian or nominee on any terms in relation to such assets of the trust as the Trustee may determine, including for the purpose of depositing with a custodian this Trust Deed or any document relating to the trust created hereunder and the Trustee shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person; the Trustee is not obliged to appoint a custodian if the Trustee invests in securities payable to bearer;
 - (k) *Maintenance of ratings*: the Trustee shall have no responsibility whatsoever to the Issuer, the Guarantors, any Noteholder or Couponholder or any other person for the maintenance of or failure to maintain any rating of any of the Notes by any rating agency;
 - (l) *Confidential information*: the Trustee shall not (unless required by law or ordered so to do by a court of competent jurisdiction) be required to disclose to any Noteholder or Couponholder confidential information or other information made available to the Trustee by the Issuer or any Guarantor in connection with this Trust Deed and no Noteholder or Couponholder shall be entitled to take any action to obtain from the Trustee any such information; and
 - (m) *Responsibility for loss*: the Trustee shall not be liable or responsible for any Liabilities or inconvenience which may result from anything properly done or properly omitted to be done by it in accordance with the provisions of this Trust Deed.

13.3 Financial matters

- (a) *Professional charges*: Any trustee being a banker, lawyer, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his partner or firm on matters arising in connection with the trusts of this Trust Deed and also his properly incurred charges in addition to

disbursements for all other work and business done and all time spent by him or his partner or firm on matters arising in connection with this Trust Deed, including matters which might or should have been attended to in person by a trustee not being a banker, lawyer, broker or other professional person;

- (b) *Expenditure by the Trustee*: nothing contained in this Trust Deed shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not assured to it; and

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- (c) *Trustee may enter into financial transactions with the Issuer and Guarantors*: no Trustee and no director or officer of any corporation being a Trustee hereof shall by reason of the fiduciary position of such Trustee be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with the Issuer, any Guarantor or any Subsidiary, or any person or body corporate directly or indirectly associated with the Issuer, any Guarantor, or any Subsidiary, or from accepting the trusteeship of any other debenture stock, debentures or securities of the Issuer or any Subsidiary, any Guarantor or any person or body corporate directly or indirectly associated with the Issuer or any Subsidiary, and neither the Trustee nor any such director or officer shall be accountable to the Noteholders, the Couponholders, the Issuer, any Guarantor or any Subsidiary, or any person or body corporate directly or indirectly associated with the Issuer, any Guarantor or any Subsidiary, for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Trustee and any such director or officer shall also be at liberty to retain the same for its or his own benefit.

13.4 Disapplication

Section 1 of the Trustee Act 2000 shall not apply to the duties of the Trustee in relation to the trusts constituted by this Trust Deed. Where there are any inconsistencies between the Trustee Acts and the provisions of this Trust Deed, the provisions of this Trust Deed shall, to the extent allowed by law, prevail and, in the case of any such inconsistency with the Trustee Act 2000, the provisions of this Trust Deed shall constitute a restriction or exclusion for the purposes of that Act.

13.5 Trustee Liability

- (a) Nothing in this Trust Deed shall in any case in which the Trustee has failed to show the degree of care and diligence required of it as trustee having regard to the provisions of this Trust Deed conferring on it any trusts, powers, authorities or discretions exempt the Trustee from or indemnify it against any liability for breach of trust of which it may be guilty in relation to its duties under this Trust Deed.
- (b) Notwithstanding any provision of this Trust Deed to the contrary, the Trustee shall not in any event be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits, goodwill, reputation, business opportunity or anticipated saving), whether or not foreseeable, even if the Trustee has been advised of the likelihood of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract, breach of trust or otherwise; *provided however, that* this clause shall not be deemed to apply in the event of a determination of fraud on the part of the Trustee in a judgement by a court having jurisdiction.

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14. COSTS AND EXPENSES

14.1 Remuneration

- (a) *Normal remuneration*: The Issuer shall pay to the Trustee remuneration for its services as trustee as from the date of this Trust Deed, such remuneration to be at such rate as may from time to time be agreed between the Issuer and the Trustee. Such remuneration shall be payable in advance on the anniversary of the date hereof in each year and the first payment shall be made on the date hereof. Such remuneration shall accrue from day to day and be payable (in priority to payments to the Noteholders or Couponholders up to and including the date when, all the Notes having become due for redemption, the redemption moneys and interest thereon to the date of redemption have been paid to the Principal Paying Agent or the Trustee, *provided that* if upon due presentation (if required pursuant to the Conditions) of any Note or Coupon or any cheque, payment of the moneys due in respect thereof is improperly withheld or refused, remuneration will be deemed not to have ceased to accrue and will commence again to accrue until payment to such Noteholder or Couponholder is made).
- (b) *Extra remuneration*: In the event of the occurrence of an Event of Default, a Potential Event of Default, a Change of Control or a Change of Control Put Event or the Trustee considering it expedient or necessary or being requested by the Issuer or any Guarantor to undertake duties which the Trustee and the Issuer or such Guarantor agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed, the Issuer shall pay to the Trustee such additional remuneration as shall be agreed between them.
- (c) *Value added tax*: The Issuer shall in addition pay to the Trustee an amount equal to the amount of any value added tax or similar tax chargeable in respect of its remuneration under this Trust Deed.
- (d) *Failure to agree*: In the event of the Trustee and the Issuer failing to agree:
 - (i) (in a case to which sub-clause 14.1(a) (*Normal remuneration*) applies) upon the amount of the remuneration; or
 - (ii) (in a case to which sub-clause 14.1(b) (*Extra remuneration*) applies) upon whether such duties shall be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed, or upon such additional remuneration,

such matters shall be determined by a merchant bank (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuer or, failing such approval, nominated (on the application of the Trustee) by the President for the time being of The Law Society of England and Wales (the expenses involved in such nomination and the fees of such merchant bank being payable by the Issuer) and the determination of any such merchant bank shall be final and binding upon the Trustee and the Issuer.

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- (e) *Expenses*: The Issuer shall also pay or discharge all costs, charges and expenses properly incurred by the Trustee in relation to the preparation and execution of, the exercise of its powers and the performance of its duties under, and in any other manner in relation to, this Trust Deed, including but not limited to legal and travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid or payable by the Trustee in connection with any action taken or contemplated by or on behalf of the Trustee for enforcing, or resolving any doubt concerning, or for any other purpose in relation to, this Trust Deed.
 - (f) *Indemnity*: Without prejudice to the right of indemnity by law given to trustees, the Issuer shall indemnify the Trustee and every Appointee and keep it or him indemnified against all Liabilities to which it or he may be or become subject or which may be properly incurred by it or him in the preparation or execution or purported execution of any of its or his trusts, powers authorities and discretions under this Trust Deed or its or his functions under any such appointment or in respect of any other matter or thing done or omitted in any way relating to the Trust Deed or any such appointment (including all Liabilities incurred in disputing or defending the foregoing). The

Trustee may use reasonable endeavours to provide to the Issuer written evidence of any Liabilities referred to in this Clause.

- (g) *Payment of amounts due:* All amounts due and payable pursuant to sub-clauses 14.1(e) (*Expenses*) and 14.1(f) (*Indemnity*) shall be payable by the Issuer on the date specified in a demand by the Trustee; the rate of interest applicable to such payments shall be one per cent. per annum above the base rate from time to time of HSBC Bank plc and interest shall accrue:
 - (i) in the case of payments made by the Trustee prior to the date of the demand, from the date on which the payment was made or such later date as specified in such demand;
 - (ii) in the case of payments made by the Trustee on or after the date of the demand, from the date specified in such demand, which date shall not be a date earlier than the date such payments are made.

All remuneration payable to the Trustee shall carry interest at the rate specified in this Clause 14.1(g) (*Payment of amounts due*) from the due date thereof.

- (h) *Apportionment of expenses:* The Trustee shall apportion the costs, charges, expenses and liabilities incurred by the Trustee in the preparation and execution of the trusts of this Trust Deed (including remuneration of the Trustee) between the several Series of Notes in such manner and in such amounts as it shall, in its absolute discretion, consider appropriate.
- (i) *Discharges:* Unless otherwise specifically stated in any discharge of this Trust Deed the provisions of this Clause 14 (*Costs and Expenses*) shall continue in full force and effect notwithstanding such discharge.

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- (j) *Payments:* All payments to be made by the Issuer to the Trustee under this Trust Deed shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any relevant jurisdiction or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amount as will, after such deduction or withholding has been made, leave the Trustee with the full amount which would have been received by it had no such withholding or deduction been required.

14.2 Stamp duties

The Issuer will pay all stamp duties, registration taxes, capital duties and other similar fees, duties or taxes (if any), including interest and penalties, payable on or in connection with (a) the constitution and issue of the Notes and Coupons, (b) the initial delivery of the Notes, (c) any action taken by the Trustee (or any Noteholder or Couponholder where permitted or required under this Trust Deed so to do) to enforce the provisions of the Notes or this Trust Deed and (d) the execution and delivery of this Trust Deed. If the Trustee (or any Noteholder, or Couponholder where permitted under this Trust Deed so to do) shall take any proceedings against the Issuer in any other jurisdiction and if for the purpose of any such proceedings this Trust Deed or any Note is taken into any such jurisdiction and any stamp duties or other duties or taxes become payable thereon in any such jurisdiction, the Issuer will pay (or reimburse the person making payment of) such stamp duties or other duties or taxes (including penalties).

14.3 Exchange rate indemnity

- (a) *Currency of Account and Payment:* The Contractual Currency is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with this Trust Deed, the Notes and the Coupons including damages;
- (b) *Extent of Discharge:* an amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer or any Guarantor or otherwise) by the

Trustee or any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or any Guarantor will only discharge the Issuer or any Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so);

- (c) *Indemnity*: if that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under this Trust Deed or the Notes or the Coupons, the Issuer and the Guarantor will indemnify the Trustee or any Noteholder or Couponholder against any Liability sustained by it as a result. In any event, the Issuer and the Guarantor will indemnify the recipient against the cost of making any such purchase; and

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- (d) any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which the local currency equivalent of the amounts due or contingently due under this Trust Deed (other than this Clause) is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Issuer or, as the case may be, the Guarantor and (ii) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be reduced by any variation in rates of exchange occurring between the said final date and the date of any distribution of assets in connection with any such bankruptcy, insolvency or liquidation.

14.4 Indemnities separate

The indemnities in this Clause 14 (*Costs and Expenses*) constitute separate and independent obligations from the other obligations in this Trust Deed, will give rise to separate and independent causes of action, will apply irrespective of any indulgence granted by the Trustee and/or any Noteholder or Couponholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Trust Deed or the Notes or the Coupons or any other judgment or order. Any such Liability as referred to in sub-clause 14.3(c) (*Indemnity*) shall be deemed to constitute a Liability suffered by the Trustee, the Noteholders and the Couponholders and no proof or evidence of any actual Liability shall be required by the Issuer or any Guarantor or its liquidator or liquidators.

15. APPOINTMENT AND RETIREMENT

15.1 Appointment of Trustees

The power of appointing new trustees of this Trust Deed shall be vested in the Issuer but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution of the Noteholders. A trust corporation may be appointed sole trustee hereof but subject thereto there shall be at least two trustees hereof one at least of which shall be a trust corporation. Any appointment of a new trustee hereof shall as soon as practicable thereafter be notified by the Issuer to the Agents and the Noteholders. The Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being hereof. The removal of any trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such removal. If, in such circumstances, no appointment of such a new trustee has become effective within 60 days of the date of such Extraordinary Resolution, the Trustee shall be entitled to appoint a Trust Corporation as trustee of this Trust Deed, but no such appointment shall take effect unless previously approved by an Extraordinary Resolution.

15.2 Co-trustees

Notwithstanding the provisions of Clause 15.1 (*Appointment of Trustees*), the Trustee may, upon giving prior notice to the Issuer and the Guarantors but without the consent

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of the Issuer or the Guarantors or the Noteholders or the Couponholders, appoint any person established or resident in any jurisdiction (whether a trust corporation or not) to act either as a separate trustee or as a co-trustee jointly with the Trustee:

- (a) if the Trustee considers such appointment to be in the interests of the Noteholders or the Couponholders; or for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdiction in which any particular act or acts are to be performed; or
- (b) for the purposes of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction either of a judgment already obtained or of this Trust Deed.

15.3 Attorneys

The Issuer and each Guarantor hereby irrevocably appoints the Trustee to be its attorney in its name and on its behalf to execute any such instrument of appointment. Such a person shall (subject always to the provisions of this Trust Deed) have such trusts, powers, authorities and discretions (not exceeding those conferred on the Trustee by this Trust Deed) and such duties and obligations as shall be conferred on such person or imposed by the instrument of appointment. The Trustee shall have power in like manner to remove any such person. Such remuneration as the Trustee may pay to any such person, together with any attributable Liabilities incurred by it in performing its function as such separate trustee or co-trustee, shall for the purposes of this Trust Deed be treated as Liabilities incurred by the Trustee.

15.4 Retirement of Trustees

Any Trustee for the time being of this Trust Deed may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without assigning any reason thereof and without being responsible for any Liabilities occasioned by such retirement. The retirement of any Trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such retirement. The Issuer hereby covenants that in the event of the only trustee hereof which is a trust corporation giving notice under this Clause it shall use its reasonable endeavours to procure a new trustee, being a trust corporation, to be appointed and if the Issuer has not procured the appointment of a new trustee within 30 days of the expiry of the Trustee notice referred to in this Clause 15.4, the Trustee shall be entitled to procure forthwith a new trustee.

15.5 Competence of a majority of Trustees

Whenever there shall be more than two trustees hereof the majority of such trustees shall (provided such majority includes a trust corporation) be competent to execute and exercise all the trusts, powers, authorities and discretions vested by this Trust Deed in the Trustee generally.

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15.6 Powers additional

The powers conferred by this Trust Deed upon the Trustee shall be in addition to any powers which may from time to time be vested in it by general law or as the holder of any of the Notes or the Coupons.

15.7 Merger

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Clause, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

16. NOTICES

16.1 Addresses for notices

All notices and other communications hereunder shall be made in writing and in English (by letter, telex or fax) and shall be sent as follows:

- (a) Issuer: if to the Issuer, to it at:

InterContinental Hotels Group PLC
Broadwater Park
Denham
Buckinghamshire UB9 5HR

Fax: 01895 512 101

Attention: The General Counsel and Company Secretary

- (b) Guarantors: if to the Guarantors, to them c/o the Issuer

- (c) Trustee: if to the Trustee, to it at:

HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London E14 5HQ

Fax: +44 20 7991 4350

Attention: CTLA Trustee Service Administration

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16.2 Effectiveness

Every notice or other communication sent in accordance with Clause 16.1 (*Addresses for Notices*) shall be effective as follows:

- (a) *Letter or fax*: if sent by letter, it shall be deemed to have been delivered 7 days after the time of despatch and if sent by fax it shall be deemed to have been delivered at the time of despatch; and
- (b) *Telex*: if sent by telex, upon receipt by the sender of the addressee's answerback at the end of transmission;

provided that any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the addressee.

16.3 No Notice to Couponholders

Neither the Trustee nor the Issuer nor any Guarantor shall be required to give any notice to the Couponholders for any purpose under this Trust Deed and the Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with Condition 18 (*Notices*).

17. LAW AND JURISDICTION

17.1 Governing law

This Trust Deed and the Notes, and any non-contractual obligations arising out of or in connection with this Trust Deed and the Notes, are governed by English law.

17.2 English courts

The courts of England have exclusive jurisdiction to settle any dispute (a *Dispute*), arising out of or in connection with this Trust Deed or the Notes (including a dispute regarding the existence, validity or

termination of this Trust Deed or the Notes or any non-contractual obligation arising out of or in connection with them) or the consequences of their nullity.

17.3 Appropriate forum

The parties agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

18. SEVERABILITY

In case any provision in or obligation under this Trust Deed shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any provision of this Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

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20. COUNTERPARTS

This Trust Deed may be executed in any number of counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF this Trust Deed has been executed as a deed by the parties hereto and is intended to be and is hereby delivered on the date first before written.

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SCHEDULE 1

TERMS AND CONDITIONS OF THE NOTES

1. Introduction

(a) *Programme*

InterContinental Hotels Group PLC (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to £1,500,000,000 in aggregate principal amount of notes (the “**Notes**”) unconditionally and irrevocably guaranteed by Six Continents Limited (“**Six Continents**”) and by InterContinental Hotels Limited (“**Intercontinental**”) and, together with Six Continents, each a “**Guarantor**” and together, the “**Guarantors**”).

(b) *Final Terms*

Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of final terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented and amended by the relevant Final Terms.

(c) *Trust Deed*

The Notes are constituted by, have the benefit of and are in all respects subject to an amended and restated trust deed dated 16 June 2015 (as amended, restated and/or supplemented from time to time, the “**Trust**”).

Deed) between the Issuer, the Guarantors and HSBC Corporate Trustee Company (UK) Limited (the **“Trustee”**, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below).

(d) **Agency Agreement**

The Notes are the subject of an agency agreement dated 16 June 2015 (the **“Agency Agreement”**) between the Issuer, the Guarantors, HSBC Bank plc as principal paying agent (the **“Principal Paying Agent”**, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and the Trustee.

(e) **Guarantees**

Each of the Guarantors has in the Trust Deed given an unconditional and irrevocable guarantee (each a **“Guarantee”** and together, the **“Guarantees”**) on a joint and several basis for the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and the Coupons.

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(f) **The Notes**

All subsequent references in these Conditions to **“Notes”** are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing during normal business hours and copies may be obtained from the Specified Office(s) of the Paying Agent(s), the initial Specified Office of the Principal Paying Agent being set out at the end of these Conditions. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange, the relevant Final Terms will be published on the website of the London Stock Exchange through a regulatory information service.

(g) **Summaries**

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the **“Noteholders”**) and the holders of the related interest coupons, if any, (the **“Coupon holders”** and the **“Coupons”**, respectively) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Office(s) of the Paying Agent(s).

2. Interpretation

(a) **Definitions**

In these Conditions the following expressions have the following meanings:

“Accrual Yield” has the meaning given in the relevant Final Terms;

“Additional Business Centre(s)” means the city or cities specified as such in the relevant Final Terms;

“Additional Financial Centre(s)” means the city or cities specified as such in the relevant Final Terms;

“Additional Rating Agency” means Moody’s and Fitch;

“Borrowings” means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on redemption) of the Financial Indebtedness of members of the Group, other than:

(a) any indebtedness referred to in paragraph (g) of the definition of Financial Indebtedness;

(b) any Project Finance Indebtedness; and

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- (c) any indebtedness referred to in paragraphs (i) and (j) of the definition of Financial Indebtedness except to the extent any such obligation or liability specified in such paragraphs has been provided for in the annual audited consolidated financial statements or interim unaudited consolidated financial statements of the Group or is disclosed as a contingency in the notes thereto and is quantified,

and deducting, to the extent included, amounts attributable to interests of third parties in members of the Group.

For this purpose, any amount outstanding or repayable in a currency other than U.S.\$ shall on that day be taken into account in its U.S.\$ equivalent at the rate of exchange that would have been used had an audited consolidated balance sheet of the Group been prepared as at that day in accordance with **IFRS** as applicable to the Original Financial Statements and taking into account the mark-to-market value of any derivative instruments taken out by a member of the Group specifically to hedge currency movements of any Financial Indebtedness otherwise constituting Borrowings and not denominated in U.S.\$;

“**Business Day**” means:

- (a) in relation to any sum payable in euro, a **TARGET** Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

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- (d) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred, provided, however, that:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) and/or Redemption Amount(s);

“**Calculation Amount**” has the meaning given in the relevant Final Terms;

a “**Change of Control**” will be deemed to have occurred if:

- (a) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer; or
- (b) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006) whose

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shareholders are or are to be substantially similar to the pre-existing shareholders of any direct or indirect holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (A) more than 50 per cent. of the issued or allotted ordinary share capital of any direct or indirect holding company of the Issuer or (B) shares in the capital of any direct or indirect holding company of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the any such direct or indirect holding company of the Issuer;

“**Change of Control Optional Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**Change of Control Optional Redemption Date**” has the meaning given in the relevant Final Terms;

“**Change of Control Period**” means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

a “**Change of Control Put Event**” will be deemed to occur if a Change of Control has occurred and:

- (a) on the Relevant Announcement Date, the Notes carry from any Rating Agency:
 - (i) an investment grade credit rating (Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is, within the Change of Control Period, either downgraded to a Non-Investment Grade Rating or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
 - (ii) a Non-Investment Grade Rating and such rating from any Rating Agency is, within the

Change of Control Period, either downgraded by one or more notches (by way of example, Ba1 to Ba2 being one notch) or withdrawn and is not, within the Change

of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or

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- (iii) no credit rating and a Negative Rating Event also occurs within the Change of Control Period, provided that if, at the time of the occurrence of the Change of Control, the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then subparagraph (i) will apply; and
 - (b) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs (i) and (ii) above or not to award a credit rating of at least investment grade as described in paragraph (ii) of the definition of “Negative Rating Event”, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement;

“**Change of Control Put Event Notice**” means the notice to be given pursuant to Condition 9(f) (*Change of Control redemption*) by the Issuer or, as the case may be, the Trustee to the Noteholders in accordance with Condition 18 (*Notices*) specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option;

“**Change of Control Put Option**” means the option of the Noteholders exercisable pursuant to Condition 9(g) (*Change of Control redemption*);

“**Change of Control Put Period**” means the period of 45 days after a Change of Control Put Event Notice is given;

“**Consolidated Gross Assets**” means the consolidated current assets plus consolidated non-current assets of the Group;

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of: (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular

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Period and (2) the number of Regular Periods in any year; and (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

- (b) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation

Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30”;

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- (f) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (g) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

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“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

PROVIDED, HOWEVER, THAT in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**EBITDA**” means, in relation to any Relevant Period, the total consolidated operating profit of the Group for that Relevant Period:

- (a) before taking into account:
 - (i) Net Interest Payable;
 - (ii) Tax; and
 - (iii) all exceptional items; and
- (b) after adding back all amounts provided for depreciation and amortisation; and
- (c) deducting, to the extent included, amounts attributable to interests of third parties in members of the Group;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**Financial Indebtedness**” means any indebtedness (without double counting) for or in respect of:

- (a) moneys borrowed;

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- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
 - (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock, commercial paper or any similar instrument (entered into or issued primarily as a method of raising finance) **PROVIDED THAT** Notes from time to time issued and outstanding under the Programme shall at the relevant time be valued as Financial Indebtedness having regard to the net effect of the marked-to-market value of any related interest and currency hedging arrangements in effect at that time;
 - (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS (as at the date of this Base Prospectus), be treated as a finance or capital lease;
 - (e) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis);
 - (f) any amount raised under any other transaction (including any forward sale or purchase agreement) required by IFRS to be shown as a borrowing in the audited consolidated balance sheet of the Group;
 - (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked-to-market value shall be taken into account);
 - (h) shares which are expressed to be redeemable prior to 20 March 2020;
 - (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; and
 - (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above,

but excluding indebtedness owing by a member of the Group to another member of the Group;

“**First Interest Payment Date**” means the date specified in the relevant Final Terms;

“**Fitch**” means Fitch Ratings Ltd. or any successor;

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**Group**” means the Issuer and its Subsidiaries for the time being;

“**Gross Redemption Yield**” on the Notes and on the Reference Stock will be expressed as a percentage and will be calculated by the Calculation Agent on the basis as published by the Treasury Publisher on an annual compounding basis rounded up (if necessary) to three decimal places, 0.0005 being rounded up, or on such other basis as the Trustee may in its sole discretion approve;

“**Guarantee**” and “**Guarantees**” have the meaning stated in Condition 1(e);

“**Guarantor**” and “**Guarantors**” have the meaning stated in Condition 1(a);

“**IFRS**” means international accounting standards within the meaning of IAS Regulation 1606/ 2002 to the extent applicable to the relevant financial statements;

“**Indebtedness**” means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning given in the relevant Final Terms;

“**Interest Payment Date**” means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

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“**Issue Date**” has the meaning given in the relevant Final Terms;

“**Make Whole Amount**” means, in respect of any Note, the higher of:

- (a) its principal amount; or
- (b) an amount equal to the product of the Calculation Amount and the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded up), at which the Gross Redemption Yield on the Note, if it were to be purchased at such price on the third dealing day prior to the date of publication of the notice of redemption, would be equal to the sum of the Make Whole Premium (expressed as a percentage) and the Gross Redemption Yield on such dealing day of the Reference Treasury or, if such stock is no longer in issue, of such other government stock issued by the central government of such sovereign country that issued the Reference Treasury as the Trustee, with the advice of three leading brokers operating in the Reference Treasury market and/or the Reference Treasury market makers or such other three persons operating in the Reference Treasury market as the Trustee may approve, shall determine to be appropriate (the “**Reference Stock**”) on the basis of the middle market price of the Reference Stock prevailing at 11.00 a.m. on such dealing day as determined by the Calculation Agent;

“**Make Whole Premium**” has the meaning given in the relevant Final Terms;

“**Margin**” has the meaning given in the relevant Final Terms;

“**Material Subsidiary**” means, at any time, any Subsidiary of the Issuer:

- (a) whose gross assets represent 10 per cent. or more of Consolidated Gross Assets or whose EBITDA represents 5 per cent. or more of consolidated EBITDA of the Group, in each case, as calculated by reference to the latest financial statements of such Subsidiary (which shall be audited if such statements are prepared by that Subsidiary) and the latest audited consolidated financial statements of the Group adjusted in such manner as the auditors of the Issuer may determine (which determination shall be conclusive in the absence of manifest error) (i) to reflect the gross assets and

EBITDA of any person which has become or ceased to be a member of the Group since the end of the financial year to which the latest audited consolidated financial statements of the Group relate where such adjustment is requested by the Issuer and (ii) so that for the purposes of this definition, the gross assets of the relevant Subsidiary shall be calculated on the same basis as Consolidated Gross Assets are calculated and/or, as the case may be, EBITDA of the relevant Subsidiary shall be calculated on the same basis as consolidated EBITDA for the Group (but, in each case,

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relating only to the relevant Subsidiary) and making such adjustments and eliminations as are required to show the same as the contribution of the relevant Subsidiary to Consolidated Gross Assets and/or, as the case may be, consolidated EBITDA of the Group; or

- (b) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall cease to be a Material Subsidiary and the transferee Subsidiary shall become a Material Subsidiary under this sub-paragraph (b) upon the completion of such transfer;

Any determination made by the auditors of the Issuer as to whether a Subsidiary of the Issuer is or is not a Material Subsidiary at any time shall be conclusive in the absence of manifest error. The Trustee may rely on a report of the auditors of the Issuer, whether or not addressed to the Trustee, that, in their opinion, a Subsidiary is a Material Subsidiary, without liability to any person and without further enquiry or evidence, notwithstanding that such report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the Issuer and notwithstanding that the scope and/or basis of such a report may be limited by any engagement or similar letter or by the terms of the report itself.

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Moody’s**” means Moody’s Investors Service, Inc. or any successor;

a “**Negative Rating Event**” shall be deemed to have occurred if at such time as there is no rating assigned to the Notes by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes, or any other unsecured and unsubordinated debt of the Issuer or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such a rating of at least investment grade by the end of the Change of Control Period;

“**Net Interest Payable**” means, in relation to any Relevant Period, the aggregate amount of interest and any other finance charges accrued by the Group in that Relevant Period in respect of Borrowings including:

- (a) the interest element of leasing and hire purchase payments;
- (b) commitment fees, commissions and guarantee fees; and

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(c) amounts in the nature of interest payable in respect of any shares other than equity share capital, adjusted (but without double counting) by:

- (i) deducting interest income of the Group in respect of that Relevant Period;
- (ii) adding back the net amount payable (or deducting the net amount receivable) by members of the Group in that Relevant Period as a result of close-out or termination of any interest or (so far as they relate to interest) currency hedging activities;

- (iii) adding back the amount payable as a premium on any bond buy-back by members of the Group in that Relevant Period;
- (iv) deducting, to the extent included, the amount payable by members of the Group in that Relevant Period for arrangement or related fees in respect of Borrowings (to include, for the avoidance of doubt, underwriting, syndication and fees of a similar nature); and
- (v) deducting, to the extent included, the amount of interest and other finance charges attributable to interests of third parties in members of the Group and adjusting, as appropriate, the additions or deductions specified in paragraphs (i) to (iv) (inclusive) above as a consequence of interests of third parties in members of the Group,

but shall exclude in relation to the Relevant Period (A) net mark-to-market gains or losses on revaluation of financial instruments, and (B) for the avoidance of doubt, any amount of interest paid to the Group's loyalty programme on the accumulated balance of cash received in advance of the redemption of loyalty points awarded;

“**Non-Investment Grade Rating**” means a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse);

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or, if specified in the relevant Final Terms, the Make Whole Amount;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

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“**Original Financial Statements**” means the audited consolidated financial statements of the Group for the financial period ended 31 December 2008;

“**Participating Member State**” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“**Paying Agents**” means the Principal Paying Agent and any substitute or additional paying agents appointed in accordance with the Agency Agreement and a “**Paying Agent**” means any of them;

“**Payment Business Day**” means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency, **PROVIDED, HOWEVER, THAT:**

- (a) in relation to euro, it means the principal financial centre of such Participating Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or

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Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“**Project Finance Indebtedness**” means Financial Indebtedness (in respect of which Security has been given) incurred by a member of the Group (a “**Project Group Member**”) for the purposes of financing the acquisition, construction, development and/or operation of an asset (a “**Project Asset**”) where the provider of the Financial Indebtedness has no recourse against any member of the Group, except for recourse to:

- (a) the Project Asset of the Project Group Member or receivables arising from the Project Asset;
- (b) a Project Group Member for the purpose of enforcing Security given by it so long as:
 - (i) the recourse is limited to recoveries in respect of the Project Asset; and
 - (ii) if the Project Asset does not comprise all or substantially all of the business of that Project Group Member, the provider of the Financial Indebtedness does not have the right to take any steps towards its winding up or dissolution or the appointment of a liquidator, administrator, receiver or similar officer or person, other than in respect of the Project Asset or receivables arising therefrom; or
- (c) a member of the Group to the extent only of its shareholding in a Project Group Member;

“**Project Group Member**” has the meaning given to it in the definition of Project Finance Indebtedness **provided that** the principal assets and business of such member of the Group is constituted by Project Assets and it has no other Financial Indebtedness except Project Finance Indebtedness;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder pursuant to Condition 9(f) (*Redemption at the option of Noteholders*);

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Rate of Interest**” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions;

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“**Rating Agency**” means S&P or any of its respective successors or any Substitute Rating Agency and, for the purposes of Condition 9(g) (*Change of Control redemption*), includes any Additional Rating Agency;

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early

Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

“**Redemption of Relevant Debt**” means the redemption in whole of the £400,000,000 3.875 per cent. notes due 28 November 2022 by the Issuer pursuant to their terms;

“**Reference Price**” has the meaning given in the relevant Final Terms;

“**Reference Rate**” has the meaning given in the relevant Final Terms;

“**Reference Treasury**” has the meaning given in the relevant Final Terms;

“**Regular Period**” means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“**Relevant Announcement Date**” means the date that is the earlier of (a) the date of the first public announcement of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any);

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of

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the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Financial Centre**” has the meaning given in the relevant Final Terms;

“**Relevant Indebtedness**” means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which have an initial stated maturity of not less than one year and which are or are of a type which is customarily quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness;

“**Relevant Period**” means:

- (a) each financial year of the Issuer; and
- (b) each period beginning on the first day of the second half of a financial year of the Issuer and ending on the last day of the first half of its next financial year;

“**Relevant Potential Change of Control Announcement**” means any public announcement or statement by or on behalf of the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs;

“**Reserved Matter**” means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;
- (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under Clause 7.3 of the Trust Deed);
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or

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- (e) to amend this definition;

“**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Inc. or any successor;

“**Security**” means a mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance entered into for the purpose of securing any obligation of any person;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Step Down Rating Change**” means the first public announcement after a Step Up Rating Change by the Rating Agency of an increase in, or as the case may be the reinstatement of, the credit rating of the Issuer’s senior unsecured long-term debt with the result that, following such public announcement(s), the Rating Agency rates the Issuer’s senior unsecured long-term debt as BBB- or higher. For the avoidance of doubt, any further increases in the credit rating of the Issuer’s senior unsecured long-term debt by the Rating Agency above BBB- shall not constitute a Step Down Rating Change;

“**Step Up Rating Change**” means the first public announcement by the Rating Agency of a decrease in the credit rating of the Issuer’s senior unsecured long-term debt to below BBB-. For the avoidance of doubt, any further decrease in the credit rating of the Issuer’s senior unsecured long-term debt by the Rating Agency from below BBB- shall not constitute a Step Up Rating Change;

“**Step Up/Step Down Margin**” has the meaning given in the relevant Final Terms;

“**Subsidiary**” means any company where the Issuer.

- (a) holds a majority of the voting rights in the company; or
- (b) is a member of the company and has the right to appoint or remove a majority of its board of directors, or
- (c) is a member of the company and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it, or if the company is a subsidiary of a company that is itself a subsidiary of the Issuer;

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“**Substitute Rating Agency**” means any rating agency of international standing substituted for the Rating Agency by the Issuer from time to time with the prior written approval of the Trustee, such approval not to be unreasonably withheld or delayed;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure by the Issuer to pay or any delay in paying by the Issuer any of the same);

“**Treasury Publisher**” has the meaning given in the relevant Final Terms;

“**Treaty**” means the Treaty on the functioning of the European Union, as amended;

“**Wholly-Owned Subsidiary**” means any Person in which the Issuer, and/or one or more of its Wholly-Owned Subsidiaries, controls, directly or indirectly, all of the stock with ordinary voting power to elect the board of directors of that Person; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

(b) **Interpretation**

In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

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- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
 - (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
 - (vi) references to Notes being “**outstanding**” shall be construed in accordance with the Trust Deed;
 - (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
 - (viii) any reference to the Agency Agreement or the Trust Deed shall be construed as a reference to the Agency Agreement or the Trust Deed, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one denomination (the “**Specified Denomination**”) specified in the relevant Final Terms, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

4. **Status of the Notes and Guarantees**

The Notes and Coupons constitute direct, general, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

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The payment obligations of the Guarantors rank *pari passu* with all other present and future unsecured obligations of the Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any of the Notes remains outstanding neither the Issuer nor any Guarantor nor any Material Subsidiary will create or have outstanding any Security Interest upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any Guarantor or any Material Subsidiary to secure any Relevant Indebtedness, unless the Issuer or, as the case may be, such Guarantor or such Material Subsidiary, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interest of the Noteholders or (B) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-quarters of the votes cast thereon at a meeting of the Noteholders or by a resolution in writing signed by or on behalf of the holders of not less than three quarters of the nominal amount of the Notes) of the Noteholders.

6. **Fixed Rate Note Provisions**

(a) ***Application***

This Condition 6 is applicable to the Notes only if the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with

this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

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(c) ***Fixed Coupon Amount***

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) ***Calculation of interest amount***

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(e) ***Step Up/Step Down provisions***

- (i) If the Step Up/Step Down provisions are specified in the relevant Final Terms as being applicable, the Rate of Interest payable on the Notes will be subject to adjustment from time to time in the event of a Step Up Rating Change or a Step Down Rating Change, as the case may be, in accordance with the provisions of this Condition 6(e).
- (ii) From and including the first Interest Payment Date following the date of a Step Up Rating Change, if any, the Rate of Interest payable on the Notes shall, subject to any adjustment pursuant to a Step Down Rating Change and provided that either Redemption of Relevant Debt is specified in the relevant Final Terms as being not applicable or Redemption of Relevant Debt is specified in the relevant Final Terms as being applicable but has not yet occurred, be increased by the Step Up/Step Down Margin.
- (iii) Furthermore, in the event of a Step Down Rating Change following a Step Up Rating Change or, as the case may be, a Redemption of Relevant Debt having occurred following a Step Up Rating Change where Redemption of Relevant Debt has been specified in the relevant Final Terms as being applicable, with effect from and including the first Interest Payment Date following the date of such Step Down Rating Change or, as the case may be, Redemption of Relevant Debt, the Rate of Interest payable on the Notes shall be decreased by the Step Up/Step Down Margin.
- (iv) The Issuer shall use all reasonable efforts to maintain a credit rating for its senior unsecured long-term debt from the Rating Agency. If, notwithstanding such reasonable efforts, the Rating Agency fails to or

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ceases to assign a credit rating to the Issuer’s senior unsecured long-term debt, the Issuer shall use all reasonable efforts to obtain a credit rating of its senior unsecured long-term debt from a Substitute Rating Agency, and references in this Condition 6(e) to the Rating Agency, or the credit ratings thereof, shall be to such Substitute Rating Agency and, as the case may be, the equivalent credit ratings thereof. Notwithstanding anything else in this

Condition 6(e), if there is at any time no current rating by a Rating Agency for a period of 90 consecutive days, the Rate of Interest accruing to the Notes, with effect from and including the first Interest Payment Date immediately following such period of 90 consecutive days shall be as though a Step Up Rating Change had occurred unless such a rating is obtained on or prior to such Interest Payment Date. For the avoidance of doubt, the provisions of this sub-paragraph (iv) remain subject in all cases to the provisions relating to the Step Down Rating Change set out in sub-paragraphs (ii) and (iii) above.

- (v) The Issuer will cause the occurrence of a Step Up Rating Change or a Step Down Rating Change to be notified to the Trustee and the Principal Paying Agent and notice thereof to be published in accordance with Condition 18 (*Notices*) as soon as possible after the occurrence of the Step Up Rating Change or the Step Down Rating Change (whichever the case may be) but in no event later than the fifth Business Day thereafter.
- (vi) The Step Up Rating Change may occur only once during the term of the Notes.
- (vii) The Trustee is under no obligation to ascertain whether a change in the rating assigned to the Notes by the Rating Agency or any Substitute Rating Agency has occurred or whether there has been a failure or a ceasing by the Rating Agency or any Substitute Rating Agency to assign a credit rating to the Issuer's senior unsecured long-term debt and until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such change to the credit rating assigned to the Notes has occurred or no such failure or ceasing by the Rating Agency or any Substitute Rating Agency has occurred.
- (viii) If the rating designations employed by the Rating Agency are changed from those which are described in the definitions of "*Step Down Rating Change*" and "*Step Up Rating Change*", or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of the Rating Agency or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of the Rating Agency, and this Condition 6(e) shall be construed accordingly.

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7. Floating Rate Note Provisions

(a) *Application*

This Condition 7 is applicable to the Notes only if the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *ISDA Determination*

The Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an

interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (d) **Maximum or Minimum Rate of Interest**

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

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(e) **Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(f) **Calculation of other amounts**

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(g) **Publication**

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(h) **Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantors, the Trustee, the Paying Agents, the Noteholders

and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

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(i) ***Determination or Calculation by Trustee***

If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee or a person appointed by the Trustee for that purpose (but without any liability accruing to the Trustee as a result) will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee or a person appointed by the Trustee for that purpose (but without any liability accruing to the Trustee as a result) shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Trustee shall be binding on the Issuer, the Guarantors, the Noteholders and the Couponholders.

8. Zero Coupon Note Provisions

(a) ***Application***

This Condition 8 is applicable to the Notes only if the Zero Coupon Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Late payment on Zero Coupon Notes***

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

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9. Redemption and Purchase

(a) ***Scheduled redemption***

Unless previously redeemed, or purchased and cancelled in accordance with Condition 9(k) (*Cancellation*), the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments*).

(b) ***Redemption for tax reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if the Floating Rate Note provisions are not specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note provisions are specified in the

relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) as a result of any change in, or amendment to, the tax laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes on the next Interest Payment Date either (i) the Issuer would be obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) or (ii) each Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and
- (B) such obligation cannot be avoided by the Issuer or, as the case may be, each of the Guarantors taking reasonable measures available to it,

PROVIDED, HOWEVER, THAT no such notice of redemption shall be given earlier than:

- (I) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or, as the case may be, the relevant Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (II) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or, as the case may be, the relevant Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

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Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i), if the Trustee so requests, an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, a Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and (ii) a certificate signed by two authorised officers of the Issuer or, as the case may be, each of the Guarantors, as the case may be, stating that the obligation referred to in (A) above cannot be avoided by the Issuer or, as the case may be, each of the Guarantors taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (B) above in which event it shall be conclusive and binding on the Noteholders and Couponholders. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(c) ***Redemption at the option of the Issuer (Issuer Call Option)***

If Issuer Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 30 nor more than 60 days' notice (or such other period of notice as is specified in the relevant Final Terms as being applicable) to the Noteholders and the Trustee (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) ***Redemption at the option of the Issuer (Issuer Maturity Par Call Option)***

If Issuer Maturity Par Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time during the period commencing on

(and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount specified in the relevant Final Terms, plus accrued interest (if any) to the date fixed for redemption, upon the Issuer having given not less than 30 nor more than 60 days' notice (or such other period of notice as is specified in the relevant Final Terms as being applicable) to the Noteholders and the Trustee (which notice shall be irrevocable and shall specify the date fixed for redemption).

(e) ***Partial redemption***

If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer (Issuer Call Option)*),

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the Notes to be redeemed shall be selected by the drawing of lots in such place and in such manner as the Trustee approves, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer (Issuer Call Option)*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(f) ***Redemption at the option of Noteholders***

If Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which such Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; **PROVIDED, HOWEVER, THAT** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

If the Note is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption or, as the case may be, purchase of a Note under this Condition 9(f) the holder of the Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

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(g) ***Change of Control redemption***

If Change of Control Put Option is specified in the relevant Final Terms as being applicable and a Change of Control Put Event occurs, the holder of each Note will have the option (unless prior to the giving of the

relevant Change of Control Put Event Notice the Issuer has given notice of redemption under Condition 9(b) (*Redemption for tax reasons*) or 9(c) (*Redemption at the option of the Issuer*), if applicable) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Change of Control Optional Redemption Date at its Change of Control Optional Redemption Amount together with interest accrued to (but excluding) the Change of Control Optional Redemption Date.

Promptly upon, and in any event within 14 days after, the Issuer becoming aware that a Change of Control Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall, (subject in each case to the Trustee being indemnified, secured and/or prefunded to its satisfaction) give the Change of Control Put Event Notice to the Noteholders.

To exercise the Change of Control Put Option, the holder of the Note must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the Change of Control Put Period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (an "**Exercise Notice**"). The Note should be delivered together with all Coupons appertaining thereto maturing after the Change of Control Optional Redemption Date, failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed by the Paying Agent to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement issued therefor pursuant to Condition 14 (*Replacement of Notes and Coupons*)) at any time after such payment, but before the expiry of the period of ten years from the date on which such Coupon would have become due, but not thereafter. If the Note is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption or, as the case may be, purchase of a Note under this Condition 9(g) the holder of the Note must, within the Change of Control Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time. The Paying Agent to which such Note and Exercise Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered or, in the case of a Note held through

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Euroclear and/or Clearstream, Luxembourg, notice received. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Exercise Notice to which payment is to be made, on the Change of Control Optional Redemption Date by transfer to that bank account and, in every other case, on or after the Change of Control Optional Redemption Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. For the purposes of these Conditions, receipts issued pursuant to this Condition 9(g) shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the Notes in respect of which the Change of Control Put Option has been validly exercised in accordance with the provisions of this Condition 9(g) on the Change of Control Optional Redemption Date unless previously redeemed (or purchased) and cancelled.

Any Exercise Notice, once given, shall be irrevocable except where prior to the Change of Control Optional Redemption Date an Event of Default shall have occurred and the Trustee shall have accelerated the Notes, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Exercise Notice and instead to treat its Notes as being forthwith due and payable pursuant to Condition 12 (*Events of Default*).

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 9(g), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control Optional Redemption Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

If the rating designations employed by any Rating Agency are changed from those which are described in paragraph (ii) of the definition of “Change of Control Put Event”, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee, the rating designations of such Rating Agency or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of the relevant Rating Agency and this Condition 9(g) shall be construed accordingly.

The Trustee is under no obligation to ascertain whether a Change of Control Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control has occurred, or to seek any confirmation from any Rating Agency pursuant to the definition of Negative Rating Event below, and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or Change of Control or other such event has occurred.

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(h) ***No other redemption***

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(a) (*Scheduled redemption*) to 9(g) (*Change of control redemption*) above.

(i) ***Early redemption of Zero Coupon Notes***

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(i) or, if none is so specified, a Day Count Fraction of 30E/360.

(j) ***Purchase***

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **PROVIDED THAT** all unmatured Coupons are purchased therewith.

(k) ***Cancellation***

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

10. **Payments**

(a) ***Principal***

Payments of principal shall be made only against presentation and (**PROVIDED THAT** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

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(b) ***Interest***

Payments of interest shall, subject to Condition 10(h) (*Payments other than in respect of matured Coupons*), be made only against presentation and (**PROVIDED THAT** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 10(a) (*Principal*).

(c) *Payments in New York City*

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City as specified in Part B of the relevant Final Terms if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons*

If the relevant Final Terms specify that the Fixed Rate Note provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **PROVIDED HOWEVER, THAT** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the **“Relevant**

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Coupons”) being equal to the amount of principal due for payment; **PROVIDED HOWEVER, THAT** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **PROVIDED, HOWEVER, THAT**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 10(a) (*Principal*) against presentation and (**PROVIDED THAT** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*

If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(f) (*Redemption at the option of Noteholders*), Condition 9(c) (*Redemption at the option of the Issuer (Issuer Call Option)*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) ***Payments on business days***

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) ***Payments other than in respect of matured Coupons***

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 10(c) (*Payments in New York City*) above).

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(i) ***Partial payments***

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) ***Exchange of Talons***

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. **Taxation**

(a) ***Gross up***

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or any Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or, as the case may be, such Guarantor, shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (i) presented for payment by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (ii) where such withholding or deduction is imposed on a payment to or for an individual and is required to be made pursuant to Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

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- (iii) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent (if any); or
 - (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

(b) ***Taxing jurisdiction***

If the Issuer or any Guarantor becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

12. Events of Default

If any of the following events occurs and is continuing then the Trustee may at its discretion and shall, if so requested in writing by the holders of at least one fifth of the aggregate principal amount of the outstanding Notes, or if so directed by an Extraordinary Resolution (subject to the Trustee having been indemnified and/or provided with security and/or prefunded by the Noteholders to its satisfaction) by written notice to the Issuer, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality:

(a) ***Non-payment***

the Issuer fails to pay any amount of principal in respect of the Notes within ten days of the due date for payment thereof or any amount of interest in respect of the Notes within ten days of the due date for payment thereof; or

(b) ***Breach of other obligations***

the Issuer or any Guarantor does not comply with any of their other obligations under or in respect of the Notes or the Trust Deed and (except in any case where, in the opinion of the Trustee, such failure is incapable of remedy in which case no continuation or notice as is hereinafter provided will be required) such failure to comply continues unremedied for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been delivered by the Trustee to the Issuer or such Guarantor, as the case may be; or

(c) ***Cross Default***

- (i) any Indebtedness of the Issuer or any Guarantor or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described);

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- (ii) the Issuer or any Guarantor or any Material Subsidiary fails to make any payment in respect of any Indebtedness on the due date for payment or, as the case may be, within any applicable grace period as originally provided;
 - (iii) any security given by the Issuer or any Guarantor or any Material Subsidiary for any Indebtedness is enforced; or
 - (iv) default is made by the Issuer or any Guarantor or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person,

provided that (i) no event described in this Condition 12(c) shall constitute an Event of Default where the Issuer or the relevant Guarantor or the relevant Material Subsidiary, as the case may be, satisfies the Trustee that it is contesting such Event of Default in good faith and by appropriate action and (ii) no event described in this Condition 12(c) shall constitute an Event of Default unless the Indebtedness or other relative liability, either alone or when aggregated with other Indebtedness and/or other liabilities relative to all (if any) other events described in this Condition 12(c) which have occurred and are continuing (excluding where the Issuer and/or the relevant Guarantor and/or the relevant Material Subsidiary, as the case may be, has satisfied the Trustee that it is contesting such event in good faith and by appropriate action), amounts to at least U.S.\$50,000,000 (or its equivalent in any other currency); or

(d) ***Security enforced***

a secured party takes possession, or a receiver, manager or other similar officer is appointed, of all or substantially all of the undertaking, assets and revenues of the Issuer, a Guarantor or any Material Subsidiary; or

(e) ***Creditor's process***

any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Issuer, any Guarantor or a Material Subsidiary having an aggregate value of and in respect of indebtedness aggregating at least U.S.\$50,000,000 (or its equivalent in any other currency or currencies) and is not discharged within 30 days; or

(f) ***Insolvency etc.***

- (i) the Issuer, any Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, any Guarantor or any Material Subsidiary of all or substantially all of the undertaking, assets and revenues of the Issuer, such Guarantor or such Material Subsidiary is appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent on terms previously approved in writing by the Trustee or by an Extraordinary

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Resolution); or (iii) the Issuer, any Guarantor or any Material Subsidiary makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally or declares a moratorium in respect of any of its Indebtedness given by it; or (iv) a person presents a petition for the winding up, liquidation, dissolution, administration or suspension of payments of the Issuer, any Guarantor or any Material Subsidiary (excluding where the Issuer, such Guarantor or such Material Subsidiary has satisfied the Trustee that it is contesting such petition in good faith and by appropriate action); or

(g) ***Winding up etc.***

an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, any Guarantor or any Material Subsidiary (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent on terms previously approved in writing by the Trustee or by an Extraordinary Resolution); or

(h) ***Failure to take action etc.***

any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or the Guarantors lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Coupons and the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of England is not taken, fulfilled or done; or

(i) ***Cessation of business etc.***

the Issuer, any Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business, save for (i) the purposes of or pursuant to an amalgamation, reorganisation or restructuring neither involving nor arising out of the insolvency of the Issuer or, as the case may be, such Guarantor or Material Subsidiary, (ii) any transfer of assets by the Issuer, any Guarantor or any Material Subsidiary to any other member of the Group, (iii) any transfer of assets by the Issuer, any Guarantor or any Material Subsidiary to a third party or parties (whether associated or not) on an arm's length basis, (iv) any transfer of assets by the Issuer, any Guarantor or any Material Subsidiary whereby the transferee is or immediately upon such transfer becomes a Material Subsidiary, or (v) any transfer of assets by the Issuer, any Guarantor or any Material Subsidiary the terms of which have been previously approved by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(j) **Guarantee etc.**

any Guarantee ceases to be, or is claimed by a Guarantor not to be, in full force and effect; or

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(k) **Guarantors etc.**

any Guarantor ceases to be a Subsidiary controlled, directly or indirectly, by the Issuer,

provided that, in the case of Conditions 12(b), (d) and (f) to (i) inclusive, the Trustee shall have certified in writing that such event is in its opinion materially prejudicial to the interests of the Noteholders.

13. Prescription

Claims for principal shall become void unless such claims are made within ten years of the appropriate Relevant Date. Claims for interest shall become void unless such claims are made within five years of the appropriate Relevant Date.

14. Replacement of Notes, Coupons and Talons

If any Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, as specified in Part B of the relevant Final Terms, in any particular place, a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantors may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

15. Trustee and Agents

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified, secured and/or prefunded to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer, the Guarantors and/or any other Subsidiary and/or any related entity thereof and to act as trustee for the holders of any other securities issued or guaranteed by or relating to the Issuer, the Guarantors or any other Subsidiary, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

In the exercise of its powers and discretions under these Conditions and/or the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequences for individual holders of Notes, Coupons or Talons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

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In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents and the Calculation Agent (if any) act solely as agents of the Issuer or, following the occurrence of an Event of Default, the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The Principal Paying Agent and its initial Specified Office is set out below. If any additional Paying Agent is appointed in connection with any Series, the name of such Paying Agent will be specified in Part B of the relevant Final Terms. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time, with the prior written consent of the Trustee, to vary or terminate the appointment of any Paying Agent or Calculation Agent and to appoint a successor principal paying agent or calculation agent and additional or successor paying agents; **PROVIDED HOWEVER, THAT**

- (a) the Issuer shall at all times maintain a Principal Paying Agent; and
- (b) the Issuer shall at all times maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any appointment of, or change in, any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 18 (*Notices*).

16. **Meetings of Noteholders; Modification and Waiver**

(a) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of

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the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **PROVIDED HOWEVER, THAT** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any

Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of at least 75 per cent. of the Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification and waiver***

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification to or of these Conditions, the Notes or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders, (ii) any modification of these Conditions, the Notes or the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to correct an error which, in the opinion of the Trustee, is proven, and (iii) any waiver or authorisation of any breach or proposed breach, of any of the provisions of these Conditions, the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable in accordance with Condition 18 (*Notices*).

(c) ***Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to the substitution of certain other entities in place of the Issuer or any Guarantor (or in either case any previously substituted company) as principal debtor or, as the case may be, guarantor under the Trust Deed in relation to the Notes and Coupons of any Series of Notes, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer or, as the case may be, the relevant Guarantor, (ii) the Trustee being satisfied that such substitution is not materially prejudicial to the interests of Noteholders; and (iii) certain other conditions set out in the Trust Deed being complied with.

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No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 11 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

17. Enforcement

The Trustee may, at any time, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantors as it thinks fit to enforce any obligation, condition or provision binding on the Issuer and/or the Guarantors under these Conditions, the Notes or the Trust Deed, but shall not be bound to do so unless:

- (a) it has been so directed by an Extraordinary Resolution or it has been so requested in writing by the holders of at least one fifth of the nominal amount of the Notes outstanding; and
- (b) it has been indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction.

No Noteholder or Couponholder shall be entitled to institute proceedings directly against the Issuer or a Guarantor unless the Trustee, having become bound to proceed as aforesaid, fails to do so within a reasonable time and such failure is continuing.

18. Notices

- (a) ***Valid Notices***

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

(b) ***Other Methods***

Notwithstanding Condition 18(a) (*Valid Notices*), the Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and **PROVIDED THAT** notice of that other method is given to the Noteholders in the manner required by the Trustee.

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(c) ***Couponholders***

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

19. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent, being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

21. Governing Law and Jurisdiction

(a) ***Governing law***

The Notes and the Trust Deed, and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed, are governed by, and construed in accordance with, English law.

(b) ***English courts***

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes and the Trust Deed (including a dispute relating to the existence, validity or cancellation of the Notes or any non-contractual obligation arising out of or in connection with the Notes or the Trust Deed) or the consequences of their nullity.

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(c) *Appropriate forum*

The Issuer and each of the Guarantors agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

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SCHEDULE 2
FORM OF GLOBAL NOTES

Part A Form of Temporary Global Note

[ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]¹

INTERCONTINENTAL HOTELS GROUP PLC
(incorporated in England and Wales with company number 05134420)

[Aggregate principal amount of Series]
[Title of Notes]

unconditionally and irrevocably guaranteed by

SIX CONTINENTS LIMITED
(incorporated in England and Wales with company number 913450)

and

INTERCONTINENTAL HOTELS LIMITED
(incorporated in England and Wales with company number 4551528)

TEMPORARY GLOBAL NOTE

1. INTRODUCTION

1.1 The Notes

This Temporary Global Note is issued in respect of the notes (the *Notes*) of InterContinental Hotels Group PLC (the *Issuer*) and guaranteed by Six Continents Limited and InterContinental Hotels Limited (together, the *Guarantors*) described in the final terms (the *Final Terms*) or drawdown prospectus (the *Drawdown Prospectus*) or securities note (*Securities Note*) a copy of which is annexed hereto. If a Drawdown Prospectus or a Securities Note is annexed hereto, each reference in this Temporary Global Note to “*Final Terms*” shall be read and construed as a reference to the final terms of the Notes set out in such Drawdown Prospectus or Securities Note. The Notes:

- (a) *Trust Deed*: (insofar as they are represented by this Temporary Global Note) are subject to and have the benefit of an amended and restated trust deed made on 16 June 2015 (as further amended, supplemented or restated from time to

¹ Legend to appear on every Note with a maturity of more than one year.

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time, the **Trust Deed**) made between the Issuer, the Guarantors and HSBC Corporate Trustee Company (UK) Limited as trustee (the **Trustee**, which expression shall include all persons for the time being the trustee or trustees appointed under the Trust Deed); and

- (b) **Agency Agreement**: are the subject of an amended and restated agency agreement dated 16 June 2015 (as further amended, supplemented or restated from time to time, the **Agency Agreement**) made between the Issuer, the Guarantors, the Trustee and HSBC Bank plc as principal paying agent (the **Principal Paying Agent**, which expression includes any successor or additional principal paying agent appointed from time to time in connection with the Notes, and together with any additional or successor paying agents appointed from time to time in connection with the Notes, the **Paying Agents**).

1.2 Construction

All references in this Temporary Global Note to an agreement, instrument or other document (including the Agency Agreement and the Trust Deed) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time *provided that*, in the case of any amendment, supplement, replacement or novation made after the date hereof, it is made in accordance with the Conditions and the Trust Deed. Headings and sub-headings are for ease of reference only and shall not affect the construction of this Temporary Global Note.

1.3 References to Conditions

Any reference herein to the Conditions is to the Conditions as defined in the Trust Deed, as supplemented, amended and/or replaced by the Final Terms and any reference to a numbered “**Condition**” is to the correspondingly numbered provision thereof. Words and expressions defined in Condition 2(a) (*Interpretation - Definitions*) shall have the same meanings when used in this Temporary Global Note.

2. PROMISE TO PAY

2.1 Pay to bearer

The Issuer, for value received, promises to pay to the bearer of this Temporary Global Note, in respect of each Note represented by this Temporary Global Note, on each instalment date (if the Notes are repayable in instalments) and on the Maturity Date or on such earlier date or dates as the same may become payable in accordance with the Conditions, the Redemption Amount or such lesser amount as is repayable upon any such redemption or repayment (or to pay such other amounts of principal on such dates as may be specified in the Final Terms), and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Temporary Global Note on the dates and in the manner specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions; *provided, however, that* such interest shall be payable only:

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- (a) **Before the Exchange Date**: in the case of interest falling due before the Exchange Date (as defined below), to the extent that a certificate or certificates issued by Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and, together with Euroclear, the international central securities depositories or **ICSDs**) and/or any other relevant clearing system dated not earlier than the date on which such interest falls due and in substantially the form set out in Schedule 3 (*Form of Euroclear/Clearstream, Luxembourg Certification*) hereto is/are delivered to the Specified Office of the Principal Paying Agent; or
- (b) **Failure to exchange**: in the case of interest falling due at any time, to the extent that the Issuer has failed to procure the exchange for a permanent global note of that portion of this Temporary Global Note in respect of which such interest has accrued.

2.2 NGN Principal Amount

If the Final Terms specify that the New Global Note form is applicable, this Temporary Global Note shall be a “**New Global Note**” or “**NGN**” and the principal amount of Notes represented by this Temporary Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression in this Temporary Global Note means the records that each ICSD holds for its customers which reflect the amount of such customers’ interests in the Notes (but excluding any interest in any Notes of one ICSD shown in the records of another ICSD)) shall be conclusive evidence of the principal amount of Notes represented by this Temporary Global Note and, for these purposes, a statement issued by an ICSD (which statement shall be made available to the bearer upon request) stating the principal amount of Notes represented by this Temporary Global Note at any time shall be conclusive evidence of the records of the ICSD at that time.

2.3 CGN Principal Amount

If the Final Terms specify that the New Global Note form is not applicable, this Temporary Global Note shall be a “**Classic Global Note**” or “**CGN**” and the principal amount of Notes represented by this Temporary Global Note shall be the amount stated in the Final Terms or, if lower, the principal amount most recently entered by or on behalf of the Issuer in the relevant column in Schedule 1 (*Payments, Exchange and Cancellation of Notes*).

3. NEGOTIABILITY

This Temporary Global Note is negotiable and, accordingly, title to this Temporary Global Note shall pass by delivery.

4. EXCHANGE

4.1 Permanent Global Note

If the Final Terms specify the form of Notes as being “**Temporary Global Note exchangeable for a Permanent Global Note**”, then on or after the day following the

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expiry of 40 days after the date of issue of this Temporary Global Note (the **Exchange Date**), the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note (which expression has the meaning given in the Trust Deed) in accordance with the Agency Agreement to the bearer of this Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (a) *Presentation and surrender*: presentation and (in the case of final exchange) surrender of this Temporary Global Note to or to the order of the Principal Paying Agent; and
- (b) *Certification*: receipt by the Principal Paying Agent of a certificate or certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system dated not earlier than the Exchange Date and in substantially the form set out in Schedule 3 (*Form of Euroclear/Clearstream, Luxembourg Certification*) hereto.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent; *provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by this Temporary Global Note.*

4.2 Definitive Notes; Not D Rules

If the Final Terms specify the form of Notes as being “**Temporary Global Note exchangeable for Definitive Notes**” and also specifies that the C Rules are applicable or that neither the C Rules or the D Rules are applicable, then on or after the day following the expiry of 40 days after the date of issue of this Temporary Global Note (the **Exchange Date**), the Issuer shall procure the delivery of Definitive Notes (which expression

has the meaning given in the Agency Agreement) in accordance with the Agency Agreement with Coupons and Talons (if so specified in the Final Terms) attached and in an aggregate principal amount equal to the principal amount of Notes represented by this Temporary Global Note to the bearer of this Temporary Global Note against presentation and surrender of this Temporary Global Note to or to the order of the Principal Paying Agent.

4.3 Definitive Notes; D Rules

If the Final Terms specify the form of Notes as being “*Temporary Global Note exchangeable for Definitive Notes*” and also specifies that the D Rules are applicable, then on or after the day following the expiry of 40 days after the date of issue of this Temporary Global Note (the *Exchange Date*), the Issuer shall procure the delivery of Definitive Notes (which expression has the meaning given in the Agency Agreement) in accordance with the Agency Agreement with Coupons and Talons (if so specified in the Final Terms) attached against:

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- (a) *Presentation and surrender*: presentation and (in the case of final exchange) surrender of this Temporary Global Note to or to the order of the Principal Paying Agent; and
 - (b) *Certification*: receipt by the Principal Paying Agent of a certificate or certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system dated not earlier than the Exchange Date and in substantially the form set out in Schedule 3 (*Form of Euroclear/Clearstream, Luxembourg Certification*) hereto.

The Definitive Notes so delivered from time to time shall be in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent; *provided, however, that* in no circumstances shall the aggregate principal amount of Definitive Notes so delivered exceed the initial principal amount of Notes represented by this Temporary Global Note.

5. DELIVERY OF PERMANENT GLOBAL OR DEFINITIVE NOTES

5.1 Permanent Global Note

Whenever any interest in this Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of this Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of Notes represented by such Permanent Global Note in accordance with its terms, in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent against presentation and (in the case of final exchange) surrender of this Temporary Global Note to or to the order of the Principal Paying Agent within 7 days of the bearer requesting such exchange.

5.2 Definitive Notes

Whenever this Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by this Temporary Global Note to the bearer of this Temporary Global Note against the surrender of this Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

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6. WRITING DOWN

On each occasion on which:

- 6.1 *Permanent Global Note*: the Permanent Global Note is delivered or the principal amount of Notes represented thereby is increased in accordance with its terms in exchange for a further portion of this Temporary Global Note; or
- 6.2 *Definitive Notes*: Definitive Notes are delivered in exchange for this Temporary Global Note; or
- 6.3 *Cancellation*: Notes represented by this Temporary Global Note are to be cancelled in accordance with Condition 9(k) (*Redemption and Purchase - Cancellation*),

the Issuer shall procure that:

- (a) if the Final Terms specify that the New Global Note form is not applicable, (i) the principal amount of Notes represented by the Permanent Global Note, the principal amount of such increase or (as the case may be) the aggregate principal amount of such Notes and (ii) the remaining principal amount of Notes represented by this Temporary Global Note (which shall be the previous principal amount of Notes represented by this Temporary Global Note less the aggregate of the amounts referred to in (i) above) are entered in Schedule 1 (*Payments, Exchange and Cancellation of Notes*) hereto, whereupon the principal amount of Notes represented by this Temporary Global Note shall for all purposes be as most recently so entered; and
- (b) if the Final Terms specify that the New Global Note form is applicable, details of the exchange or cancellation shall be entered pro rata in the records of the ICSDs.

7. PAYMENTS

7.1 Recording of Payments

Upon any payment being made in respect of the Notes represented by this Temporary Global Note, the Issuer shall procure that:

- (a) *CGN*: if the Final Terms specify that the New Global Note form is not applicable, details of such payment shall be entered in Schedule 1 (*Payments, Exchange and Cancellation of Notes*) hereto and, in the case of any payment of principal, the principal amount of the Notes represented by this Temporary Global Note shall be reduced by the principal amount so paid; and
- (b) *NGN*: if the Final Terms specify that the New Global Note form is applicable, details of such payment shall be entered pro rata in the records of the ICSDs and, in the case of any payment of principal, the principal amount of the Notes entered in the records of ICSDs and represented by this Temporary Global Note shall be reduced by the principal amount so paid.

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7.2 Discharge of Issuer's obligations

Payments due in respect of Notes for the time being represented by this Temporary Global Note shall be made to the bearer of this Temporary Global Note and each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries referred to above shall not affect such discharge.

8. CONDITIONS APPLY

Until this Temporary Global Note has been exchanged as provided herein or cancelled in accordance with the Agency Agreement, the bearer of this Temporary Global Note shall be subject to the Conditions and the Trust Deed and, subject as otherwise provided herein, shall be entitled to the same rights and benefits under the Conditions and the Trust Deed as if the bearer were the holder of Definitive Notes and any related Coupons and Talons in the smallest Specified Denomination and in an aggregate principal amount equal to the principal amount of the Notes represented by this Temporary Global Note.

9. NOTICES

Notwithstanding Condition 18 (*Notices*), while all the Notes are represented by this Temporary Global Note (or by this Temporary Global Note and the Permanent Global Note) and this Temporary Global Note is (or this Temporary Global Note and the Permanent Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a Common Safekeeper (which expression has the meaning given in the Agency Agreement), notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with the Condition 18 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; *provided, however, that*, so long as the Notes are listed on the London Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in London (which is expected to be the Financial Times).

10. MEETINGS

The holders of this Temporary Global Note shall, at any meeting of the Noteholders, be treated as having one vote in respect of each £1 in principal amount of the Notes represented by this Temporary Global Note.

11. TRUSTEE'S POWERS

In considering the interests of Noteholders while this Temporary Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by any such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to this Temporary Global Note and may consider such interests as if such accountholders were the holders of this Temporary Global Note.

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12. AUTHENTICATION

This Temporary Global Note shall not be valid for any purpose until it has been authenticated by and on behalf of HSBC Bank plc as principal paying agent.

13. EFFECTUATION

If the Final Terms specify that the New Global Note form is applicable, this Temporary Global Note shall not be valid for any purpose until it has been effectuated for and on behalf of the entity appointed as common safekeeper by the ICSDs.

14. GOVERNING LAW

This Temporary Global Note and any non-contractual obligations arising out of or in connection with it are governed by English law.

AS WITNESS the [manual/facsimile] signature of a duly authorised person on behalf of the Issuer.

INTERCONTINENTAL HOTELS)
GROUP PLC)
)

By:

[manual or facsimile signature]
(duly authorised)

ISSUED on the Issue Date

AUTHENTICATED by and on behalf of)
HSBC BANK PLC)
as principal paying agent without)
recourse, warranty or liability)

By:
[manual signature]
(duly authorised)

[EFFECTUATED for and on behalf of)
EUROCLEAR BANK SA/NV)
as common safekeeper without recourse,)
warranty or liability)

By:
[manual signature]
(duly authorised)

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SCHEDULE 12

TO THE TEMPORARY GLOBAL NOTE

Payments, Exchange and Cancellation of Notes

<u>Date of payment, delivery or cancellation</u>	<u>Amount of interest then paid</u>	<u>Principal amount of Permanent Global Note then delivered or by which Permanent Global Note then increased or aggregate principal amount of Definitive Notes then delivered</u>	<u>Aggregate principal amount of Notes then cancelled</u>	<u>Remaining principal amount of this Temporary Global Note</u>	<u>Authorised Signature</u>
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2 Schedule 1 should only be completed where the Final Terms specify that the New Global Note form is not applicable.

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SCHEDULE 2

TO THE TEMPORARY GLOBAL NOTE

Form of Accountholder's Certification

INTERCONTINENTAL HOTELS GROUP PLC
(incorporated in England and Wales with company number 05134420)

[Aggregate principal amount of Series]

[Title of Notes]

This is to certify that as of the date hereof, and except as set forth below, the above-captioned Securities held by you for our account (a) are owned by persons that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source (*United States persons*), (b) are owned by United States person(s) that (i) are foreign branches of a United States financial institution (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(v)) (*financial institutions*) purchasing for their own account or for resale, or (ii) acquired the Securities through foreign branches of United States financial institutions and who hold the Securities through such United States financial institutions on the date hereof (and in either case (i) or (ii), each such United States financial institution hereby agrees, on its own behalf or through its agent, that you may advise the issuer or the issuer's agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (c) are owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and in addition if the owner of the Securities is a United States or foreign financial institution described in clause (c) (whether or not also described in clause (a) or (b)) this is to further certify that such financial institution has not acquired the Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

If the Securities are of the category contemplated in Section 230.903(c)(3) of Regulation S under the Securities Act of 1933, as amended (the *Act*), then this is also to certify that, except as set forth below, the Securities are beneficially owned by (1) non-U.S. person(s) or (2) U.S. person(s) who purchased the Securities in transactions which did not require registration under the Act. As used in this paragraph the term *U.S. person* has the meaning given to it by Regulation S under the Act.

As used herein, *United States* means the United States of America (including the States and the District of Columbia); and its *possessions* include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

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We undertake to advise you promptly by electronic transmission on or prior to the date on which you intend to submit your certification relating to the Securities held by you for our account in accordance with your operating procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

This certification excepts and does not relate to [currency] [amount] of such interest in the above Securities in respect of which we are not able to certify and as to which we understand exchange and delivery of definitive Securities (or, if relevant, exercise of any rights or collection of any interest) cannot be made until we do so certify.

We understand that this certification is required in connection with certain tax laws and, if applicable, certain securities laws of the United States. In connection therewith, if administrative or legal proceedings or official enquiries are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorise you to produce this certification to any interested party in such proceedings.

Dated: []]

**[name of account holder]
as, or as agent for,
the beneficial owner(s) of the Securities
to which this certificate relates.**

By: _____
Authorised signatory

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SCHEDULE 3
TO THE TEMPORARY GLOBAL NOTE
FORM OF EUROCLEAR/CLEARSTREAM, LUXEMBOURG
CERTIFICATION
INTERCONTINENTAL HOTELS GROUP PLC
(incorporated in England and Wales with company number 05134420)

[Aggregate principal amount of Series]

[Title of Notes]

This is to certify that, based solely on certifications we have received in writing, by electronic transmission from member organisations appearing in our records as persons being entitled to a portion of the principal amount set forth below (our **Member Organisations**) substantially to the effect set forth in the temporary global note issued in respect of the securities, as of the date hereof, [currency] [amount] principal amount of the above-captioned Securities (a) is owned by persons that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source (**United States persons**), (b) is owned by United States persons that (i) are foreign branches of United States financial institutions (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(v)) (**financial institutions**) purchasing for their own account or for resale, or (ii) acquired the Securities through foreign branches of United States financial institutions and who hold the Securities through such United States financial institutions on the date hereof (and in either case (i) or (ii), each such United States financial institution has agreed, on its own behalf or through its agent, that we may advise the Issuer or the Issuer's agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (c) is owned by United States or foreign financial institutions for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and to the further effect that United States or foreign financial institutions described in clause (c) (whether or not also described in clause (a) or (b)) have

certified that they have not acquired the Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

If the Securities are of the category contemplated in Section 230.903(c)(3) of Regulation S under the Securities Act of 1933, as amended (the *Act*), then this is also to certify with respect to the principal amount of Securities set forth above that, except as set forth below, we have received in writing, by electronic transmission, from our Member Organisations entitled to a portion of such principal amount, certifications with respect to such portion substantially to the effect set forth in the temporary global note issued in respect of the Securities.

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We further certify (1) that we are not making available herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) any portion of the temporary global security excepted in such certifications and (2) that as of the date hereof we have not received any notification from any of our Member Organisations to the effect that the statements made by such Member Organisations with respect to any portion of the part submitted herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

We understand that this certification is required in connection with certain tax laws and, if applicable, certain securities laws of the United States. In connection therewith, if administrative or legal proceedings or official enquiries are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorise you to produce this certification to any interested party in such proceedings.

Dated: []]

Euroclear Bank SA/NV

or

Clearstream Banking, société anonyme

By: _____
Authorised signatory

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Part B
Form of Permanent Global Note

[ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]³

INTERCONTINENTAL HOTELS GROUP PLC
(incorporated in England and Wales with company number 05134420)

[Aggregate principal amount of Series]

[Title of Notes]

unconditionally and irrevocably guaranteed by

SIX CONTINENTS LIMITED
(incorporated in England and Wales with company number 913450)

and

INTERCONTINENTAL HOTELS LIMITED
(incorporated in England and Wales with company number 4551528)

PERMANENT GLOBAL NOTE

1. INTRODUCTION

1.1 The Notes

This Global Note is issued in respect of the notes (the *Notes*) of InterContinental Hotels Group PLC (the *Issuer*) and guaranteed by Six Continents Limited and InterContinental Hotels Limited (together, the *Guarantors*) described in the final terms (the *Final Terms*) or drawdown prospectus (*Drawdown Prospectus*) or securities note (*Securities Note*) a copy of which is annexed hereto. If a Drawdown Prospectus or a Securities Note is annexed hereto, each reference in this Global Note to “*Final Terms*” shall be read and construed as a reference to the final terms of the Notes set out in such Drawdown Prospectus or Securities Note. The Notes:

- (a) *Trust Deed*: (insofar as they are represented by this Global Note) are subject to and have the benefit of an amended and restated trust deed made on 16 June 2015 (as further amended, supplemented or restated from time to time, the *Trust Deed*) made between the Issuer, the Guarantors and HSBC Corporate Trustee Company (UK) Limited as trustee (the *Trustee*, which expression shall include all persons for the time being the trustee or trustees appointed under the Trust Deed); and

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- 3 Legend to appear on every Note with a maturity of more than one year.

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- (b) *Agency Agreement*: are the subject of an amended and restated agency agreement dated 16 June 2015 (as further amended, supplemented or restated from time to time) (the *Agency Agreement*) made between the Issuer, the Guarantors, the Trustee and HSBC Bank plc as principal paying agent (the *Principal Paying Agent*, which expression includes any successor or additional principal paying agent appointed from time to time in connection with the Notes, and, together with any additional or successor paying agents appointed from time to time in connection with the Notes, the *Paying Agents*).

1.2 Construction

All references in this Global Note to an agreement, instrument or other document (including the Agency Agreement and the Trust Deed) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time *provided that*, in the case of any amendment, supplement, replacement or novation made after the date hereof, it is made in accordance with the Conditions and the Trust Deed. Headings and sub-headings are for ease of reference only and shall not affect the construction of this Global Note.

1.3 References to Conditions

Any reference herein to the *Conditions* is to the Terms and Conditions of the Notes set out in Schedule 2 (*Terms and Conditions of the Notes*) hereto, as supplemented, amended and/or replaced by the Final Terms

and any reference to a numbered **Condition** is to the correspondingly numbered provision thereof. Words and expressions defined in the Conditions shall have the same meanings when used in this Global Note.

2. PROMISE TO PAY

2.1 Pay to bearer

The Issuer, for value received, promises to pay to the bearer of this Global Note, in respect of each Note represented by this Global Note, on each instalment date (if the Notes are repayable in instalments) and on the Maturity Date or on such earlier date or dates as the same may become payable in accordance with the Conditions, the Redemption Amount or such lesser amount as is repayable upon any such redemption or repayment of instalment (or to repay such other amounts of principal on such dates as may be specified in the Final Terms and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Global Note on the dates and in the manner specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

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2.2 NGN Principal Amount

If the Final Terms specify that the New Global Note form is applicable, this Global Note shall be a “**New Global Note**” or “**NGN**” and the principal amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression in this Global Note means the records that each ICSD holds for its customers which reflect the amount of such customers’ interests in the Notes (but excluding any interest in any Notes of one ICSD shown in the records of another ICSD)) shall be conclusive evidence of the principal amount of Notes represented by this Global Note and, for these purposes, a statement issued by an ICSD (which statement shall be made available to the bearer upon request) stating the principal amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the ICSD at that time.

2.3 CGN Principal Amount

If the Final Terms specify that the New Global Note form is not applicable, this Global Note shall be a “**Classic Global Note**” or “**CGN**” and the principal amount of Notes represented by this Global Note shall be the amount stated in the Final Terms or, if lower, the principal amount most recently entered by or on behalf of the Issuer in the relevant column in Schedule 1 (*Payments, Exchange and Cancellation of Notes*) hereto.

3. NEGOTIABILITY

This Global Note is negotiable and, accordingly, title to this Global Note shall pass by delivery.

4. EXCHANGE

This Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of this Global Note, for Definitive Notes (which expression has the meaning given in the Trust Deed) in accordance with the Agency Agreement:

- 4.1 *Upon notice*: on the expiry of such period of notice as may be specified in the Final Terms; or
- 4.2 *Upon demand*: at any time, if so specified in the Final Terms; or
- 4.3 *In limited circumstances*: if the Final Terms specify “**in the limited circumstances described in the Permanent Global Note**”, then if either of the following events occurs:
 - (a) *Closure of clearing systems*: Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and, together with Euroclear, the international central securities depositories or **ICSDs**) or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system approved by the Trustee is

available; or

- (b) *Event of Default*: any of the circumstances described in Condition 12 (*Events of Default*) occurs; or

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- (c) *Adverse tax consequences*: the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form.

5. DELIVERY OF DEFINITIVE NOTES

Whenever this Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by this Global Note to the bearer of this Global Note against the surrender of this Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

6. WRITING DOWN

On each occasion on which:

- 6.1 *Payment of principal*: a payment of principal is made in respect of this Global Note;
- 6.2 *Definitive Notes*: Definitive Notes are delivered; or
- 6.3 *Cancellation*: Notes represented by this Global Note are to be cancelled in accordance with Condition 9(k) (*Redemption and Purchase - Cancellation*),

the Issuer shall procure that:

- (a) if the Final Terms specify that the New Global Note Form is not applicable, (i) the amount of such payment and the aggregate principal amount of such Notes; and (ii) the remaining principal amount of Notes represented by this Global Note (which shall be the previous principal amount hereof less the aggregate of the amounts referred to in (i) above) are entered in Schedule 1 (*Payments, Exchange and Cancellation of Notes*) hereto, whereupon the principal amount of Notes represented by this Global Note shall for all purposes be as most recently so entered; and
- (b) if the Final Terms specify that the New Global Note Form is applicable, details of the exchange or cancellation shall be entered pro rata in the records of the ISCDs.

7. WRITING UP

7.1 Initial Exchange

If this Global Note was originally issued in exchange for part only of a temporary global note representing the Notes, then all references in this Global Note to the principal amount of Notes represented by this Global Note shall be construed as references to the principal amount of Notes represented by the part of the temporary global note in exchange for which this Global Note was originally issued which the Issuer shall procure:

- (a) *CGN*: if the Final Terms specify that the New Global Note form is not applicable, is entered in Schedule 1 (*Payments, Exchange and Cancellation of Notes*) hereto, whereupon the principal amount of Notes represented by this Global Note shall for all purposes be as most recently so entered; and

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- (b) *NGN*: if the Final Terms specify that the New Global Note form is applicable, is entered by the ICSDs in their records.

7.2 Subsequent Exchange

If at any subsequent time any further portion of such temporary global note is exchanged for an interest in this Global Note, the principal amount of Notes represented by this Global Note shall be increased by the amount of such further portion, and the Issuer shall procure that the principal amount of Notes represented by this Global Note (which shall be the previous principal amount of Notes represented by this Global Note plus the amount of such further portion) is:

- (a) *CGN*: if the Final Terms specify that the New Global Note form is not applicable, entered in Schedule 1 (*Payments, Exchange and Cancellation of Notes*) hereto, whereupon the principal amount of this Global Note shall for all purposes be as most recently so entered; and
- (b) *NGN*: if the Final Terms specify that the New Global Note form is applicable, entered by the ICSDs in their records.

8. PAYMENTS

8.1 Recording of Payments

Upon any payment being made in respect of the Notes represented by this Global Note, the Issuer shall procure that:

- (a) *CGN*: if the Final Terms specify that the New Global Note form is not applicable, details of such payment shall be entered in Schedule 1 (*Payments, Exchange and Cancellation of Notes*) hereto and, in the case of any payment of principal, the principal amount of the Notes represented by this Global Note shall be reduced by the principal amount so paid; and
- (b) *NGN*: if the Final Terms specify that the New Global Note form is applicable, details of such payment shall be entered pro rata in the records of the ICSDs and, in the case of any payment of principal, the principal amount of the Notes entered in the records of ICSDs and represented by this Global Note shall be reduced by the principal amount so paid.

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8.2 Discharge of Issuer's obligations

Payments due in respect of Notes for the time being represented by this Global Note shall be made to the bearer of this Global Note and each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries referred to above shall not affect such discharge.

9. CONDITIONS APPLY

Until this Global Note has been exchanged as provided herein or cancelled in accordance with the Agency Agreement, the bearer of this Global Note shall be subject to the Conditions and, subject as otherwise provided herein, shall be entitled to the same rights and benefits under the Conditions as if the bearer were the holder of Definitive Notes and any related Coupons and Talons in the smallest Specified Denomination and in an aggregate principal amount equal to the principal amount of Notes represented by this Global Note.

10. EXERCISE OF PUT OPTION OR CHANGE OF CONTROL PUT OPTION

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 9(f) (*Redemption and Purchase - Redemption at the option of the Noteholders*) or, as the case may be, the option of the Noteholders provided for in Condition 9(g) (*Redemption and Purchase - Change of Control redemption*) may be exercised by an accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include

notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depository for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in the relevant Condition.

11. EXERCISE OF CALL OPTION

For so long as all of the Notes are represented by one or both of the temporary global note and this Global Note and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no drawing of Notes will be required under Condition 9(e) (*Redemption and Purchase - Partial redemption*) in the event that the Issuer exercises its call option pursuant to Condition 9(c) (*Redemption and Purchase - Redemption at the option of the Issuer (Issuer Call Option)*) in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Note(s) are to be subject to such option.

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12. NOTICES

Notwithstanding Condition 18 (*Notices*), while all the Notes are represented by this Global Note (or by this Global Note and a temporary global note) and this Global Note is (or this Global Note and the temporary global note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a Common Safekeeper (which expression has the meaning given in the Agency Agreement), notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 18 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; *provided, however, that*, so long as the Notes are listed on the London Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*).

Whilst any Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such a manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

13. MEETINGS

The holders of this Global Note shall, at any meeting of the Noteholders, be treated as having one vote in respect of each £1 in principal amount of the Notes represented by this Global Note.

14. TRUSTEE'S POWERS

In considering the interests of Noteholders while this Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by any such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to this Global Note and may consider such interests as if such accountholders were the holders of this Global Note.

15. AUTHENTICATION

This Global Note shall not be valid for any purpose until it has been authenticated by and on behalf of HSBC Bank plc as principal paying agent.

16. EFFECTUATION

If the Final Terms specify that the New Global Note form is applicable, this Permanent Global Note shall not be valid for any purpose until it has been effectuated for and on behalf of the entity appointed as Common Safekeeper (which expression has the meaning given in the Agency Agreement).

17. GOVERNING LAW

This Global Note, and any non-contractual obligations arising out of or in connection with it, are governed by English law.

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AS WITNESS the [manual/facsimile] signature of a duly authorised person on behalf of the Issuer.

INTERCONTINENTAL HOTELS)
GROUP PLC)

By: _____
[manual or facsimile signature]
(duly authorised)

ISSUED on the Issue Date

AUTHENTICATED for and on behalf of)
HSBC BANK PLC)
as principal paying agent)
without recourse, warranty or liability)

By: _____
[manual signature]
(duly authorised)

[EFFECTUATED for and on behalf of)
EUROCLEAR BANK SA/NV)
as common safekeeper without recourse,)
warranty or liability)

By: _____
[manual signature]
(duly authorised)

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SCHEDULE 14
TO THE PERMANENT GLOBAL NOTE
PAYMENTS, EXCHANGE AND CANCELLATION OF NOTES

INTERCONTINENTAL HOTELS GROUP PLC
(incorporated in England and Wales with company number 05134420)

[Aggregate principal amount of Series]

[Title of Notes]

unconditionally and irrevocably guaranteed by

SIX CONTINENTS LIMITED
(incorporated in England and Wales with company number 913450)

and

INTERCONTINENTAL HOTELS LIMITED
(incorporated in England and Wales with company number 4551528)

This Note is one of a series of notes (the *Notes*) of InterContinental Hotels Group PLC (the *Issuer*) and guaranteed by Six Continents Limited and InterContinental Hotels Limited (together, the *Guarantors*) as described in the final terms (the *Final Terms*) or drawdown prospectus (*Drawdown Prospectus*) or securities note (*Securities Note*) a copy of the relevant particulars of which is endorsed on this Note. Any reference herein to the Conditions is to the Terms and Conditions of the Notes endorsed on this Note, as supplemented, amended and/or replaced by the Final Terms or Drawdown Prospectus or Securities Note and any reference to a numbered “*Condition*” is to the correspondingly numbered provision thereof. Words and expressions defined in Condition 2(a) (*Interpretation - Definitions*) shall have the same meanings when used in this Note.

This Note is issued subject to, and with the benefit of, the Conditions and an amended and restated trust deed (as further modified and/or supplemented and/or novated from time to time, the *Trust Deed*) dated 16 June 2015 and made between the Issuer, the Guarantors and HSBC Corporate Trustee Company (UK) Limited as trustee for the holders of the Notes.

The Issuer, for value received, promises to pay to the bearer of this Note the Redemption Amount on the Maturity Date or on such earlier date or dates as the same may become payable in accordance with the Conditions (or to pay such other amounts

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of principal on such dates as may be specified in the Final Terms or Drawdown Prospectus or Securities Note), and to pay interest (if any) on the nominal amount of this Note on the dates and in the manner specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

This Note shall not be valid for any purpose until it has been authenticated by and on behalf of HSBC Bank plc as principal paying agent.

This Note, and any non-contractual obligations arising out of or in connection with it, are governed by English law.

AS WITNESthe facsimile signature of a duly authorised person on behalf of the Issuer.

INTERCONTINENTAL HOTELS)
GROUP PLC)

)

By:
[manual or facsimile signature]
(duly authorised)

ISSUED on the Issue Date

AUTHENTICATED by and on behalf of)
HSBC BANK PLC as principal)
paying agent without recourse, warranty or)
liability)

By:
[manual signature]
(duly authorised)

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[On the reverse of the Note:]

FINAL TERMS

The following is a copy of the relevant particulars of the Final Terms or Drawdown Prospectus or Securities Note.

TERMS AND CONDITIONS

[As set out in Schedule 1 to the Trust Deed]

[At the foot of the Terms and Conditions:]

PRINCIPAL PAYING AGENT

HSBC Bank plc
8 Canada Square,
London E14 5HQ.

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Part D
Form of Coupon

[On the face of the Coupon:]

[For Fixed Rate Notes]

INTERCONTINENTAL HOTELS GROUP PLC

[Title of Notes]

unconditionally and irrevocably guaranteed by

**SIX CONTINENTS LIMITED
and
INTERCONTINENTAL HOTELS LIMITED**

Coupon for [currency][amount of interest payment] due on [interest payment date].

Such amount is payable, subject to the terms and conditions (the Conditions) endorsed on the Note to which this Coupon relates (which are binding on the holder of this Coupon whether or not it is for the time being attached to such Note), against presentation and surrender of this Coupon at the specified office for the time being of any of the agents shown on the reverse of this Coupon (or any successor or additional agents appointed from time to time in accordance with the Conditions).

[For Floating Rate Notes]

INTERCONTINENTAL HOTELS GROUP PLC
[Title of Notes]

unconditionally and irrevocably guaranteed by

**SIX CONTINENTS LIMITED
and
INTERCONTINENTAL HOTELS LIMITED**

This Coupon relates to a Note in the denomination of [currency] [amount].

Coupon for the amount of interest due on the Interest Payment Date falling in [month and year].

Such amount is payable, subject to the terms and conditions (the *Conditions*) endorsed on the Note to which this Coupon relates (which are binding on the holder of this Coupon whether or not it is for the time being attached to such Note), against presentation and surrender of this Coupon at the specified office for the time being of any of the agents shown on the reverse of this Coupon (or any successor or additional agents appointed from time to time in accordance with the Conditions).

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The Note to which this Coupon relates may, in certain circumstances specified in the Conditions), fall due for redemption before the maturity date of this Coupon. In such event, this Coupon shall become void and no payment will be made in respect hereof.

[ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]⁵

[On the reverse of the Coupon:]

Principal Paying Agent: HSBC Bank plc, 8 Canada Square, London E14 5HQ.

⁵ Legend to appear on every Note with a maturity of more than one year.

Part E
Form of Talon

[On the face of the Talon:]

INTERCONTINENTAL HOTELS GROUP PLC

[Title of Notes]

unconditionally and irrevocably guaranteed by

SIX CONTINENTS LIMITED

and

INTERCONTINENTAL HOTELS LIMITED

Talon for further Coupons.

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of the Coupon Sheet to which this Talon is (or was at the time of issue) attached, this Talon may be exchanged at the specified office for the time being of the principal paying agent shown on the reverse of this Talon (or any successor principal paying agent appointed from time to time in accordance with the terms and conditions (the *Conditions*) of the Notes to which this Talon relates) for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to the Conditions).

The Note to which this Talon relates may, in certain circumstances specified in the Conditions, fall due for redemption before the maturity date of such final Coupon. In such event, this Talon shall become void and no Coupon will be delivered in respect hereof.

[ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]⁶

[On the reverse of the Talon:]

Principal Paying Agent: HSBC Bank plc, 8 Canada Square, London E14 5HQ.

⁶ Legend to appear on every Note with a maturity of more than one year.

SCHEDULE 3

PROVISIONS FOR MEETINGS OF NOTEHOLDERS

1. DEFINITIONS

In this Trust Deed and the Conditions, the following expressions have the following meanings:

Block Voting Instruction means, in relation to any Meeting, a document in the English language issued by a Paying Agent:

- (a) certifying that the Deposited Notes have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting specified in such Block Voting Instruction; and
 - (ii) the surrender to such Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited held to its order or under its control or blocked Notes and notification thereof by such Paying Agent to the Issuer and the Trustee; and
- (b) certifying that the depositor of each Deposited Note or a duly authorised person on its behalf has instructed the relevant Paying Agent that the votes attributable to such Deposited Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting and ending at the conclusion or adjournment thereof, such instructions may not be amended or revoked;
- (c) listing the aggregate nominal amount and (if in definitive form) the certificate numbers of the Deposited Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (d) authorising a named individual or individuals to vote in respect of the Deposited Notes in accordance with such instructions;

Chairman means, in relation to any Meeting, the individual who takes the chair in accordance with paragraph 7 (Chairman);

Deposited Notes means certain specified Notes which have been deposited with a Paying Agent (or to its order at a bank or other depository) held to its order or under its control or blocked in an account with a clearing system, for the purposes of a Block Voting Instruction or a Voting Certificate;

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Extraordinary Resolution means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than three quarters of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-quarters of the votes cast on such poll;

Meeting means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

Proxy means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction other than:

- (a) any such person whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and
- (b) any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

Relevant Fraction means:

- (a) for all business other than voting on an Extraordinary Resolution, one tenth;
- (b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, more than half; and
- (c) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than three quarters;

provided, however, that, in the case of a Meeting which has resumed after adjournment for want of a quorum, it means:

- (i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Notes represented or held by the Voters actually present at the Meeting; and
- (ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than one quarter;

Reserved Matter means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;
- (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under Clause 9.3 of this Trust Deed);

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- (c) to change the currency in which amounts due in respect of the Notes are payable;
 - (d) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
 - (e) to amend this definition;

Voter means, in relation to any Meeting, the bearer of a Voting Certificate, Proxy or the bearer of a definitive Note who produces such definitive Note at the Meeting;

Voting Certificate means, in relation to any Meeting, a certificate in the English language issued by a Paying Agent and dated in which it is stated:

- (a) that the Deposited Notes have been deposited with such Paying Agent (or to its order or under its control at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender of such certificate to such Paying Agent; and
- (b) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the Deposited Notes;

Written Resolution means a resolution in writing signed by or on behalf of at least 75 per cent. of the holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of this Schedule, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes;

24 hours means a period of 24 hours including all or part of a day (disregarding for this purpose the day upon which such Meeting is to be held) upon which banks are open for business in both the place where the relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

48 hours means 2 consecutive periods of 24 hours.

2. ISSUE OF VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

The holder of a Note may obtain a Voting Certificate from any Paying Agent or require any Paying Agent to issue a Block Voting Instruction by depositing such Note with such Paying Agent or arranging for such Note to be (to its satisfaction) held to its order or under its control or blocked in an account with a clearing system not later than 48 hours before the time fixed for the relevant Meeting. A Voting Certificate or Block Voting Instruction shall be valid until the release of the Deposited Notes to which it relates. So long as a Voting Certificate or Block Voting Instruction is valid,

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the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the holder of the Notes to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

3. REFERENCES TO DEPOSIT/RELEASE OF NOTES

Where Notes are represented by a Global Note or are held in definitive form within a clearing system, references to the deposit, or release, of Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of such clearing system.

4. VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction shall be valid only if deposited at the Specified Office of the relevant Paying Agent or at some other place approved by the Trustee, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. If the Trustee so requires, a notarised copy of each Block Voting Instruction and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Trustee shall not be obliged to investigate the validity of any Block Voting Instruction or the authority of any Proxy.

5. CONVENING OF MEETING

The Issuer or the Trustee may convene a Meeting at any time, and the Trustee shall be obliged to do so subject to its being indemnified and/or secured and/or prefunded to its satisfaction upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. Every Meeting shall be held on a date, and at a time and place, approved by the Trustee.

6. NOTICE

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer) where the Meeting is convened by the Trustee or, where the Meeting is convened by the Issuer, the Trustee. The notice shall set out the full text of any resolutions to be proposed unless the Trustee agrees that the notice shall instead specify the nature of the resolutions without including the full text and shall state that the Notes may be deposited with, or to the order of, any Paying Agent for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting. A copy of the notice shall be sent by post to the Trustee (unless the meeting is convened by the Trustee), to the Issuer (unless the meeting is convened by the Issuer) and to each Guarantor (unless the meeting is convened by that Guarantor).

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7. CHAIRMAN

An individual (who may, but need not, be a Noteholder) nominated in writing by the Trustee may take the chair at any Meeting but, if no such nomination is made or if the individual nominated is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, the Issuer may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman of the original Meeting.

8. QUORUM

The quorum at any Meeting shall be at least two Voters representing or holding not less than the Relevant Fraction of the aggregate principal amount of the outstanding Notes; *provided, however, that*, so long as at least the Relevant Fraction of the aggregate principal amount of the outstanding Notes is represented by the Global Note(s), a Voter appointed in relation thereto or being the holder of the Notes represented thereby shall be deemed to be two Voters for the purpose of forming a quorum.

9. ADJOURNMENT FOR WANT OF QUORUM

If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time fixed for any Meeting a quorum is not present, then:

- (a) in the case of a Meeting requested by Noteholders, it shall be dissolved; and
- (b) in the case of any other Meeting (unless the Issuer and the Trustee otherwise agree), it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines (with the approval of the Trustee); *provided, however, that*:
 - (i) the Meeting shall be dissolved if the Issuer and the Trustee together so decide; and
 - (ii) no Meeting may be adjourned more than once for want of a quorum.

10. ADJOURNED MEETING

The Chairman may, with the consent of, and shall if directed by, any Meeting adjourn such Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.

11. NOTICE FOLLOWING ADJOURNMENT

Paragraph 6 (Notice) shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:

- (a) 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and

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- (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

12. PARTICIPATION

The following may attend and speak but not vote at a Meeting:

- (a) Voters;
- (b) representatives of the Issuer, the Guarantors and the Trustee;
- (c) the financial advisers of the Issuer, the Guarantors and the Trustee;
- (d) the legal counsel to the Issuer, the Guarantors and the Trustee and such advisers; and
- (e) any other person approved by the Meeting or the Trustee.

13. SHOW OF HANDS

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution. Where there is only one Voter, this paragraph shall not apply and the resolution will immediately be decided by means of a poll.

14. POLL

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, any Guarantor, the Trustee or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business as the Chairman directs.

15. VOTES

Every Voter shall have:

- (a) on a show of hands, one vote; and

- (b) on a poll, the number of votes obtained by dividing the aggregate principal amount of the outstanding Note(s) represented or held by him by the unit of currency in which the Notes are denominated.

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In the case of a voting tie the Chairman shall have a casting vote.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same way.

In the case of any Meeting of holders of more than one Series of Notes where not all such Series are in the same currency, the principal amount of such Notes shall for all purposes in this Schedule 3 (whether inter alia in respect of the Meeting or any poll resulting therefrom), be the equivalent in pounds sterling translated at the spot rate of a bank nominated by the Trustee for the sale of the relevant currency or currencies for pounds sterling on the seventh dealing day prior to such Meeting, or in the case of a written request pursuant to paragraph 5, the date of such request. In such circumstances, on any poll each person present shall have one vote for each Unit of Notes (converted as above) which he holds.

In this paragraph, a “*Unit*” means the lowest denomination of the Notes as stated in the Applicable Supplement or in the case of a meeting of Noteholders of more than one Series, shall be the lowest common denominator of the lowest denomination of the Notes.

16. VALIDITY OF VOTES BY PROXIES

Any vote by a Proxy in accordance with the relevant Block Voting Instruction shall be valid even if such Block Voting Instruction or any instruction pursuant to which it was given has been amended or revoked, *provided that* neither the Issuer, the Trustee nor the Chairman has been notified in writing of such amendment or revocation by the time which is 24 hours before the time fixed for the relevant Meeting. Unless revoked, any appointment of a Proxy under a Block Voting Instruction in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment; *provided, however, that* no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed under a Block Voting Instruction to vote at the Meeting when it is resumed.

17. POWERS

A Meeting shall have power (exercisable only by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

- (a) to approve any Reserved Matter;
- (b) to approve any proposal by the Issuer for any modification, abrogation, variation or compromise of any provisions of this Trust Deed or the Conditions or any arrangement in respect of the obligations of the Issuer or any Guarantor under or in respect of the Notes;
- (c) (other than as permitted under Clause 9.3 of this Trust Deed) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes or the substitution of any person for any Guarantor (or any previous substitute) as guarantor under the Notes;

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- (d) (other than as permitted under Clause 9.3 of this Trust Deed) to waive any breach or authorise any

proposed breach by the Issuer or any Guarantor of its obligations under or in respect of this Trust Deed or the Notes or any act or omission which might otherwise constitute an Event of Default under the Notes;

- (e) to remove any Trustee;
- (f) to approve the appointment of a new Trustee;
- (g) to authorise the Trustee (subject to its being indemnified and/or secured to its satisfaction) or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (h) to discharge or exonerate the Trustee from any liability in respect of any act or omission for which it may become responsible under this Trust Deed or the Notes;
- (i) to give any other authorisation or approval which under this Trust Deed or the Notes is required to be given by Extraordinary Resolution;
- (j) to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution;
- (k) to sanction any scheme or proposal for the exchange or sale of the Notes for or the conversion of the Notes into or the cancellation of the Notes in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash; and
- (l) to approve the substitution of any entity for the Issuer and/or a Guarantor (or any previous substitute) as principal debtor and/or guarantor, as the case may be, under this Trust Deed and the Notes and Coupons.

18. EXTRAORDINARY RESOLUTION BINDS ALL HOLDERS

An Extraordinary Resolution shall be binding upon all Noteholders and Couponholders, whether or not present at such Meeting, and each of the Noteholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer and the Trustee) within 14 days of the conclusion of the Meeting.

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19. MINUTES

Minutes of all resolutions and proceedings at each Meeting shall be made. The Chairman shall sign the minutes, which shall be prima facie evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

20. WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

21. FURTHER REGULATIONS

Subject to all other provisions contained in this Trust Deed, the Trustee may without the consent of the Issuer or the Noteholders prescribe such further regulations regarding the holding of Meetings of Noteholders and attendance and voting at them as the Trustee may in its sole discretion determine.

22. SEVERAL SERIES

The following provisions shall apply where outstanding Notes belong to more than one Series:

- (a) Business which in the opinion of the Trustee affects the Notes of only one Series shall be transacted at a separate Meeting of the holders of the Notes of that Series.
- (b) Business which in the opinion of the Trustee affects the Notes of more than one Series but does not give rise to an actual or potential conflict of interest between the holder of Notes or one such Series and the holders of Notes of any other such Series shall be transacted either at separate Meetings of the holders of the Notes of each such Series or at a single Meeting of the holders of the Notes of all such Series, as the Trustee shall in its absolute discretion determine.
- (c) Business which in the opinion of the Trustee affects the Notes of more than one Series and gives rise to an actual or potential conflict of interest between the holders of Notes of one such Series and the holders of Notes of any other such Series shall be transacted at separate Meetings of the holders of the Notes of each such Series.
- (d) The preceding paragraphs of this Schedule shall be applied as if references to the Notes and Noteholders were to the Notes of the relevant Series and to the holders of such Notes.
- (e) In this paragraph, “*business*” includes (without limitation) the passing or rejection of any resolution.

**TRUST DEED
EXECUTION CLAUSES**

The Issuer

EXECUTED and **DELIVERED** as a **DEED** by)
)
 as attorney for) /s/ Nicolette Henfrey
INTERCONTINENTAL HOTELS GROUP PLC)

Witness: Signature: /s/ Tim Redman
 Name: TIM REDMAN

The Guarantors

EXECUTED and DELIVERED as a DEED by)
INTERCONTINENTAL HOTELS LIMITED)
a company incorporated in England and Wales acting by) /s/ Nicolette Henfrey

a director of the Company)

Witness: Signature: /s/ Tim Redman

Name: TIM REDMAN

EXECUTED and DELIVERED as a DEED by)
SIX CONTINENTS LIMITED)
INTERCONTINENTAL HOTELS LIMITED) /s/ Nicolette Henfrey
a company incorporated in England and Wales acting by)

a director of the Company)

Witness: Signature: /s/ Tim Redman

Name: TIM REDMAN

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The Trustee

EXECUTED as a DEED by)
as attorney for)
HSBC CORPORATE TRUSTEE) /s/ Jason Blondell
COMPANY (UK) LIMITED)

Witness: Signature: /s/ Philip Cooper

Name: PHILIP COOPER

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DATED 30 MARCH 2015

INTERCONTINENTAL HOTELS GROUP PLC
AND CERTAIN OF ITS SUBSIDIARIES
AS BORROWERS AND/OR GUARANTORS

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED
BARCLAYS BANK PLC
CITIBANK, N.A. LONDON BRANCH
COMMERZBANK AKTIENGESELLSCHAFT, LONDON BRANCH
DBS BANK LTD., LONDON BRANCH
HSBC BANK PLC
SUNTRUST BANK
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.
THE ROYAL BANK OF SCOTLAND PLC
U.S. BANK NATIONAL ASSOCIATION
WELLS FARGO BANK N.A., LONDON BRANCH
AS ORIGINAL LENDERS

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.
AS FACILITY AGENT

AND

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED
BARCLAYS BANK PLC
HSBC BANK PLC
SUNTRUST ROBINSON HUMPHREY
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.
THE ROYAL BANK OF SCOTLAND PLC
AS MANDATED LEAD ARRANGERS AND JOINT BOOKRUNNERS

\$1,275,000,000
FACILITY AGREEMENT



Freshfields Bruckhaus Deringer

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London
EC4Y 1HS

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THIS AGREEMENT is dated ___ March 2015

BETWEEN:

- (1) **INTERCONTINENTAL HOTELS GROUP PLC** incorporated in England and Wales with registration number 05134420 (the *Company*);
- (2) **SIX CONTINENTS LIMITED** incorporated in England and Wales with registration number 913450 and **INTERCONTINENTAL HOTELS LIMITED** incorporated in England and Wales with registration number 4551528 (together with the Company, the *Original Borrowers*);
- (3) **SIX CONTINENTS LIMITED** incorporated in England and Wales with registration number 913450 and **INTERCONTINENTAL HOTELS LIMITED** incorporated in England and Wales with registration number 4551528 (together with the Company, the *Original Guarantors*);
- (4) **BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED, BARCLAYS BANK PLC, HSBC BANK PLC, SUNTRUST ROBINSON HUMPHREY, THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. and THE ROYAL BANK OF SCOTLAND PLC** as mandated lead arrangers and joint bookrunners (the *Mandated Lead Arranger and Joint Bookrunner* and, whether acting individually or together, the *Arranger*);
- (5) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 as lenders (the *Original Lenders*); and
- (6) **THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.** as agent of the other Finance Parties (the *Facility Agent*).

IT IS AGREED as follows:

1. Definitions and Interpretation

1.1 Definitions

In this Agreement:

Acceptable Bank means a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of A-1 or higher by Standard & Poor's Rating Services Limited or Fitch Ratings Ltd or P-1 or higher by Moody's or a comparable rating from an internationally recognised credit rating agency.

Accession Letter means a document substantially in the form set out in Schedule 5 (*Form of Accession Letter*).

Additional Borrower means a company which becomes an Additional Borrower in accordance with Clause 25 (*Changes to the Obligors*).

Additional Guarantor means a company which becomes an Additional Guarantor in accordance with Clause 25 (*Changes to the Obligors*).

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Additional Obligor means an Additional Borrower or an Additional Guarantor.

Affiliate means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

Notwithstanding the foregoing, in relation to The Royal Bank of Scotland plc, the term **Affiliate** shall not include (i) the UK government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof) or (ii) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings.

Agent's Spot Rate of Exchange means the Facility Agent's spot rate of exchange for the purchase of the relevant currency with the Base Currency in the London foreign exchange market at or about 11:00 a.m. on a particular day.

Applicable Accounting Principles means those accounting principles, standards and practices on which the preparation of the Original Financial Statements was based and those accounting policies which were used in the preparation of those financial statements.

Authorisation means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

Availability Period means the period from and including the date of this Agreement to and including the date falling one month prior to the Termination Date.

Available Commitment means a Lender's Commitment minus:

- (a) the Base Currency Amount of its participation in any outstanding Loans; and
- (b) in relation to any proposed Utilisation, the Base Currency Amount of its participation in any Loans that are due to be made on or before the proposed Utilisation Date,

other than that Lender's participation in any Loans that are due to be repaid or prepaid on or before the proposed Utilisation Date.

Available Facility means the aggregate for the time being of each Lender's Available Commitment.

Base Currency or \$ means US Dollars.

Base Currency Amount means, in relation to a Loan, the amount specified in the Utilisation Request delivered by a Borrower for that Loan (or, if the amount requested is not denominated in the Base Currency, that amount converted into the Base Currency at the Agent's Spot Rate of Exchange on the date which is three Business Days before the Utilisation Date or, if later, on the date the Facility Agent receives the Utilisation Request) adjusted to reflect any repayment or prepayment or consolidation or division of the Loan.

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Basel III means:

- (a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision on 16 December 2010, each as amended, supplemented or restated;
- (b) the rules for global systemically important banks contained in “Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text” published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and
- (c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”.

Borrower means an Original Borrower or an Additional Borrower, unless it has ceased to be a Borrower in accordance with Clause 25 (*Changes to the Obligors*).

Borrowings has the meaning given to it in Clause 21 (*Financial covenants*).

Break Costs means the amount (if any) by which:

- (a) the interest (excluding the Margin) which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in London and:

- (a) (in relation to any date for payment, purchase or sale of a currency other than euro) the principal financial centre of the country of that currency; or
- (b) (in relation to any date for payment, purchase or sale of euro) any TARGET Day.

Cash has the meaning given to it in Clause 21 (*Financial covenants*).

Cash Equivalents has the meaning given to it in Clause 21 (*Financial covenants*).

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Code means the US Internal Revenue Code of 1986.

Commitment means:

- (a) in relation to an Original Lender, the amount in the Base Currency set opposite its name under the heading “Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*); and
- (b) in relation to any other Lender, the amount in the Base Currency of any Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*),

to the extent not cancelled, reduced or transferred by it under this Agreement.

Compliance Certificate means a certificate substantially in the form set out in Schedule 7 (*Form of Compliance Certificate*).

Confidential Information means all information relating to the Company, any Obligor, the Group, the Finance Documents or the Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Facility from either:

- (a) any member of the Group or any of its advisers; or
- (b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any member of the Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes:

- (i) information that:
 - (A) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 36 (*Confidentiality*); or
 - (B) is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or
 - (C) is known by that Finance Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality; and

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-
- (ii) any Funding Rate or Reference Bank Quotation.

Confidentiality Undertaking means a confidentiality undertaking substantially in the form recommended by the LMA as at the date that the relevant confidentiality undertaking is entered into or in any other form agreed between the Company and the Facility Agent.

Consolidated Gross Assets means the consolidated current assets plus consolidated non-current assets of the Group.

CRD IV means:

- (a) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms; and
- (b) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC,

each as amended, supplemented or restated from time to time.

CTA 2009 means the Corporation Tax Act 2009.

CTA 2010 means the Corporation Tax Act 2010.

Default means an Event of Default or any event or circumstance specified in Clause 23 (*Events of Default*) which would (with the expiry of a grace period and/or the giving of notice) be an Event of Default.

Defaulting Lender means any Lender:

- (a) which has failed to make its participation in a Loan available or has notified the Facility Agent that it will not make its participation in a Loan available by the Utilisation Date of that Loan in accordance with Clause 5.4 (*Lenders' participation*);
- (b) which has otherwise rescinded or repudiated a Finance Document; or
- (c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
 - (A) administrative or technical error; or
 - (B) a Disruption Event; andpayment is made within five Business Days of its due date; or
- (ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

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Disruption Event means either or both of:

- (a) a material disruption to those payment or communication systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
 - (i) from performing its payment obligations under the Finance Documents; or
 - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

EBITDA has the meaning given to it in Clause 21 (*Financial covenants*).

EURIBOR means, in relation to any Loan in euro:

- (a) the applicable Screen Rate as of the Specified Time for euro and for a period equal in length to the Interest Period of that Loan; or
- (b) as otherwise determined pursuant to Clause 11.1 (*Unavailability of Screen Rate*),

and if, in either case, that rate is less than zero, EURIBOR shall be deemed to be zero.

euro or **€** means the single currency of the Participating Member States.

Event of Default means any event or circumstance specified as such in Clause 23 (*Events of Default*).

Existing Facility means the \$1,070,000,000 revolving facility agreement dated 7 November 2011 between, among others, the Company, certain lenders and certain arrangers named in it and Bank of America Merrill Lynch International Limited (formerly Banc of America Securities Limited) as agent.

Facility means the revolving credit facility made available under this Agreement, as described in Clause 2.1 (*The Facility*).

Facility Office means the office or offices notified by a Lender to the Facility Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

Fallback Interest Period means one week.

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FATCA means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

FATCA Application Date means:

- (a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;
- (b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the US), 1 January 2017; or
- (c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2017,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

FATCA Deduction means a deduction or withholding from a payment under a Finance Document required by FATCA.

FATCA Exempt Party means a Party that is entitled to receive payments free from any FATCA Deduction.

Fee Letter means any letter or letters dated on or about the date of this Agreement between the Arranger and the Company (or the Facility Agent and the Company) setting out any of the fees referred to in Clause 12 (*Fees*).

Finance Document means this Agreement, any Fee Letter, any Accession Letter, any Resignation Letter and any other document designated as such by the Facility Agent and the Company.

Finance Party means the Facility Agent, the Arranger or a Lender.

Financial Indebtedness means any indebtedness (without double counting) for or in respect of:

- (a) moneys borrowed;

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-
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
 - (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock, commercial paper or any similar instrument (entered into or issued primarily as a method of raising finance) provided that, for all purposes under this Agreement (other than for the

purposes of Clause 23.5 (*Cross default*)), any bonds from time to time issued and outstanding under the GBP 750m Bond Programme shall at the relevant time be valued as Financial Indebtedness having regard to the net effect of the marked-to-market value of any related interest and currency hedging arrangements in effect at that time;

- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS (as at the date of this Agreement), be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) required by IFRS to be shown as a borrowing in the audited consolidated balance sheet of the Group;
- (g) for the purpose of Clause 23.5 (*Cross default*) only, any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) shares which are expressed to be redeemable prior to the Termination Date;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above,

but excluding indebtedness owing by a member of the Group to another member of the Group.

Funding Rate means any individual rate notified by a Lender to the Facility Agent pursuant to paragraph (a)(ii) of Clause 11.4 (*Cost of Funds*).

GBP, £ or Sterling means the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

GBP 750m Bond Programme means the Company's £750,000,000 Euro Medium Term Note programme as outlined in the prospectus dated 7 July 2011 as amended or extended from time to time.

Group means the Company and its Subsidiaries for the time being.

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Guarantor means an Original Guarantor or an Additional Guarantor, unless it has ceased to be a Guarantor in accordance with Clause 25 (*Changes to the Obligors*).

Historic Screen Rate means, in relation to any Loan, the most recent applicable Screen Rate for the currency of that Loan and for a period equal in length to the Interest Period of that Loan and which is as of a day which is no more than 2 days before the Quotation Day.

Holding Company means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

IFRS means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

Impaired Agent means the Facility Agent at any time when:

- (a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;
- (b) the Facility Agent otherwise rescinds or repudiates a Finance Document;

- (c) (if the Facility Agent is also a Lender) it is a Defaulting Lender under paragraph (a) or (b) of the definition of Defaulting Lender; or
- (d) an Insolvency Event has occurred and is continuing with respect to the Facility Agent,

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
 - (A) administrative or technical error; or
 - (B) a Disruption Event; and

payment is made within five Business Days of its due date; or

- (ii) the Facility Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

Increase Confirmation means a confirmation substantially in the form set out in Schedule 11 (*Form of Increase Confirmation*).

Increase Lender has the meaning given to that term in Clause 2.2 (*Increase*).

Insolvency Event in relation to a Finance Party means that the Finance Party:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

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-
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
 - (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;
 - (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not prescribed in paragraph (d) above and:
 - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or
 - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
 - (f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
 - (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
 - (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not

dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; or

- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above.

Interest Period means, in relation to a Loan, each period determined in accordance with Clause 10 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 9.3 (*Default interest*).

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Interpolated Historic Screen Rate means, in relation to any Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

- (a) the most recent applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of that Loan; and
- (b) the most recent applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of that Loan,

each for the currency of that Loan and each of which is as of a day which is no more than 2 days before the Quotation Day.

Interpolated Screen Rate means, in relation to any Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

- (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of that Loan; and
- (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of that Loan,

each as of the Specified Time for the currency of that Loan.

ITA means the Income Tax Act 2007.

Lender means:

- (a) any Original Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 2.2 (*Increase*) or Clause 24 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

LIBOR means, in relation to any Loan:

- (a) the applicable Screen Rate as of the Specified Time for the currency of that Loan and for a period equal in length to the Interest Period of that Loan; or;
- (b) as otherwise determined pursuant to Clause 11.1 (*Unavailability of Screen Rate*),

and if, in either case, that rate is less than zero, LIBOR shall be deemed to be zero.

LMA means the Loan Market Association.

Loan means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan, as the context requires.

Majority Lenders means a Lender or Lenders whose Commitments aggregate more than 66 $\frac{2}{3}$ per cent. of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66 $\frac{2}{3}$ per cent. of the Total Commitments immediately prior to the reduction).

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Managed Assets means any assets (including, for the avoidance of doubt, any equity interest in any such asset) of a member of the Group which are sold and become, or remain, the subject of a management or franchise agreement in favour of the Group.

Margin means at any time the rate per annum determined by reference to the ratio of Net Borrowings, as at the last day of the last preceding Margin Period, to EBITDA for that Margin Period (the **Margin Ratio**) in accordance with the following table:

Net Borrowings/EBITDA	Margin (per cent. p.a.)
Higher than 3.00:1	1.00
Equal to or lower than 3.00:1 but higher than 2.50:1	0.75
Equal to or lower than 2.50:1 but higher than 2.00:1	0.60
Equal to or lower than 2.00:1 but higher than 1.50:1	0.50
Equal to or lower than 1.50:1	0.40

However:

- (a) until the delivery of the first Margin Certificate required pursuant to Clause 20.3 (*Margin Certificate*) the applicable Margin shall be 0.60 per cent. per annum;
- (b) any increase or decrease in the applicable Margin, as the case may be, will take effect for all purposes under this Agreement from the date falling two Business Days after receipt by the Facility Agent of a Margin Certificate as required pursuant to Clause 20.3 (*Margin Certificate*);
- (c) if the Company does not deliver the relevant Margin Certificate to the Facility Agent in accordance with the terms of Clause 20.3 (*Margin Certificate*), the Margin shall, as from the date immediately following the last date on which such Margin Certificate should have been delivered until the date such Margin Certificate is delivered, be 1.00 per cent. per annum;
- (d) if at any time an Event of Default is continuing, the Margin shall, until the date such Event of Default ceases to be continuing, be 1.00 per cent. per annum;
- (e) if at any time a decrease in the Margin is to take effect a Default is continuing, such decrease shall not take effect at that time but such decrease shall take effect with effect from the date such Default ceases to be continuing; and
- (f) in this definition, **EBITDA** shall have the same meaning as EBITDA as defined in Clause 21.3 (*Definitions*) save that the reference to **Relevant Period** in that definition shall, for the purposes of calculating the Margin, be substituted with **Margin Period** and EBITDA shall be adjusted to take into account the pro forma impact of any acquisitions or disposals (other than of Managed Assets) made during the Margin Period by a member of the Group.

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Margin Certificate means a certificate substantially in the form set out in Schedule 10 (*Form of Margin Certificate*).

Margin Period means the period of 12 months ending on each Quarter Date.

Margin Ratio has the meaning given to it in the definition of Margin.

Material Adverse Effect means a material adverse effect on:

- (a) the ability of the Obligors (taken as a whole) to perform and comply with their payment obligations under any Finance Document; or
- (b) the ability of the Company to perform and comply with its obligations under Clause 21 (*Financial covenants*).

Material Subsidiary means, at any time, any Subsidiary of the Company:

- (a) whose gross assets represent 5 per cent. or more of Consolidated Gross Assets or whose EBITDA represents 5 per cent. or more of consolidated EBITDA of the Group, in each case, as calculated by reference to the latest financial statements of such Subsidiary (which shall be audited if such statements are prepared by that Subsidiary) and the latest audited consolidated financial statements of the Group adjusted in such manner as the auditors of the Company may determine (which determination shall be conclusive in the absence of manifest error) (i) to reflect the gross assets and EBITDA of any person which has become or ceased to be a member of the Group since the end of the financial year to which the latest audited consolidated financial statements of the Group relate where such adjustment is requested by the Company and (ii) so that for the purposes of this definition, the gross assets of the relevant Subsidiary shall be calculated on the same basis as Consolidated Gross Assets are calculated and/or, as the case may be, EBITDA of the relevant Subsidiary shall be calculated on the same basis as consolidated EBITDA for the Group (but, in each case, relating only to the relevant Subsidiary) and making such adjustments and eliminations as are required to show the same as the contribution of the relevant Subsidiary to Consolidated Gross Assets and/or, as the case may be, consolidated EBITDA of the Group; or
- (b) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall cease to be a Material Subsidiary and the transferee Subsidiary shall become a Material Subsidiary under this sub-paragraph (b) upon the completion of such transfer.

Any determination made by the auditors of the Company as to whether a Subsidiary of the Company is or is not a Material Subsidiary at any time shall be conclusive in the absence of manifest error.

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Month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) subject to paragraph (c), if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
- (c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period.

Moody's means Moody's Investors Services Inc.

Net Borrowings has the meaning given to it in Clause 21 (*Financial covenants*).

Net Interest Payable has the meaning given to it in Clause 21 (*Financial covenants*).

New Lender has the meaning given to it in Clause 24.1 (*Assignments and transfers by the Lenders*).

NZD means the lawful currency for the time being of New Zealand.

Obligor means the Company, a Borrower or a Guarantor.

OFAC means the Office of Foreign Assets Control of the US Department of the Treasury.

Optional Currency means a currency (other than the Base Currency) which complies with the conditions set out in Clause 4.3 (*Conditions relating to Optional Currencies*).

Original Financial Statements means the audited consolidated financial statements of the Group for the financial year ended 31 December 2014.

Original Obligor means an Original Borrower or an Original Guarantor.

Participating Member State means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

Party means a party to this Agreement.

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Project Finance Indebtedness means Financial Indebtedness (in respect of which Security has been given) incurred by a member of the Group (a **Project Group Member**) for the purposes of financing the acquisition, construction, development and/or operation of an asset (a **Project Asset**) where the provider of the Financial Indebtedness has no recourse against any member of the Group, except for recourse to:

- (a) the Project Asset of the Project Group Member or receivables arising from the Project Asset;
- (b) a Project Group Member for the purpose of enforcing Security given by it so long as:
 - (i) the recourse is limited to recoveries in respect of the Project Asset; and
 - (ii) if the Project Asset does not comprise all or substantially all of the business of that Project Group Member, the provider of the Financial Indebtedness does not have the right to take any steps towards its winding up or dissolution or the appointment of a liquidator, administrator, receiver or similar officer or person, other than in respect of the Project Asset or receivables arising therefrom; or
- (c) a member of the Group to the extent only of its shareholding in a Project Group Member.

Project Group Member has the meaning given to it in the definition of Project Finance Indebtedness **provided that** the principal assets and business of such member of the Group is constituted by Project Assets and it has no other Financial Indebtedness except Project Finance Indebtedness.

Qualifying Lender has the meaning given to it in Clause 13 (*Tax gross-up and indemnities*).

Quarter Date means each 31 March, 30 June, 30 September and 31 December in each financial year of the Company.

Quotation Day means, in relation to any period for which an interest rate is to be determined:

- (a) (if the currency is Sterling) the first day of that period;
- (b) (if the currency is euro) two TARGET Days before the first day of that period; or
- (c) (for any other currency), two Business Days before the first day of that period,

(unless market practice differs in the Relevant Interbank Market, in which case the Quotation Day will be determined by the Facility Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given on more than one day, the Quotation Day will be the last of those days)).

Reference Bank Quotation means any quotation supplied to the Facility Agent by a Reference Bank.

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Reference Bank Rate means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request by the Reference Banks:

- (a) in relation to LIBOR:
 - (i) (other than where paragraph (ii) below applies) as the rate at which the relevant Reference Bank could borrow funds in the London interbank market in the relevant currency and for the relevant period were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in that currency and for that period; or

- (ii) if different, as the rate (if any and applied to the relevant Reference Bank and the relevant currency and period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator; or
- (b) in relation to EURIBOR:
 - (i) (other than where paragraph (ii) below applies) as the rate at which the relevant Reference Bank believes one prime bank is quoting to another prime bank for interbank term deposits in euro within the Participating Member States for the relevant period; or
 - (ii) if different, as the rate (if any and applied to the relevant Reference Bank and the relevant period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator.

Reference Banks means, in relation to LIBOR and EURIBOR, the principal London office of each Lender appointed as such by the Facility Agent in agreement with (a) the Company (such agreement not to be unreasonably withheld) and (b) such Lender.

Relevant Interbank Market means, in relation to euro, the European interbank market and, in relation to any other currency, the London interbank market.

Relevant Period has the meaning given to it in Clause 21 (*Financial covenants*).

Repeating Representations means each of the representations set out in Clauses 19.1 (*Status*) to 19.4 (*Power and authority*), paragraph (a) of Clause 19.6 (*No default*), Clause 19.8 (*Pari passu ranking*) and Clause 19.11 (*Sanctions*).

Representative means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

Resignation Letter means a letter substantially in the form set out in Schedule 6 (*Form of Resignation Letter*).

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Rollover Loan means one or more Loans:

- (a) made or to be made on the same day that one or more maturing Loans is or are due to be repaid;
- (b) the aggregate amount of which is equal to or less than the maturing Loan(s) (unless it is more than the maturing Loan(s) solely because it arose as a result of the operation of Clause 6.2 (*Unavailability of a currency*));
- (c) in the same currency as the maturing Loan(s) (unless it arose as a result of the operation of Clause 6.2 (*Unavailability of a currency*)); and
- (d) made or to be made to the same Borrower for the purpose of refinancing the maturing Loan(s).

Sanctioned Person means any person, organization or vessel:

- (a) designated on the OFAC list of Specially Designated Nationals and Blocked Persons, the Consolidated List of Financial Sanctions Targets maintained by Her Majesty's Treasury or on any list of targeted persons maintained by any Sanctions Authority under any Sanctions Law;
- (b) that is, or is part of, a government of a Sanctioned Territory;
- (c) owned or controlled by, or acting on behalf of, any of the persons referred to in paragraphs (a) or (b) above;
- (d) located within or operating from a Sanctioned Territory; or
- (e) otherwise targeted under any Sanctions Law.

Sanctioned Territory means any country or other territory subject to a general export, import, financial or investment embargo under Sanctions Law from time to time, which countries and territories, as of the date of this Agreement, comprise Crimea, Cuba, Iran, North Korea, Sudan and Syria.

Sanctions Authority means:

- (a) the US;
- (b) the United Nations;
- (c) the European Union or any member state thereof;
- (d) the United Kingdom; or
- (e) the respective Governmental Authorities of any of the foregoing, including without limitation, OFAC, the US State Department and Her Majesty's Treasury.

Sanctions Law means any trade, economic or financial sanctions, regulations, embargoes or restrictive measures administered or enacted by any Sanctions Authority.

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Screen Rate means:

- (a) in relation to LIBOR, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and period displayed (before any correction, recalculation or republication by the administrator) on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate); and
- (b) in relation to EURIBOR, the euro interbank offered rate administered by the European Money Markets Institute (or any other person which takes over the administration of that rate) for the relevant period displayed (before any correction, recalculation or republication by the administrator) on page EURIBOR01 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate),

or, in each case, on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters. If such page or service ceases to be available, the Facility Agent may specify another page or service displaying the relevant rate after consultation with the Company.

Security means a mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance entered into for the purpose of securing any obligation of any person.

Separate Loan has the meaning given to that term in Clause 7.1 (*Repayment of Loans*).

Specified Time means a time determined in accordance with Schedule 9 (*Timetables*).

Subsidiary means a subsidiary within the meaning of section 1159 of the Companies Act 2006 and, for the purpose of Clause 21 (*Financial covenants*) and in relation to financial statements of the Group, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006, but in this Agreement **Subsidiary** shall for all purposes exclude each Project Group Member.

Super-Majority Lenders means a Lender or Lenders whose Commitments aggregate more than 85 per cent. of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 85 per cent. of the Total Commitments immediately prior to the reduction).

TARGET2 means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

TARGET Day means any day on which TARGET2 is open for the settlement of payments in euro.

Tax means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure by an Obligor to pay or any delay in paying by an Obligor any of the same).

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Termination Date means, subject to Clause 7.2 (*Extension of the Termination Date*) the date which is 60 Months after the date of this Agreement.

Total Commitments means the aggregate of the Lenders' Commitments being \$1,275,000,000 at the date of this Agreement.

Transfer Certificate means a certificate substantially in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Facility Agent and the Company.

Transfer Date means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the Transfer Certificate; and
- (b) the date on which the Facility Agent executes the Transfer Certificate.

Unpaid Sum means any sum due and payable but unpaid by an Obligor under the Finance Documents.

US means the United States of America.

US Dollars or **\$** means the lawful currency for the time being of the United States of America.

Utilisation means a utilisation of the Facility.

Utilisation Date means the date of a Utilisation, being the date on which the relevant Loan is to be made.

Utilisation Level means the Base Currency Amount of all Loans expressed as a percentage of the Total Commitments.

Utilisation Request means a notice substantially in the form set out in Schedule 3 (*Utilisation Request*).

VAT means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
 - (i) the **Facility Agent**, the **Arranger**, any **Finance Party**, any **Guarantor**, any **Lender**, any **Obligor** or any **Party** shall be construed so as to include its successors in title, permitted assigns and permitted transferees;

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- (ii) **assets** includes present and future properties, revenues and rights of every description;
 - (iii) a **Finance Document** or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) or replaced and includes any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under that Finance Document or other agreement or instrument;

- (iv) a **group of Lenders** includes all the Lenders;
 - (v) **indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a **person** includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
 - (vii) a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, which is generally complied with by those to whom it is addressed) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (viii) a **subsidiary** has the meaning given to it in section 1159 of the Companies Act 2006 and **subsidiary undertaking** has the same meaning given to it in section 1162 of the Companies Act 2006;
 - (ix) a provision of law is a reference to that provision as amended or re-enacted; and
 - (x) a time of day is a reference to London time.
- (b) The determination of the extent to which a rate is **for a period equal in length** to an Interest Period shall disregard any inconsistency arising from the last day of that Interest Period being determined pursuant to the terms of this Agreement.
 - (c) Section, Clause and Schedule headings are for ease of reference only.
 - (d) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
 - (e) A Default or an Event of Default is “continuing” if it has not been remedied or waived.

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1.3 Third Party Rights

- (a) Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the **Third Parties Act**) to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Subject to paragraph (b) Clause 35.2 (**Exceptions**) but otherwise notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

2. The Facility

2.1 The Facility

Subject to the terms of this Agreement, the Lenders make available to the Borrowers a multicurrency revolving loan facility in an aggregate amount equal to the Total Commitments.

2.2 Increase

- (a) The Company may by giving prior notice to the Facility Agent after the effective date of a cancellation of:
 - (i) the Available Commitments of a Defaulting Lender in accordance with Clause 8.7 (*Right of cancellation in relation to a Defaulting Lender*);

- (ii) all or part of the Commitments of a Lender in accordance with Clause 8.5 (*Right of repayment and cancellation in relation to, or replacement of, a single Lender*); or
- (iii) the Commitments of a Lender in accordance with Clause 8.1 (*Illegality*),

request that the Total Commitments be increased (and the Total Commitments under the Facility shall be so increased) in an aggregate amount in the Base Currency of up to the amount of the Available Commitments or Commitments so cancelled as follows:

- (A) the increased Commitments may be assumed by one or more Lenders or other banks, financial institutions, trusts, funds or other entities (each an **Increase Lender**) selected by the Company (each of which shall not be a member of the Group) and each of which confirms its willingness to assume and does assume all the obligations of a Lender corresponding to that part of the increased Commitments which it is to assume, as if it had been an Original Lender;

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- (B) each of the Obligors and any Increase Lender shall assume obligations towards one another and/or acquire rights against one another as the Obligors and the Increase Lender would have assumed and/or acquired had the Increase Lender been an Original Lender;
 - (C) each Increase Lender shall become a Party as a Lender and any Increase Lender and each of the other Finance Parties shall assume obligations towards one another and acquire rights against one another as that Increase Lender and those Finance Parties would have assumed and/or acquired had the Increase Lender been an Original Lender;
 - (D) the Commitments of the other Lenders shall continue in full force and effect; and
 - (E) any increase in the Total Commitments shall take effect on the date specified by the Company in the notice referred to above or any later date on which the conditions set out in paragraph (b) below are satisfied.
- (b) An increase in the Total Commitments will only be effective on:
- (i) the execution by the Facility Agent of an Increase Confirmation from the relevant Increase Lender and the Facility Agent shall execute an Increase Confirmation within five Business Days of receipt by it of an Increase Confirmation duly executed by the Increase Lender;
 - (ii) in relation to an Increase Lender which is not a Lender immediately prior to the relevant increase, the performance by the Facility Agent of all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the assumption of the increased Commitments by that Increase Lender, the completion of which the Facility Agent shall promptly notify to the Company and the Increase Lender.
- (c) Each Increase Lender, by executing the Increase Confirmation, confirms (for the avoidance of doubt) that the Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the increase becomes effective.
- (d) The Company may (but shall be under no obligation to) pay to the Increase Lender a fee in the amount and at the times agreed between the Company and the Increase Lender in a letter between the Company and the Increase Lender setting out that fee. A reference in this Agreement to a Fee Letter shall include any letter referred to in this paragraph.

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- (e) Clause 24.5 (*Limitation of responsibility of Existing Lenders*) shall apply mutatis mutandis in this Clause 2.2 in relation to an Increase Lender as if references in that Clause to:
 - (i) an **Existing Lender** were references to all the Lenders immediately prior to the relevant increase;
 - (ii) the **New Lender** were references to that **Increase Lender**; and
 - (iii) a **re-transfer** and **re-assignment** were references to respectively a **transfer** and **assignment**.

2.3 Finance Parties' rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt.
- (c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

2.4 Obligors' agent

- (a) Each Obligor (other than the Company) by its execution of this Agreement or an Accession Letter irrevocably appoints the Company to act on its behalf as its agent in relation to the Finance Documents and irrevocably authorises:
 - (i) the Company on its behalf to supply all information concerning itself contemplated by this Agreement to the Finance Parties and to give all notices and instructions (including, if relevant, any Utilisation Request), to execute on its behalf any Accession Letter, to make such agreements and to effect the relevant amendments, supplements and variations capable of being given, made or effected by any Obligor notwithstanding that they may affect the Obligor (including, without limitation, by increasing the obligations of such Obligor howsoever fundamentally, whether by increasing the liabilities guaranteed or otherwise), without further reference to or the consent of that Obligor; and
 - (ii) each Finance Party to give any notice, demand or other communication to that Obligor pursuant to the Finance Documents to the Company,

and in each case the Obligor shall be bound as though the Obligor itself had given the notices and instructions (including, without limitation, any

Utilisation Request) or executed or made the agreements or effected the amendments, supplements or variations, or received the relevant notice, demand or other communication.

- (b) Every act, omission, agreement, undertaking, settlement, waiver, amendment, supplement, variation, notice or other communication given or made by the Obligors' agent or given to the Obligors' agent under any Finance Document on behalf of another Obligor or in connection with any Finance Document (whether or not known to any other Obligor and whether occurring before or after such other Obligor became an Obligor under any Finance Document) shall be binding for all purposes on that Obligor as if that Obligor had expressly made, given or concurred with it. In the event of any conflict between any notices or other communications of the Obligors' agent and

any other Obligor, those of the Obligors' agent shall prevail.

3. Purpose

3.1 Purpose

Each Borrower shall apply all amounts borrowed by it under the Facility towards general corporate purposes of the Group.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. Conditions of Utilisation

4.1 Initial conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) in relation to the first Utilisation if on or before the Utilisation Date for that Utilisation, the Facility Agent has received all of the documents and other evidence listed in Part A (*Conditions Precedent to Initial Utilisation*) of Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Facility Agent. The Facility Agent shall notify the Company and the Lenders promptly upon being so satisfied.

4.2 Further conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) in the case of a Rollover Loan, no notice has been served by the Facility Agent on the Company under Clause 23.13 (*Acceleration*) and, in the case of any other Loan, no Default is continuing or would result from the proposed Loan; and
- (b) the Repeating Representations to be made by each Obligor are true in all material respects.

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4.3 Conditions relating to Optional Currencies

- (a) A currency will constitute an Optional Currency in relation to a Loan if it is euro or Sterling or:
 - (i) it is readily available in the amount required and freely convertible into the Base Currency in the Relevant Interbank Market on the Quotation Day and the Utilisation Date for that Loan; and
 - (ii) it has been approved by the Facility Agent (acting on the instructions of all the Lenders) on or prior to receipt by the Facility Agent of the relevant Utilisation Request for that Loan.
- (b) If by the Specified Time the Facility Agent has received a written request from the Company for a currency to be approved under paragraph (a)(ii) above, the Facility Agent will notify the Lenders of that request by the Specified Time. Based on any responses received by the Facility Agent by the Specified Time, the Facility Agent will confirm to the Company by the Specified Time:
 - (i) whether or not the Lenders have granted their approval; and
 - (ii) if approval has been granted, the minimum amount (and, if required, integral multiples) for any subsequent Utilisation in that currency.

4.4 Maximum number of Loans

- (a) A Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation more than 15 Loans would be outstanding.
- (b) Any Loan made by a single Lender under Clause 6.2 (*Unavailability of a currency*) shall not be taken into account in this Clause 4.4.
- (c) Any Separate Loan shall not be taken into account in this Clause 4.4.

5. Utilisation

5.1 Delivery of a Utilisation Request

A Borrower may utilise the Facility by delivery to the Facility Agent of a duly completed Utilisation Request not later than the Specified Time.

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
 - (i) the proposed Utilisation Date is a Business Day within the Availability Period;
 - (ii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*);

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- (iii) the proposed Interest Period complies with Clause 10 (*Interest Periods*); and
 - (iv) it specifies the account and bank (which must be in the principal financial centre of the country of the currency of the Utilisation or, in the case of euro, the principal financial centre of a Participating Member State in which banks are open for general business on that day or London or, such other financial centre as the relevant Borrower, with the consent of the Facility Agent, may select) to which the proceeds of the Utilisation are to be credited.
- (b) Only one Loan may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be the Base Currency or an Optional Currency.
- (b) The amount of the proposed Loan must be:
 - (i) if the currency selected is the Base Currency, a minimum of \$20,000,000 and in multiples of \$1,000,000, or if less, the Available Facility;
 - (ii) if the currency selected is Sterling, a minimum of £10,000,000 and in multiples of £1,000,000, or, if less the Available Facility; or
 - (iii) if the currency selected is euro, a minimum of €15,000,000, and in multiples of €1,000,000, or if less, the Available Facility; or
 - (iv) if the currency selected is an Optional Currency other than Sterling or euro, the minimum amount (and, if required, integral multiple) as agreed between the Facility Agent, the Lenders and the Company provided that if no such agreement is reached between the Facility Agent, the Lenders and the Company the minimum amount shall be the equivalent at that time of \$20,000,000 and multiples of \$2,000,000, such amount to be rounded as reasonably determined by the Facility Agent and notified to the Company; and
 - (v) in any event such that its Base Currency Amount is less than or equal to the Available Facility.

5.4 Lenders' participation

- (a) If the conditions set out in this Agreement have been met, and subject to Clause 7.1 (*Repayment of Loans*), each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
- (b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.

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- (c) The Facility Agent shall determine the Base Currency Amount of each Loan which is to be made in an Optional Currency and shall notify each Lender of the amount, currency and the Base Currency Amount of each Loan and the amount of its participation in that Loan, in each case by the Specified Time.

5.5 Cancellation of Commitment

The Commitments which, at that time, are unutilised shall be immediately cancelled at the end of the Availability Period.

6. Optional Currencies

6.1 Selection of currency

A Borrower (or the Company on behalf of a Borrower) shall select the currency of a Loan in a Utilisation Request.

6.2 Unavailability of a currency

If before the Specified Time on any Quotation Day:

- (a) a Lender notifies the Facility Agent that the Optional Currency requested is not readily available to it in the amount required; or
- (b) a Lender notifies the Facility Agent that compliance with its obligation to participate in a Loan in the proposed Optional Currency would contravene a law or regulation applicable to it,

the Facility Agent will give notice to the relevant Borrower to that effect by the Specified Time on that day. In this event, any Lender that gives notice pursuant to this Clause 6.2 will be required to participate in the Loan in the Base Currency (in an amount equal to that Lender's proportion of the Base Currency Amount or, in respect of a Rollover Loan, an amount equal to that Lender's proportion of the Base Currency Amount of the Rollover Loan that is due to be made) and its participation will be treated as a separate Loan denominated in the Base Currency during that Interest Period.

6.3 Participation in a Loan

Each Lender's participation in a Loan will be determined in accordance with paragraph (b) of Clause 5.4 (*Lenders' participation*).

7. Repayment

7.1 Repayment of Loans

- (a) Subject to paragraph (c) below, each Borrower which has drawn a Loan shall repay that Loan on the last day of its Interest Period.

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- (b) Without prejudice to each Borrower's obligation under paragraph (a) above, if one or more Loans are to be made available to a Borrower:
 - (i) on the same day that a maturing Loan is due to be repaid by that Borrower;
 - (ii) in the same currency as the maturing Loan (unless it arose as a result of the operation of Clause 6.2 (*Unavailability of a currency*)); and
 - (iii) in whole or in part for the purpose of refinancing the maturing Loan,

the aggregate amount of the new Loans shall be treated as if applied in or towards repayment of the maturing Loan so that:

- (A) if the amount of the maturing Loan exceeds the aggregate amount of the new Loans:
- (B) the relevant Borrower will only be required to pay an amount in cash in the relevant currency equal to that excess; and
- (C) each Lender's participation (if any) in the new Loans shall be treated as having been made available and applied by the Borrower in or towards repayment of that Lender's participation (if any) in the maturing Loan and that Lender will not be required to make its participation in the new Loans available in cash; and
- (D) if the amount of the maturing Loan is equal to or less than the aggregate amount of the new Loans:
 - (I) the relevant Borrower will not be required to make any payment in cash; and
 - (II) each Lender will be required to make its participation in the new Loans available in cash only to the extent that its participation (if any) in the new Loans exceeds that Lender's participation (if any) in the maturing Loan and the remainder of that Lender's participation in the new Loans shall be treated as having been made available and applied by the Borrower in or towards repayment of that Lender's participation in the maturing Loan.
- (c) At any time when a Lender becomes a Defaulting Lender, the maturity date of each of the participations of that Lender in the Loans then outstanding will be automatically extended to the Termination Date and will be treated as separate Loans (the *Separate Loans*) denominated in the currency in which the relevant participations are outstanding.
- (d) A Borrower to whom a Separate Loan is outstanding may prepay that Loan by giving five Business Days' prior notice to the Facility Agent. The Facility Agent will forward a copy of a prepayment notice received in accordance with this paragraph (d) to the Defaulting Lender concerned as soon as practicable on receipt.

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- (e) Interest in respect of a Separate Loan will accrue for successive Interest Periods selected by the Borrower by the time and date specified by the Facility Agent (acting reasonably) and will be payable by that Borrower to the Defaulting Lender on the last day of each Interest Period of that Separate Loan.
 - (f) The terms of this Agreement relating to Loans generally shall continue to apply to Separate Loans other than to the extent inconsistent with paragraphs (c) to (e) above, in which case those paragraphs shall prevail in respect of any Separate Loan.

7.2 Extension of the Termination Date

- (a) In this Agreement:

Extension Request means a written notice from the Company to the Facility Agent requesting an extension to the Termination Date in accordance with this Clause 7.2.

First Extended Termination Date means the date which is twelve Months after the Termination Date or, if such date is not a Business Day, the immediately preceding Business Day.

Second Extended Termination Date means the date which is twelve Months after the First Extended Termination Date, or if such date is not a Business Day, the immediately preceding Business Day.

- (b) The Company may, by delivering an irrevocable Extension Request to the Facility Agent not less than 30 days (and not more than 90 days) before the date falling 12 Months after the date of this Agreement, request the extension of the Termination Date to the First Extended Termination Date.
- (c) The Company may, by delivering an irrevocable Extension Request to the Facility Agent not less than 30 days (and not more than 90 days) prior to the date falling 24 Months after the date of this Agreement:
 - (i) if previously extended pursuant to paragraph (b) above, request that each Lender extends the Termination Date to the Second Extended Termination Date; or
 - (ii) if the Company has not requested (or if a Lender has not agreed to) an extension of the Termination Date pursuant to paragraph (b) above, request that each Lender extends the Termination Date to either the First Extended Termination Date or the Second Extended Termination Date.
- (d) The Facility Agent will promptly notify each Lender if the Company delivers an Extension Request pursuant to paragraphs (b) or (c) above.
- (e) The agreement to an extension of the Termination Date pursuant to paragraphs (b) or (c) above is at the sole discretion of each Lender. A Lender who rejects an Extension Request or who does not respond to an Extension

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Request by the date falling 15 Business Days after the date the Extension Request is delivered to the Facility Agent will be repaid, and its Commitment will be cancelled, on the original Termination Date or the First Extended Termination Date (as applicable).

8. Prepayment and Cancellation

8.1 Illegality

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Facility Agent upon becoming aware of that event;
- (b) upon the Facility Agent notifying the Company, the Commitment of that Lender will be immediately cancelled; and
- (c) each Borrower shall repay that Lender's participation in the Loans made to that Borrower on the last day of the Interest Period for each Loan occurring after the Facility Agent has notified the Company or, if earlier, the date specified by the Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

8.2 Change of control

- (a) If at any time any person or group of persons acting in concert gains control of the Company:
 - (i) the Company shall promptly notify the Facility Agent upon becoming aware of that event;

- (ii) a Lender shall not be obliged to fund a Utilisation (except for a Rollover Loan); and
 - (iii) if a Lender so requires and notifies the Facility Agent within 30 days of the Company notifying the Facility Agent of the event, the Facility Agent shall, by not less than 30 days' notice to the Company, cancel the Commitment of that Lender and declare the participation of that Lender in all outstanding Loans, together with accrued interest, and all other amounts accrued under the Finance Documents immediately due and payable, whereupon the Commitment of that Lender will be cancelled and all such outstanding amounts will become immediately due and payable.
- (b) For the purpose of paragraph (a) above **control** has the meaning given to it in section 1124 of the CTA 2010.
 - (c) For the purpose of paragraph (a) above **acting in concert** has the meaning given to it in the City Code on Takeovers and Mergers.

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8.3 Voluntary cancellation

The Company may, if it gives the Facility Agent not less than three Business Days' (or such shorter period as the Majority Lenders may agree) prior notice in writing, cancel the whole or any part (being a minimum amount of \$40,000,000 and in multiples of \$10,000,000) of the Available Facility. Any cancellation under this Clause 8.3 shall reduce the Commitments of the Lenders rateably.

8.4 Voluntary prepayment of Loans

A Borrower to which a Loan has been made, may, if it gives the Facility Agent not less than three Business Days' (or such shorter period as the Majority Lenders may agree) prior notice in writing, prepay the whole or any part of a Loan (but, if in part, being an amount that reduces the Base Currency Amount of the Loan by a minimum amount of \$40,000,000 and in multiples of \$10,000,000). Any prepayment of a Loan pursuant to this Clause 8.4 shall be applied *pro rata* to each Lender's participation in that Loan.

8.5 Right of repayment and cancellation in relation to, or replacement of, a single Lender

- (a) If:
 - (i) any sum payable to any Lender by an Obligor is required to be increased under paragraph (c) of Clause 13.2 (*Tax gross-up*) or
 - (ii) any Lender claims indemnification from the Company under Clause 13.3 (*Tax indemnity*) or Clause 14.1 (*Increased costs*)

the Company may, whilst the circumstance giving rise to the requirement or indemnification continues, give the Facility Agent notice of:

- (A) cancellation of the Commitment of that Lender; and/or
 - (B) its intention to procure the repayment of that Lender's participation in the Loans; and/or
 - (C) its intention to procure the repayment of that Lender's participation in the Loans to the specified Borrower in relation to which an event referred to in paragraphs (i) or (ii) has occurred; and/or
 - (D) its intention to replace that Lender in accordance with paragraph (d) below.
- (b) On receipt of a notice referred to in paragraph (a) above (other than one providing only for repayment of the Lender's participation in the Loans to a specified Borrower), the Commitment of that Lender shall immediately be reduced to zero.

- (c) On the last day of each Interest Period which ends after the Company has given notice under paragraph (a) above (or, if earlier, the date specified by the Company in that notice), each Borrower (or, as the case may be, the specified Borrower) to which a Loan is outstanding shall repay that Lender's participation in that Loan.

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- (d) The Company may, in the circumstances set out in paragraph (a) above, on five Business Days' prior notice to the Facility Agent and that Lender, replace that Lender by requiring that Lender to (and, to the extent permitted by law, that Lender shall) transfer pursuant to Clause 24 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity selected by the Company (which shall not be a member of the Group) and which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 24 (*Changes to the Lenders*) for a purchase price in cash or other cash payment payable at the time of the transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Loans and all accrued interest (to the extent that the Facility Agent has not given a notification under Clause 24.9 (*Pro rata interest settlement*)), Break Costs and other amounts payable in relation thereto under the Finance Documents.
 - (e) The replacement of a Lender pursuant to paragraph (d) above shall be subject to the following conditions:
 - (i) no Finance Party shall have any obligation to find a replacement Lender;
 - (ii) any replacement pursuant to this Clause 8.5 (but subject to the other provisions of this Agreement) of a Lender which is the Facility Agent shall not affect its role as the Facility Agent; and
 - (iii) any Lender replaced pursuant to this Clause 8.5 shall not be required to refund, or to pay or surrender to any other Lender, any of the fees or other amounts received by that Lender under any Finance Document.

8.6 Replacement of a Non-Consenting Lender

- (a) In this Clause 8.6, ***Non-Consenting Lender*** means any Lender which does not agree to a consent, waiver or amendment if:
 - (i) the Company or the Facility Agent has requested a consent under or waiver or amendment of any provision of any Finance Document;
 - (ii) that consent, waiver or amendment requires the agreement of all the Lenders; and
 - (iii) the Super-Majority Lenders have agreed to that consent, waiver or amendment.
- (b) If any Lender becomes a Non-Consenting Lender, the Company may, if it gives the Facility Agent and that Lender not less than 5 Business Days' prior notice, arrange for the transfer of the whole (but not part only) of that Lender's Commitment and participations in the Utilisations at par to a new or existing Lender willing to accept that transfer and acceptable to the Company and the remaining Lenders.

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- (c) The replacement of a Lender pursuant to this Clause 8.6 shall be subject to the following conditions:
 - (i) no Finance Party shall have any obligation to find a replacement Lender;

- (ii) any replacement of a Non-Consenting Lender must take place no later than 180 days after the earlier of (A) the date the Non-Consenting Lender notified the Facility Agent of its refusal to agree to the relevant consent, waiver or amendment and (B) the deadline (being not less than 15 Business Days after the Lender received the request for the relevant consent, waiver or amendment) by which the Non-Consenting Lender failed to reply to that request; and
- (iii) any Lender replaced pursuant to this Clause 8.6 shall not be required to refund, or to pay or surrender to any other Lender, any of the fees or other amounts received by that Lender under any Finance Document.
- (d) Any replacement pursuant to this Clause 8.6 (but subject to the other provisions of this Agreement) of a Lender which is the Facility Agent shall not affect its role as the Facility Agent.

8.7 Right of cancellation in relation to a Defaulting Lender

- (a) If any Lender becomes a Defaulting Lender, the Company may, at any time whilst the Lender continues to be a Defaulting Lender, give the Facility Agent five Business Days' notice of cancellation of that Lender's Available Commitment.
- (b) On the notice referred to in paragraph (a) above becoming effective, each Available Commitment of the Defaulting Lender shall immediately be reduced to zero.
- (c) The Facility Agent shall as soon as practicable after receipt of a notice referred to in paragraph (a) above, notify all the Lenders.

8.8 Restrictions

- (a) Any notice of cancellation, prepayment or replacement given by any Party under this Clause 8 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

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- (c) Unless a contrary indication appears in this Agreement, any part of the Facility which is prepaid may be reborrowed in accordance with the terms of this Agreement.
 - (d) The Borrowers shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.
 - (e) Subject to Clause 2.2 (*Increase*), no amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.
 - (f) If the Facility Agent receives a notice under this Clause 8 it shall promptly forward a copy of that notice to either the Company or the affected Lender, as appropriate.
 - (g) If all or part of any Lender's participation in a Loan is repaid or prepaid and is not available for redrawing (other than by operation of Clause 4.2 (*Further conditions precedent*)), an amount of that Lender's Commitments (equal to the Base Currency Amount of the amount of the participation which is repaid or prepaid) will be deemed to be cancelled on the date of repayment or prepayment.

9. Interest

9.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin; and
- (b) LIBOR or, in relation to any Loan in euro, EURIBOR.

9.2 Payment of interest

The Borrower to which a Loan has been made shall pay accrued interest on that Loan on the last day of each Interest Period (and, if the Interest Period is longer than six Months, on the dates falling at six monthly intervals after the first day of the Interest Period).

9.3 Default interest

- (a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is the sum of 1 per cent. and the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Facility Agent (acting reasonably). Any interest accruing under this Clause 9.3 shall be immediately payable by the Obligor on demand by the Facility Agent.

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- (b) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
 - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be the sum of 1 per cent. and the rate which would have applied if the overdue amount had not become due.
 - (c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

9.4 Notification of rates of interest

- (a) The Facility Agent shall promptly notify the Lenders and the relevant Borrower of the determination of a rate of interest under this Agreement;
- (b) The Facility Agent shall promptly notify the relevant Borrower of each Funding Rate relating to a Loan.

10. Interest Periods

10.1 Selection of Interest Periods

- (a) A Borrower (or the Company on behalf of a Borrower) may select an Interest Period for a Loan in the Utilisation Request for that Loan.
- (b) Subject to this Clause 10, a Borrower (or the Company) may select an Interest Period of 1, 2, 3 or 6 Months or any other period agreed between the Company and the Facility Agent (acting on the instructions of all the Lenders).

- (c) An Interest Period for a Loan shall not extend beyond the Termination Date.
- (d) A Loan has one Interest Period only.
- (e) Each Interest Period shall start on the Utilisation Date.

10.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

11. Changes to the Calculation of Interest

11.1 Unavailability of Screen Rate

- (a) *Interpolated Screen Rate*: If no Screen Rate is available for LIBOR or, if applicable, EURIBOR for the Interest Period of a Loan, the applicable LIBOR or EURIBOR shall be the Interpolated Screen Rate for a period equal in length to the Interest Period of that Loan.

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- (b) *Shortened Interest Period*: If no Screen Rate is available for LIBOR or, if applicable, EURIBOR for:
 - (i) for the currency of a Loan; or
 - (ii) the Interest Period of a Loan and it is not possible to calculate the Interpolated Screen Rate,

the Interest Period of that Loan shall (if it is longer than the applicable Fallback Interest Period) be shortened to the applicable Fallback Interest Period and the applicable LIBOR or EURIBOR for that shortened Interest Period shall be determined pursuant to the definition of LIBOR.

- (c) *Shortened Interest Period and Historic Screen Rate*: If the Interest Period of a Loan is, after giving effect to paragraph (b) above, either the applicable Fallback Interest Period or shorter than the applicable Fallback Interest Period and, in either case, no Screen Rate is available for LIBOR or, if applicable, EURIBOR for:
 - (i) the currency of that Loan; or
 - (ii) the Interest Period of that Loan and it is not possible to calculate the Interpolated Screen Rate,

the applicable LIBOR or EURIBOR shall be the Historic Screen Rate for that Loan.

- (d) *Shortened Interest Period and Interpolated Historic Screen Rate*: If paragraph (c) above applies but no Historic Screen Rate is available for the Interest Period of the Loan, the applicable LIBOR or EURIBOR shall be the Interpolated Historic Screen Rate for a period equal in length to the Interest Period of that Loan.
- (e) *Reference Bank Rate*: If paragraph (d) above applies but it is not possible to calculate the Interpolated Historic Screen Rate, the Interest Period of that Loan shall, if it has been shortened pursuant to paragraph (b) above, revert to its previous length and the applicable LIBOR or EURIBOR shall be the Reference Bank Rate as of the Specified Time for the currency of that Loan and for a period equal in length to the Interest Period of that Loan.
- (f) *Cost of funds*: If paragraph (e) above applies but no Reference Bank Rate is available for the currency of that Loan or the relevant Interest Period there shall be no LIBOR or EURIBOR for that Loan and Clause 11.4 (*Cost of funds*) shall apply to that Loan for that Interest Period.

11.2 Calculation of Reference Bank Rate

- (a) Subject to paragraph (b) below, if LIBOR or EURIBOR is to be determined on the basis of a Reference Bank Rate but a Reference Bank does not supply a quotation by the Specified Time, the Reference Bank Rate shall be calculated on the basis of the quotations of the remaining Reference Banks.

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- (b) If at or about noon on the Quotation Day, none or only one of the Reference Banks supplies a quotation, there shall be no Reference Bank Rate for the relevant Interest Period.

11.3 Market disruption

If before close of business in London on the Quotation Day for the relevant Interest Period the Facility Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 35 per cent. of that Loan) that the cost to it of funding its participation in that Loan from whatever source it may reasonably select would be in excess of LIBOR or, if applicable, EURIBOR then Clause 11.4 (*Cost of funds*) shall apply to that Loan for the relevant Interest Period.

11.4 Cost of funds

- (a) If this Clause 11.4 applies, the rate of interest on each Lender's share of the relevant Loan for the relevant Interest Period shall be the percentage rate per annum which is the sum of:
 - (i) the Margin; and
 - (ii) the rate notified to the Facility Agent by that Lender as soon as practicable and in any event within 5 Business Days of the first day of that Interest Period (or, if earlier, on the date falling 5 Business Days before the date on which interest is due to be paid in respect of that Interest Period), to be that which expresses as a percentage rate per annum the cost to the relevant Lender of funding its participation in that Loan from whatever source it may reasonably select.
- (b) If this Clause 11.4 applies and the Facility Agent or the Company so requires, the Facility Agent and the Company shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.
- (c) Any alternative basis agreed pursuant to paragraph (b) above shall, with the prior consent of all the Lenders and the Company, be binding on all Parties.
- (d) If this Clause 11.4 applies but any Lender does not supply a quotation by the time specified in paragraph (a)(ii) above the rate of interest applicable to that Lender shall be calculated on the basis of the quotations of the remaining Lenders.

11.5 Break Costs

- (a) Each Borrower shall, within five Business Days of a demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by that Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, together with its demand provide a certificate confirming the amount and basis of calculation of its Break Costs for any Interest Period in which they accrue.

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12. Fees

12.1 Commitment fee

- (a) The Company shall pay to the Facility Agent (for the account of each Lender) a fee in the Base Currency computed on a day to day basis at a percentage rate per annum equal to 35 per cent. of the relevant Margin which would apply to a Loan drawn on that day on that Lender's Available Commitment for the Availability Period.
- (b) The accrued commitment fee is payable on the last day of each successive period of three Months which ends during the Availability Period, on the last day of the Availability Period and, if cancelled in full, on the cancelled amount of the relevant Lender's Available Commitment at the time the cancellation is effective.
- (c) No commitment fee is payable to the Facility Agent (for the account of a Lender) on any Available Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

12.2 Participation fee

The Company shall pay, or shall procure that the same is paid, to the Facility Agent (for the account of each Original Lender) a fee in the amount and at the times agreed in a Fee Letter.

12.3 Utilisation Fee

The Borrower shall pay a utilisation fee which:

- (a) shall be calculated daily from the date of this Agreement and at the rate per annum (on the basis of a 360 day year) determined in accordance with the following table upon the daily Utilisation Level:

Utilisation Level (%)	Rate (%)
Equal to or lower than 33.34%	0.10
Higher than 33.34% but equal to or lower than 66.67%	0.20
Higher than 66.67%	0.40

- (b) shall be paid in arrear to the Facility Agent for the account of the Lenders on:
 - (i) the date falling three months after the date of this Agreement;
 - (ii) each date falling at three monthly intervals thereafter; and
 - (iii) the Termination Date; and
- (c) shall be paid in arrear to the Facility Agent for the account of a particular Lender on the date on which that Lender's participations in the Facility are repaid.

12.4 Agency fee

The Company shall pay, or procure that the same is paid, to the Facility Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

13. Tax Gross-Up and Indemnities

13.1 Definitions

In this Agreement:

Borrower DTTP Filing means an HM Revenue & Customs' Form DTTP2 duly completed and filed by the relevant Borrower, which:

- (a) where it relates to a Treaty Lender that is an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated opposite that Lender's name in Part A of Schedule 1 (*The Original Parties (Other than UK Non-Bank Lenders)*); and
 - (i) where the Borrower is an Original Borrower, is filed with HM Revenue & Customs within 30 days of the date of this Agreement; or
 - (ii) where the Borrower is an Additional Borrower, is filed with HM Revenue & Customs within 30 days of the date on which that Borrower becomes an Additional Borrower; or
 - (iii) where it relates to a Treaty Lender that is a New Lender or an Increase Lender, contains the scheme reference number and jurisdiction of tax residence stated in respect of that Lender in the relevant Transfer Certificate or Increase Confirmation; and
- (b) where the Borrower is a Borrower as at the relevant Transfer Date or Increase Date (as set out in the relevant Increase Confirmation), is filed with HM Revenue & Customs within 30 days of that Transfer Date or Increase Date; or
- (c) where the Borrower is not a Borrower as at the relevant Transfer Date or Increase Date, is filed with HM Revenue & Customs within 30 days of the date on which that Borrower becomes an Additional Borrower.

Protected Party means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

Qualifying Lender means:

- (a) a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:
 - (i) a Lender:
 - (A) which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Finance Document and is within the charge to United Kingdom corporation tax as

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respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA 2009; or in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made,

- (B) and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or
- (ii) a Lender which is:
 - (A) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (B) a partnership each member of which is:
 - (I) a company so resident in the United Kingdom; or
 - (II) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (for the purposes of section 19 of the CTA 2009) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA 2009; or

- (C) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA 2009) of that company; or
- (D) a Treaty Lender; or
- (iii) a Lender which is a building society (as defined for the purposes of section 880 of the ITA) making an advance under a Finance Document.

Tax Confirmation means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

- (a) a company resident in the United Kingdom for United Kingdom tax purposes; or
- (b) a partnership each member of which is:
 - (i) a company so resident in the United Kingdom; or

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- (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA 2009) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA 2009; or
 - (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA 2009) of that company.

Tax Credit means a credit against, relief or remission for, or repayment of any Tax.

Tax Deduction means a deduction or withholding for or on account of Tax from a payment under a Finance Document other than a FATCA Deduction.

Tax Payment means either the increase in a payment made by an Obligor to a Finance Party under Clause 13.2 (*Tax gross-up*) or a payment under Clause 13.3 (*Tax indemnity*).

Treaty Lender means a Lender which:

- (a) is treated as a resident of a Treaty State for the purposes of the Treaty;
- (b) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in the Loans is effectively connected; and
- (c) fulfils any conditions which must be fulfilled under the double taxation agreement for residents of that Treaty State to obtain exemption from United Kingdom taxation on interest (subject to the completion of any necessary procedural formalities).

Treaty State means a jurisdiction having a double taxation agreement (a *Treaty*) with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

UK Non-Bank Lender means:

- (a) where a Lender becomes a Party on the day on which this Agreement is entered into, a Lender listed in Part B of Schedule 1 (*The Original Parties (UK Non-Bank Lenders)*); and
- (b) where a Lender becomes a Party after the day on which this Agreement is entered into, a Lender which gives a Tax Confirmation in the Increase Confirmation or Transfer Certificate which it executes on becoming a Party.

Unless a contrary indication appears, in this Clause 13 a reference to *determines* or *determined* means a determination made in the absolute discretion of the person making the determination.

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13.2 Tax gross-up

- (a) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Company shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall promptly notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender it shall promptly notify the Company and that Obligor.
- (c) If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) A payment shall not be increased under paragraph (c) above by reason of a Tax Deduction on account of tax imposed by the United Kingdom, if on the date on which the payment falls due:
 - (i) the payment could have been made to the relevant Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or published concession of any relevant taxing authority; or
 - (ii) the relevant Lender is a Qualifying Lender solely by virtue of paragraph (a)(ii) of the definition of Qualifying Lender;
 - (A) an officer of HM Revenue & Customs has given (and not revoked) a direction (a Direction) under section 931 of the ITA which relates to the payment and that Lender has received from the Obligor making the payment or from the Company a certified copy of that Direction; and
 - (B) the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or
 - (iii) the relevant Lender is a Qualifying Lender solely by virtue of (a)(ii) of the definition of Qualifying Lender and:
 - (A) the relevant Lender has not given a Tax Confirmation to the Company; and
 - (B) the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Company, on the basis that the Tax Confirmation

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would have enabled the Company to have formed a reasonable belief that the payment was an “excepted payment” for the purpose of section 930 of the ITA; or

- (iv) the relevant Lender is a Treaty Lender and the Obligor making the payment is able to demonstrate that (assuming the completion of all necessary procedural formalities by the Obligor) the payment could have been made to the Lender without the Tax Deduction had

that Lender complied with its obligations under paragraph (g) or (h) (as applicable) below;
or

- (v) the Tax Deduction is required as a result of a direction under regulation 9(b) of SI 1970/488 and the application of regulation 9(b) to that Lender does not result from a change after it became a Lender in (or the interpretation, administration or application of) any law or Treaty, or any published practice or concession of any relevant taxing authority.
- (e) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (f) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Facility Agent for the Finance Party entitled to the payment a statement under section 975 of the ITA or evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.
- (g)
 - (i) Subject to paragraph (ii) below, a Treaty Lender and each Obligor which makes a payment to which that Treaty Lender is entitled shall co-operate in promptly completing any procedural formalities (including completing and submitting appropriate documents to the applicable tax authorities) necessary for that Obligor to obtain authorisation to make that payment without a Tax Deduction.
 - (ii)
 - (A) A Treaty Lender which becomes a Party on the day on which this Agreement is entered into that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence opposite its name in Part A of Schedule 1 (*The Original Parties (Other than UK Non-Bank Lenders)*); and
 - (B) a New Lender or Increase Lender that is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport

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scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence in the Transfer Certificate or Increase Confirmation which it executes,

and having done so, that Lender shall be under no obligation pursuant to paragraph (i) above.

- (iii) Each Lender severally warrants to the Company that it is a Qualifying Lender on the date it becomes a Party to this Agreement. If at any time after this Agreement is entered into any Lender becomes aware that it is not and will not or will cease to be a Qualifying Lender, it shall promptly notify the Facility Agent and the Company.
- (h) If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with paragraph (g)(ii) above and:
 - (i) a Borrower making a payment to that Lender has not made a Borrower DTTP Filing in respect of that Lender; or
 - (ii) a Borrower making a payment to that Lender has made a Borrower DTTP Filing in respect of that Lender but:
 - (A) that Borrower DTTP Filing has been rejected by HM Revenue & Customs; or

- (B) HM Revenue & Customs has not given the Borrower authority to make payments to that Lender without a Tax Deduction within 60 days of the date of the Borrower DTTP Filing,

and in each case, the Borrower has notified that Lender in writing, that Lender and the Borrower shall cooperate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.

- (i) If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with paragraph (g)(ii) above, no Obligor shall make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment or its participation in any Loan unless the Lender otherwise agrees.
- (j) A Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the Facility Agent for delivery to the relevant Lender.
- (k) A UK Non-Bank Lender which becomes a Party on the day on which this Agreement is entered into gives a Tax Confirmation to the Company by entering into this Agreement.

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- (l) A UK Non-Bank Lender shall promptly notify the Company and the Facility Agent if there is any change in the position from that set out in the Tax Confirmation.

13.3 Tax indemnity

- (a) The Company shall (within five Business Days of demand by the Facility Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Finance Party:
 - (A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party;

- (ii) to the extent a loss, liability or cost:
 - (A) is compensated for by an increased payment under Clause 13.2 (*Tax gross-up*); or
 - (B) would have been compensated for by an increased payment under Clause 13.2 (*Tax gross-up*) but was not so compensated solely because one of the exclusions in paragraph (d) of Clause 13.2 (*Tax gross-up*) applied; or
 - (C) relates to a FATCA Deduction required to be made by a Party; or
- (iii) to the extent that such loss, liability or cost has not been notified to the Company by the relevant Finance Party within two Months of such Finance Party becoming aware of the existence of the same.
- (c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Facility Agent of the event which will give, or has given, rise to the claim, following

which the Facility Agent shall promptly notify the Company.

- (d) A Protected Party shall, on receiving a payment from an Obligor under this Clause 13.3, notify the Facility Agent.

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13.4 Tax Credit

If an Obligor makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and
- (b) that Finance Party has obtained and utilised that Tax Credit,

the Finance Party shall pay an amount to the Obligor which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor.

13.5 Lender status confirmation

- (a) Each Lender which becomes a Party to this Agreement after the date of this Agreement shall indicate, in the Transfer Certificate or Increase Confirmation which it executes on becoming a Party, and for the benefit of the Facility Agent and without liability to any Obligor, which of the following categories it falls in:
 - (i) not a Qualifying Lender;
 - (ii) a Qualifying Lender (other than a Treaty Lender); or
 - (iii) a Treaty Lender.
- (b) If a New Lender fails to indicate its status in accordance with this Clause 13.5 then such New Lender shall be treated for the purposes of this Agreement (including by each Obligor) as if it is not a Qualifying Lender until such time as it notifies the Facility Agent which category applies (and the Facility Agent, upon receipt of such notification, shall inform the Company). For the avoidance of doubt, a Transfer Certificate or Increase Confirmation shall not be invalidated by any failure of a Lender to comply with this Clause 13.5.

13.6 Stamp taxes

The Company shall pay and, within five Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

13.7 Value added tax

- (a) All amounts expressed to be payable under a Finance Document by any Party to a Finance Party which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to paragraph (b) below, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party under a Finance Document and such Finance Party is required to account to the relevant tax authority for the VAT, that Party must pay to such Finance Party (in addition to and at the same time as paying any other

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consideration for such supply) an amount equal to the amount of the VAT (and such Finance Party must promptly provide an appropriate VAT invoice to that Party).

- (b) If VAT is or becomes chargeable on any supply made by any Finance Party (the *Supplier*) to any other Finance Party (the *Recipient*) under a Finance Document, and any Party other than the Recipient (the *Relevant Party*) is required by the terms of any Finance Document to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):
 - (i) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this paragraph (i) applies) promptly pay to the Relevant Party an amount equal to any credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and
 - (ii) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.
- (c) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.
- (d) Any reference in this Clause 13.7 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term *representative member* to have the same meaning as in the Value Added Tax Act 1994).
- (e) In relation to any supply made by a Finance Party to any Party under a Finance Document, if reasonably requested by such Finance Party, that Party must promptly provide such Finance Party with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.

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13.8 FATCA Information

- (a) Subject to paragraph (c) below, each Party shall, within ten Business Days of a reasonable request by another Party:
 - (i) confirm to that other Party whether it is:
 - (A) a FATCA Exempt Party; or
 - (B) not a FATCA Exempt Party;
 - (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA; and
 - (iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.
- (b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt

Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

- (c) Paragraph (a) above shall not oblige any Finance Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:
 - (i) any law or regulation;
 - (ii) any fiduciary duty; or
 - (iii) any duty of confidentiality.
- (d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

13.9 FATCA Deduction

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

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- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Company and the Facility Agent and the Facility Agent shall notify the other Finance Parties.

14. Increased Costs

14.1 Increased costs

- (a) Subject to Clause 14.3 (*Exceptions*) the Company shall, within five Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of: (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation; (ii) compliance with any law or regulation made after the date of this Agreement; or (iii) the implementation or application of, or compliance with, Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV other than to the extent that a Finance Party (A) was, or reasonably should have been, aware of such Increased Cost and (B) was able or should reasonably have been able to calculate and assess the amount of such Increased Cost, in each case, on the date on which it becomes a Finance Party.
- (b) In this Agreement **Increased Costs** means:
 - (i) a reduction in the rate of return from the Facility or on a Finance Party's (or its Affiliate's) overall capital;
 - (ii) an additional or increased cost; or
 - (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

14.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 14.1 (*Increased costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Company.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount and reasonable details of the basis therefor.

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14.3 Exceptions

- (a) Clause 14.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
 - (i) attributable to a Tax Deduction required by law to be made by an Obligor;
 - (ii) attributable to a FATCA Deduction required to be made by a Party;
 - (iii) compensated for by Clause 13.3 (*Tax indemnity*) (or would have been compensated for under Clause 13.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 13.3 (*Tax indemnity*) applied);
 - (iv) attributable to the negligence or wilful breach by the relevant Finance Party or its Affiliates of any law or regulation; or
 - (v) attributable to the implementation or application of or compliance with the “International Convergence of Capital Measurement and Capital Standards, a Revised Framework” published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (but excluding any amendment arising out of Basel III) (*Basel II*) or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates).
- (b) In this Clause 14.3, a reference to a *Tax Deduction* has the same meaning given to the term in Clause 13.1 (*Definitions*).

15. Other Indemnities

15.1 Currency indemnity

- (a) If any sum due from an Obligor under the Finance Documents (a Sum), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the *First Currency*) in which that Sum is payable into another currency (the *Second Currency*) for the purpose of:
 - (i) making or filing a claim or proof against that Obligor;
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within five Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

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- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

15.2 Other indemnities

The Company shall (or shall procure that an Obligor will), within five Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 28 (*Sharing among the Finance Parties*);
- (c) funding, or making arrangements to fund, its participation in a Loan requested by a Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by a Borrower or the Company.

15.3 Indemnity to the Facility Agent

The Company shall promptly indemnify the Facility Agent against any cost, loss or liability incurred by the Facility Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is an Event of Default; or
- (b) acting or relying on any notice, request or instruction made by an Obligor which it reasonably believes to be genuine, correct and appropriately authorised.

16. Mitigation by the Lenders

16.1 Mitigation

- (a) Each Finance Party shall, in consultation with the Company, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 8.1 (*Illegality*), Clause 13 (*Tax gross-up and indemnities*), Clause 14 (*Increased Costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

16.2 Limitation of liability

- (a) The Company shall indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 16.1 (*Mitigation*).
- (b) A Finance Party is not obliged to take any steps under Clause 16.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

17. Costs and Expenses

17.1 Transaction expenses

The Company shall promptly on demand pay the Facility Agent and the Arranger the amount of all reasonable costs and expenses (including legal fees) reasonably incurred by any of them (subject to a maximum in respect of legal fees as agreed with the Company) in connection with the negotiation, preparation, printing and execution of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement.

17.2 Amendment costs

If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 29.10 (*Change of currency*), the Company shall, within five Business Days of demand, reimburse the Facility Agent for the amount of all reasonable costs and expenses (including legal fees) reasonably incurred by the Facility Agent in evaluating, negotiating or complying with that request.

17.3 Enforcement costs

The Company shall, within five Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

18. Guarantee and Indemnity

18.1 Guarantee and indemnity

Each Guarantor irrevocably and unconditionally jointly and severally:

- (a) guarantees to each Finance Party punctual performance by each Borrower of all that Borrower's payment obligations under the Finance Documents;
- (b) undertakes with each Finance Party that whenever a Borrower does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and

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- (c) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of a Borrower not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 18 if the amount claimed had been recoverable on the basis of a guarantee.

18.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

18.3 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or

otherwise, without limitation, then the liability of each Guarantor under this Clause 18 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

18.4 Waiver of defences

The obligations of each Guarantor under this Clause 18 will not be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this Clause 18 (without limitation and whether or not known to it or any Finance Party) including:

- (a) any time, waiver or consent granted to, or composition with, any Obligor or other person;
- (b) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including without

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limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;

- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

18.5 Immediate recourse

Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 18. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

18.6 Appropriations

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Clause 18.

18.7 Deferral of Guarantors' rights

- (a) Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Facility Agent otherwise

directs, no Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 18:

- (i) to be indemnified by an Obligor;
- (ii) to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents;
- (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;

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- (iv) to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under Clause 18.1 (*Guarantee and Indemnity*);
 - (v) to exercise any right of set-off against any Obligor; and/or
 - (vi) to claim or prove as a creditor of any Obligor in competition with any Finance Party.
- (b) If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Facility Agent or as the Facility Agent may direct for application in accordance with Clause 29 (*Payment mechanics*).

18.8 Release of Guarantors' right of contribution

If any Guarantor (a *Retiring Guarantor*) ceases to be a Guarantor in accordance with the terms of the Finance Documents for the purpose of any sale or other disposal of that Retiring Guarantor then on the date such Retiring Guarantor ceases to be a Guarantor:

- (a) that Retiring Guarantor is released by each other Guarantor from any liability (whether past, present or future and whether actual or contingent) to make a contribution to any other Guarantor arising by reason of the performance by any other Guarantor of its obligations under the Finance Documents; and
- (b) each other Guarantor waives any rights it may have by reason of the performance of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under any Finance Document or of any other security taken pursuant to, or in connection with, any Finance Document where such rights or security are granted by or in relation to the assets of the Retiring Guarantor.

18.9 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

19. Representations

Each Obligor makes the representations and warranties set out in this Clause 19 to each Finance Party, on the date of this Agreement.

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19.1 Status

- (a) It is a corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation.
- (b) It and each of its Material Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

19.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document are subject to any general principles of law limiting its obligations which are specifically referred to in any legal opinion delivered pursuant to Clause 4 (*Conditions of Utilisation*) or Clause 25 (*Changes to the Obligors*) legal, valid, binding and enforceable obligations.

19.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets breach of which would have a Material Adverse Effect.

19.4 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

19.5 Validity and admissibility in evidence

All Authorisations required:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation,

have been obtained or effected and are in full force and effect (or, in each case, will be when required).

19.6 No default

- (a) No Event of Default is continuing or could reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or could reasonably be expected to have a Material Adverse Effect.

19.7 Financial statements

- (a) The Original Financial Statements were prepared in accordance with IFRS consistently applied.
- (b) The Original Financial Statements fairly represent the consolidated financial condition and operations of the Group during the relevant financial period.
- (c) There has been no material adverse change in the business or financial condition of the Group since 31 December 2014.

19.8 **Pari passu ranking**

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

19.9 **No proceedings pending or threatened**

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which are reasonably likely to be adversely determined and, if adversely determined, could be reasonably likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

19.10 **No misleading information**

- (a) Any written factual information provided by or on behalf of any member of the Group for the purposes of the entry into of this Agreement by a Finance Party, was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.
- (b) Nothing has occurred since the date of delivery of, or been omitted from, the factual information referred to in paragraph (a) above and no information has been given or withheld that results in the information referred to in paragraph (a) being untrue or misleading in any material respect.
- (c) The representations and warranties in this Clause 19.10 are made by the Company only.

19.11 **Sanctions**

Neither it nor any of its Subsidiaries is, or is majority-owned or controlled by, a Sanctioned Person, and no officer or director of any such Obligor or Subsidiary is a Sanctioned Person.

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19.12 **Repetition**

The Repeating Representations are deemed to be made by each Obligor by reference to the facts and circumstances then existing on:

- (a) the date of each Utilisation Request and the first day of each Interest Period; and
- (b) in the case of an Additional Obligor, the day on which the company becomes (or it is proposed that the company becomes) an Additional Obligor.

20. **Information Undertakings**

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

20.1 **Financial statements**

The Company shall supply to the Facility Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available, but in any event within 120 days after the end of each of its

financial years:

- (i) its audited consolidated financial statements for that financial year; and
 - (ii) the financial statements of each Obligor for that financial year (which shall be audited if that Obligor produces audited financial statements); and
- (b) as soon as the same become available, but in any event within 90 days after the end of the first half of each of its financial years, its consolidated financial statements for that financial half year.

20.2 Compliance Certificate

- (a) The Company shall supply to the Facility Agent, with each set of financial statements delivered pursuant to paragraph (a)(i) or (b) of Clause 20.1 (*Financial statements*), a Compliance Certificate setting out:
- (i) (in reasonable detail) computations as to compliance with Clause 21 (*Financial covenants*); and
 - (ii) an updated list of Material Subsidiaries,

in each case, as at the date at which those financial statements were drawn up.

- (b) Each Compliance Certificate shall be signed by a director or an authorised signatory on behalf of the Company.

20.3 Margin Certificate

- (a) The Company shall supply to the Facility Agent a Margin Certificate within 80 days of each Quarter Date setting out a computation of the Margin Ratio.
- (b) Each Margin Certificate shall be signed by a director on behalf of the Company.

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20.4 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Company pursuant to paragraph (a) of Clause 20.1 (*Financial statements*) shall be certified by an authorised signatory on behalf of the relevant company as fairly representing its (or, as the case may be, its consolidated) financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.
- (b) The Company shall procure that each set of financial statements of the Group delivered pursuant to Clause 20.1 (*Financial statements*) is prepared using IFRS and it shall deliver to the Facility Agent:
- (i) sufficient information, in form and substance as may be reasonably required by the Facility Agent, to enable the Lenders to determine whether Clause 21 (*Financial covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and the Original Financial Statements; and
 - (ii) a description of any change necessary for those financial statements to reflect the Applicable Accounting Principles upon which the Original Financial Statements were prepared.
- (c) Any reference in this Agreement to the financial statements of the Group delivered pursuant to Clause 20.1 (*Financial statements*) shall be construed as a reference to those financial statements as adjusted to reflect the Applicable Accounting Principles and, if applicable, any amendments pursuant to paragraph (d) below.
- (d) The Company may at any time notify the Facility Agent that there has been a change in accounting

practices applied or accounting principles in force in relation to a set of financial statements from the Applicable Accounting Principles upon which the Original Financial Statements were prepared, in which case the Company and the Facility Agent shall negotiate in good faith for not less than 30 days with a view to agreeing:

- (i) any amendments to Clause 20.1 (*Financial statements*) and any of the definitions of terms used therein as are necessary to provide the Lenders and the Company comparable protection to that contemplated at the date of this Agreement; and
- (ii) any other amendments to this Agreement which are necessary to ensure that the adoption by the Group of different accounting practices or principles does not result in any material alteration to the commercial effect of the obligations of any Obligor under this Agreement.

If amendments satisfactory to the Majority Lenders (acting reasonably) are so agreed in writing by the Company and the Facility Agent, those amendments shall take effect in accordance with the terms of that agreement.

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20.5 Information: miscellaneous

The Company shall supply to the Facility Agent (in sufficient copies for all the Lenders, if the Facility Agent so requests):

- (a) all documents dispatched by the Company to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which might, if adversely determined, have a Material Adverse Effect; and
- (c) promptly, such further information regarding the financial condition, business and operations of any member of the Group as any Finance Party (through the Facility Agent) may reasonably request except to the extent that disclosure of the information would breach any law regulation, stock exchange requirement or duty of confidentiality.

20.6 Notification of default

- (a) Each Obligor shall notify the Facility Agent of any Default and the steps, if any, being taken to remedy it promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another Obligor).
- (b) Promptly upon a request by the Facility Agent, the Company shall supply to the Facility Agent a certificate signed by a director or authorised signatory on its behalf certifying that no Default is continuing (or if continuing, specifying the steps, if any, being taken to remedy it).

20.7 Use of websites

- (a) The Company may satisfy its obligation under this Agreement to deliver any information in relation to those Lenders (the *Website Lenders*) who accept this method of communication by posting this information onto an electronic website designated by the Company and the Facility Agent (the *Designated Website*) if:
 - (i) the Facility Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method;
 - (ii) the Company and the Facility Agent are aware of the address of and any relevant password specifications for the Designated Website; and
 - (iii) the information is in a format previously agreed between the Company and the Facility

Agent.

If any Lender (a **Paper Form Lender**) does not agree to the delivery of information electronically then the Facility Agent shall notify the Company accordingly and the Company shall supply the information to the Facility Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event the Company shall supply the Facility Agent with at least one copy in paper form of any information required to be provided by it.

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- (b) The Facility Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Company and the Facility Agent.
 - (c) The Company shall promptly upon becoming aware of its occurrence notify the Facility Agent if:
 - (i) the Designated Website cannot be accessed due to technical failure;
 - (ii) the password specifications for the Designated Website change;
 - (iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;
 - (iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or
 - (v) the Company becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.
 - (d) If the Company notifies the Facility Agent under paragraph (c)(i) or paragraph (c)(v) above, all information to be provided by the Company under this Agreement after the date of that notice shall be supplied in paper form unless and until the Facility Agent and each Website Lender is satisfied that the circumstances giving rise to the notification are no longer continuing.
 - (e) Any Website Lender may request, through the Facility Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. The Company shall comply with any such request within ten Business Days.

20.8 “Know your customer” checks

- (a) If:
 - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
 - (ii) any change in the status of an Obligor after the date of this Agreement; or
 - (iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Facility Agent or any Lender (or, in the case of paragraph (iii) above any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not

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already available to it, each Obligor shall promptly upon the request of the Facility Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Facility Agent,

such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

- (b) Each Lender shall promptly upon the request of the Facility Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself) in order for the Facility Agent to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.
- (c) The Company shall, by not less than five Business Days’ prior written notice to the Facility Agent, notify the Facility Agent (which shall promptly notify the Lenders) of its intention to request that one of its Subsidiaries becomes an Additional Obligor pursuant to Clause 25 (*Changes to the Obligors*).
- (d) Following the giving of any notice pursuant to paragraph (c) above, if the accession of such Additional Obligor obliges the Facility Agent or any Lender to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Company shall promptly upon the request of the Facility Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for the Facility Agent or such Lender or any prospective new Lender to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the accession of such Subsidiary to this Agreement as an Additional Obligor.

21. Financial Covenants

21.1 Financial Condition

The Company shall ensure that:

- (a) the ratio of EBITDA to Net Interest Payable for each Relevant Period will not be less than 3.50:1; and
- (b) the ratio of Net Borrowings as at the last day of each Relevant Period to EBITDA for that Relevant Period will not be more than 3.50:1, where EBITDA for the purpose of this covenant shall be adjusted to take into account the pro forma impact of any acquisitions or disposals (other than disposals of Managed Assets) made during the Relevant Period by a member of the Group.

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21.2 Financial covenant calculations

For the purposes of this Agreement, Borrowings (including Financial Indebtedness for the purpose of calculating Borrowings), EBITDA, Net Borrowings and Net Interest Payable shall be:

- (a) calculated and interpreted on a consolidated basis in accordance with the Applicable Accounting Principles of the Company and shall be expressed in the currency in which the relevant financial statements of the Group delivered under Clause 20.1 (*Financial statements*) are presented; and
- (b) extracted (except as needed to reflect the terms of this Clause 21) from the financial statements of the Group delivered under Clause 20.1 (*Financial statements*) and Clause 20.2 (*Compliance Certificate*).

21.3 Definitions

In this Agreement:

Borrowings means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on redemption) of the Financial Indebtedness of members of the Group, other than:

- (a) any indebtedness referred to in paragraph (g) of the definition of Financial Indebtedness;
- (b) any Project Finance Indebtedness; and
- (c) any indebtedness referred to in paragraphs (i) and (j) of the definition of Financial Indebtedness except to the extent any such obligation or liability specified in such paragraphs has been provided for in the financial statements of the Group delivered under Clause 20.1 (*Financial statements*) or is disclosed as a contingency in the notes thereto and is quantified,

and deducting, to the extent included, amounts attributable to interests of third parties in members of the Group.

For this purpose, any amount outstanding or repayable in a currency other than US Dollars shall on that day be taken into account in its US Dollar equivalent at the rate of exchange that would have been used had an audited consolidated balance sheet of the Group been prepared as at that day in accordance with IFRS as applicable to the Original Financial Statements and taking into account the mark-to-market value of any derivative instruments taken out by a member of the Group specifically to hedge currency movements of any Financial Indebtedness otherwise constituting Borrowings and not denominated in US Dollars.

Cash means any credit balances on any deposit, savings, current or other account, and any cash in hand, which is:

- (a) freely withdrawable on demand;

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- (b) not subject to any Security (other than permitted pursuant to Clause 22.3 (*Negative pledge*));
 - (c) denominated and payable in freely transferable and freely convertible currency; and
 - (d) capable of being remitted to an Obligor in the United Kingdom.

Cash Equivalents means short-term, highly liquid investments that are readily convertible to known amounts of cash and which have contractual maturities of three months or less (including, for the avoidance of doubt, any money market instruments, investments in money market funds and repo agreements and any similar investments invested through a custodian in segregated mandates).

EBITDA means, in relation to any Relevant Period, the total consolidated operating profit of the Group for that Relevant Period:

- (a) before taking into account:
 - (i) Net Interest Payable;
 - (ii) Tax; and
 - (iii) all exceptional items; and
- (b) after adding back all amounts provided for depreciation and amortisation; and
- (c) deducting, to the extent included, amounts attributable to interests of third parties in members of the Group.

Net Borrowings means, as at any particular time, Borrowings less Cash and Cash Equivalents.

Net Interest Payable means, in relation to any Relevant Period, the aggregate amount of interest and any other finance charges accrued by the Group in that Relevant Period in respect of Borrowings including:

- (a) the interest element of leasing and hire purchase payments;

(b) commitment fees, commissions and guarantee fees; and
(c) amounts in the nature of interest payable in respect of any shares other than equity share capital,
adjusted (but without double counting) by:

- (i) deducting interest income of the Group in respect of that Relevant Period;
- (ii) adding back the net amount payable (or deducting the net amount receivable) by members of the Group in that Relevant Period as a result of close-out or termination of any interest or (so far as they relate to interest) currency hedging activities;

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- (iii) adding back the amount payable as a premium on any bond buy-back by members of the Group in that Relevant Period;
 - (iv) deducting, to the extent included, the amount payable by members of the Group in that Relevant Period for arrangement or related fees in respect of Borrowings including, for the avoidance of doubt, any unamortised fees to be written-off in respect of the Existing Facility (to include, for the avoidance of doubt, underwriting, syndication and fees of a similar nature); and
 - (v) deducting, to the extent included, the amount of interest and other finance charges attributable to interests of third parties in members of the Group and adjusting, as appropriate, the additions or deductions specified in paragraphs (i) to (iv) (inclusive) above as a consequence of interests of third parties in members of the Group,

but shall exclude in relation to the Relevant Period (A) net mark-to-market gains or losses on revaluation of financial instruments, and (B) for the avoidance of doubt, any amount of interest paid to the Group's loyalty programme on the accumulated balance of cash received in advance of the redemption of loyalty points awarded.

Relevant Period means:

- (a) each financial year of the Company; and
- (b) each period beginning on the first day of the second half of a financial year of the Company and ending on the last day of the first half of its next financial year.

22. General Undertakings

The undertakings in this Clause 22 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

22.1 Authorisations

Each Obligor shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Facility Agent of,

any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

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22.2 Compliance with laws

Each Obligor shall comply with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

22.3 Negative pledge

- (a) No Obligor shall (and the Company shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets.
- (b) Paragraph (a) above does not apply to:
 - (i) any Security listed in Schedule 8 (*Security*) except to the extent the principal amount secured by that Security exceeds the amount stated in that Schedule;
 - (ii) any cash management, netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
 - (iii) any payment or close out netting or set-off arrangement pursuant to any hedging transaction entered into by a member of the Group for the purpose of:
 - (A) hedging any risk to which any member of the Group is exposed in its ordinary course of trading; or
 - (B) its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes only,

excluding, in each case, any Security under a credit support arrangement in relation to a hedging transaction;

- (iv) any lien arising by operation of law and in the ordinary course of business;
- (v) any Security resulting from the rules and regulations of any clearing system or stock exchange over shares and/or other securities held in that clearing system or stock exchange;
- (vi) any Security over or affecting any asset acquired by a member of the Group after the date of this Agreement to the extent that:
 - (A) the Security was not created in contemplation of the acquisition of that asset by a member of the Group; and
 - (B) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Group;

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- (vii) any Security over or affecting any asset of any company which becomes a member of the Group after the date of this Agreement, where the Security is created prior to the date on which that company becomes a member of the Group, to the extent that:
 - (A) the Security was not created in contemplation of the acquisition of that company; and
 - (B) the principal amount secured has not increased in contemplation of or since the acquisition of that company;
 - (viii) any Security created pursuant to any Finance Document;
 - (ix) any title transfer or retention of title arrangement entered into by any member of the Group in the ordinary course of business;
 - (x) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of business as security for indebtedness to a bank or financial institution directly relating to the goods or documents over which that pledge exists;

- (xi) any Security over cash or other investments for bank guarantees given in the ordinary course of trading securing liabilities of up to, in aggregate, \$100,000,000 (or its equivalent in any other currency or currencies) or to meet any margin requirement in respect of derivative transactions;
- (xii) any Security resulting from the rules and regulations of any clearing system or stock exchange over shares and/or other securities held in that clearing system or stock exchange;
- (xiii) any Security securing Project Finance Indebtedness;
- (xiv) any Security provided in relation to the InterContinental executive top-up scheme securing liabilities of up to, in aggregate, \$100,000,000 (or its equivalent in any other currency or currencies);
- (xv) any Security replacing any Security permitted under paragraph (i) above or this paragraph (xv) and securing the same indebtedness or obligations whose principal amount does not exceed the maximum principal amount secured, or which could be secured, by the replaced Security when it is replaced;
- (xvi) any Security securing indebtedness the principal amount of which (when aggregated with the principal amount of any other indebtedness which has the benefit of Security given by any member of the Group other than any permitted under paragraphs (i) to (xv) above) does not exceed an amount equal to \$150,000,000 (or its equivalent in any other currency or currencies); or
- (xvii) any other Security created or outstanding with the prior consent of the Majority Lenders.

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22.4 Disposals

- (a) No Obligor shall (and the Company shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset of the Group (each a **Disposal**).
- (b) Paragraph (a) above does not apply to any Disposal:
 - (i) made in the ordinary course of day-to-day business of the disposing entity;
 - (ii) of assets in exchange for or to be replaced within 12 months (or committed within 12 months to be replaced and actually replaced within 24 months) by other assets comparable or superior as to type, value and quality;
 - (iii) of assets which are obsolete or redundant;
 - (iv) which constitutes the payment of cash for any purpose not prohibited by any Finance Document;
 - (v) by any member of the Group to another member of the Group;
 - (vi) which constitutes any short term investment of funds not immediately required in the Group's business and the realisation of those investments;
 - (vii) which constitutes the making of a lawful distribution;
 - (viii) of assets which become Managed Assets following such Disposal;
 - (ix) of assets (i) acquired by a member of the Group or (ii) owned by an entity which is acquired by a member of the Group, in each case as permitted by the terms of this Agreement, which become the subject of a Disposal on arm's length terms to a person who is not a member of the Group within the period of twelve Months following the date of the relevant acquisition;

- (x) where the proceeds of that Disposal (net of fees, transaction costs and Taxes) (or such smaller amount having regard to other Disposals which are permitted to be made pursuant to the other sub-paragraphs of this paragraph (b)) are (within the period of 12 months following receipt of those proceeds) applied (or committed within the period of 12 months following receipt of those proceeds to be applied (and actually applied within the period of 18 months following receipt of those proceeds)) in or towards capital expenditure of the Group;
- (xi) where any member of the Group has applied funds in or towards capital expenditure of the Group within the period of 12 months prior to the receipt of the proceeds of that Disposal and where the amount so applied is at least equal to the proceeds of that Disposal (net of

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fees, transaction costs and Taxes) or, to the extent it is less than those proceeds, the balance is attributed to, or applied pursuant to, another sub-paragraph of this paragraph (b);

- (xii) where an amount equal to the proceeds of that Disposal (net of fees, transaction costs and Taxes) (or such smaller amount having regard to other Disposals which are permitted to be made pursuant to the other sub-paragraphs of this paragraph (b)) is used in or towards a permanent reduction of Financial Indebtedness of the Group;
- (xiii) to which the Majority Lenders have consented; or
- (xiv) where the higher of the market value or consideration receivable (when aggregated with the higher of the market value or consideration receivable for any other Disposal, to the extent not permitted under any of paragraphs (i) to (xiii) above, effected during any financial year), does not exceed an amount equal to \$225,000,000 (or its equivalent in any other currency or currencies) in any financial year.

22.5 Subsidiary Indebtedness

- (a) The Company shall ensure that the portion of Financial Indebtedness which is borrowed or incurred by Subsidiaries that are not Guarantors under this Agreement shall not at any time exceed the aggregate of:
 - (i) \$400,000,000 (or its equivalent in any other currency or currencies); and (but without double counting)
 - (ii) \$400,000,000 (or its equivalent in any other currency or currencies) (provided such amount relates exclusively to Financial Indebtedness specified in paragraphs (i) and (j) of the definition of Financial Indebtedness),

and **provided that** Financial Indebtedness for the purpose of this Clause 22.5 shall exclude:

- (A) amounts borrowed under this Agreement;
- (B) qualifying amounts specified in paragraph (b) below which are secured as permitted pursuant to paragraphs (b)(vi) or (vii) of Clause 22.3 (*Negative pledge*) or otherwise is outstanding for the period of up to 6 months following the relevant acquisition;
- (C) amounts which would be included as Financial Indebtedness due to a change in IFRS after the date of this Agreement but would not be treated as Financial Indebtedness using Applicable Accounting Principles; and

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(D) amounts which are incurred in connection with the arrangements described in paragraphs (b)(ii) or (b)(iii) of Clause 22.3 (*Negative pledge*).

(b) Where a member of the Group acquires an asset or a company after the date of this Agreement in respect of which Financial Indebtedness is outstanding (other than Project Finance Indebtedness), where:

- (i) that Financial Indebtedness was not created in contemplation of the acquisition of that asset or company; and
- (ii) that Financial Indebtedness has not increased in contemplation of or since that acquisition,

then that Financial Indebtedness shall be permitted and be in addition to the threshold numbers specified in paragraph (a) above.

22.6 Change of business

The Company shall procure that no substantial change is made to the general nature of the business of the Group taken as a whole from that anticipated to be carried on at the date of this Agreement but this shall not prevent any member of the Group engaging in any ancillary or related business.

22.7 Insurance

The Company shall or shall procure that other members of the Group shall, maintain insurances on and in relation to the business and assets of the Group with reputable underwriters or insurance companies against those risks, and to the extent, usually insured against by a prudent group of companies located in the same or similar locations and carrying on a similar business to that of the Group.

22.8 Acquisitions

No Obligor shall (and the Company shall ensure that no other member of the Group will) complete (without the approval of the Majority Lenders which shall not be unreasonably withheld or delayed) any acquisition (whether through a single transaction or series of related transactions with the same party or with parties connected with one another) where the consideration for the acquisition exceeds 25 per cent. of the Group's market capitalisation at the time of the London Stock Exchange market close on the Business Day falling immediately prior to the date of formal announcement of such acquisition by the Company.

22.9 Disposal of Receivables

- (a) No Obligor shall (and the Company shall ensure that no other member of the Group will) sell, transfer or otherwise dispose of any of its trade receivables.
- (b) Paragraph (a) above does not apply to any sale, transfer or other disposal of any of its receivables where the aggregate face value of all such receivables that are outstanding at any time does not exceed \$70,000,000 (or its equivalent in any other currency or currencies).

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22.10 Merger

No Obligor shall enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction other than any such transaction between Obligors or Obligors and other persons **provided that**, in each case, the surviving entity is (or, as the case may be, becomes) a Guarantor and/or a Borrower (as the case may be).

22.11 Use of proceeds

- (a) No Obligor shall, and each Obligor shall procure that none of its Subsidiaries shall, knowingly use any proceeds of a Loan, or lend, contribute or otherwise make available such proceeds to any other person, entity, joint venture or organisation:

- (i) to fund, finance or facilitate any agreement, transaction, dealing or relationship with or for the benefit of any Sanctioned Person (or involving any property thereof) or involving any Sanctioned Territory; or
 - (ii) in any manner that would result in a violation of Sanctions Law by any Finance Party.
- (b) This Clause 22.11 shall not be interpreted or applied to any Obligor or any other member of the Group to the extent that the obligations imposed would violate or expose a member of the Group or any director, officer or employee of a member of the Group to any liability under any anti-boycott or blocking law or regulation in force from time to time in any jurisdiction applicable to such entity (including, without limitation, EU Regulation (EC) 2271/96).

23. Events of Default

Each of the events or circumstances set out in Clause 23 (other than Clause 23.13 (*Acceleration*)) is an Event of Default.

23.1 Non-payment

An Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by:
 - (i) administrative or technical error; or
 - (ii) a Disruption Event; and
- (b) payment is made within five Business Days of its due date.

23.2 Financial covenants

Any requirement of Clause 21 (*Financial covenants*) is not satisfied.

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23.3 Other obligations

- (a) An Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 23.1 (*Non-payment*) and Clause 23.2 (*Financial covenants*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 20 days of the earlier of Facility Agent giving notice to the Company or the Company becoming aware of the failure to comply.

23.4 Misrepresentation

- (a) Any representation or statement made or deemed to be made by an Obligor in the Finance Documents or any other document delivered by or on behalf of any Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.
- (b) No Event of Default under paragraph (a) above will occur if the circumstances giving rise to a misrepresentation or misstatement is/are capable of remedy and is/are remedied within 20 days of the Facility Agent giving notice to the Company requiring such remedy or (if earlier) the Company becoming aware of the failure to comply.

23.5 Cross default

- (a) Any Financial Indebtedness of any member of the Group is not paid when due nor within any applicable grace period.
- (b) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).
- (d) No Event of Default will occur under this Clause 23.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (c) above is less than \$50,000,000 (or its equivalent in any other currency or currencies) and Financial Indebtedness for the purposes of this Clause 23.5 shall exclude, in each case, Project Finance Indebtedness.

23.6 Insolvency

- (a) An Obligor or a Material Subsidiary is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

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- (b) A moratorium is declared or takes effect in respect of all or a material part (or a particular type of) the indebtedness of an Obligor or a Material Subsidiary.

23.7 Insolvency proceedings

- (a) Any corporate action or legal proceeding is taken (subject to paragraph (d) below) for the winding-up or dissolution of an Obligor or Material Subsidiary, or the appointment of a liquidator, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of, an Obligor or Material Subsidiary other than for a solvent winding-up, dissolution or liquidation of an Obligor (other than the Company or the Guarantors) or a Material Subsidiary.
- (b) Any corporate action or legal proceeding is taken (subject to paragraph (d) below), or an agreement is entered into or proposed by an Obligor or Material Subsidiary, for the suspension of payments by, a moratorium of any indebtedness of, or a general composition, compromise or assignment for the benefit of the creditors of, an Obligor or Material Subsidiary.
- (c) A receiver, administrative receiver, compulsory manager or other similar officer is appointed in respect of an Obligor or Material Subsidiary or any of its assets, or any Security is enforced over an Obligor's or Material Subsidiary's assets, having an aggregate value of and in respect of indebtedness aggregating not less than \$50,000,000 (or its equivalent in any other currency or currencies).
- (d) A person presents a petition for the winding up, liquidation, dissolution, administration or suspension of payments of an Obligor or Material Subsidiary except:
 - (i) where such petition is being contested in good faith and by appropriate means and is in any event dismissed within 30 days of its presentation; or
 - (ii) where such presentation is frivolous or vexatious or an abuse of process and is in any event dismissed within 30 days of its presentation.

23.8 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of an Obligor or Material Subsidiary having an aggregate value of and in respect of indebtedness aggregating at least \$50,000,000 (or its equivalent in any other currency or currencies) and is not discharged within 30 days.

23.9 Ownership of the Obligors

An Obligor (other than the Company) is not or ceases to be a Subsidiary of the Company.

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23.10 Unlawfulness

It is or becomes unlawful for an Obligor to perform any of its material obligations under the Finance Documents.

23.11 Repudiation

An Obligor repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

23.12 Cessation of business

An Obligor ceases to carry on its business except pursuant to a reconstruction, amalgamation, merger or consolidation on solvent terms or, for the avoidance of doubt, by way of a disposal.

23.13 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Company:

- (a) cancel the Total Commitments whereupon they shall immediately be cancelled;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders.

24. Changes to the Lenders

24.1 Assignments and transfers by the Lenders

Subject to this Clause 24, a Lender (the *Existing Lender*) may:

- (a) assign any of its rights; or
- (b) transfer by novation any of its rights and obligations,

to another bank or financial institution or, following the occurrence of an Event of Default which is continuing, to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the *New Lender*).

24.2 Conditions of assignment or transfer

- (a) The consent of the Company is required for an assignment or transfer by an Existing Lender, unless the assignment or transfer is to another Lender or an Affiliate of a Lender or following the occurrence of an Event of Default which is continuing;

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- (b) The consent of the Company to an assignment or transfer must not be unreasonably withheld or delayed. The Company will be deemed to have given its consent seven Business Days after the Existing Lender has requested it unless consent is expressly refused by the Company within that time.
 - (c) A partial transfer by a Lender shall be in a minimum amount of \$10,000,000.
 - (d) An assignment will only be effective on:
 - (i) receipt by the Facility Agent of written confirmation from the New Lender (in form and substance satisfactory to the Facility Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender; and
 - (ii) performance by the Facility Agent of all “know your customer” or other checks relating to any person that it is required to carry out in relation to such assignment to a New Lender, the completion of which the Facility Agent shall promptly notify to the Existing Lender and the New Lender.
 - (e) A transfer will only be effective if the procedure set out in Clause 24.6 (*Procedure for transfer*) is complied with.
 - (f) If:
 - (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
 - (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 13 (*Tax gross-up and indemnities*) or Clause 14 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This paragraph (f) shall not apply, in relation to Clause 13 (*Tax gross-up*), to a Treaty Lender that has included a confirmation of its scheme reference number and its jurisdiction of tax residence in accordance with Clause 13.2(g)(ii)(B) (*Tax gross-up*) if the Obligor making the payment has not made a Borrower DTTP Filing in respect of that Treaty Lender.

24.3 Transfer by sub-participation

Where a Lender proposes to enter into a sub-participation (whether funded or unfunded) where as a result of the sub-participation such Lender would no longer

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retain absolute discretion with regard to the exercise of votes under the Finance Documents, then unless the sub-participation is to be entered into with an Affiliate of the Lender or an existing Lender, the Company’s consent shall be required to the extent so required when applying Clause 24.2 (*Conditions of assignment or transfer*) *mutatis mutandis* in respect of such sub-participation.

24.4 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Facility Agent (for its own account) a fee of \$2,000.

24.5 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
 - (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of any Obligor;
 - (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
 - (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
 - (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 24; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

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24.6 Procedure for transfer

- (a) Subject to the conditions set out in Clause 24.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (b) below when the Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- (b) The Facility Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (c) Subject to Clause 24.9 (*Pro rata interest settlement*), the Transfer Date:
 - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the Discharged Rights and Obligations);

- (ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;
- (iii) the Facility Agent, the Arranger, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Facility Agent, the Arranger and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
- (iv) the New Lender shall become a Party as a Lender.

24.7 Copy of Transfer Certificate or Increase Confirmation to Company

The Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or Increase Confirmation, send to the Company a copy of that Transfer Certificate or Increase Confirmation.

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24.8 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 24, each Lender may without consulting with or obtaining consent from any Obligor in relation to a charging, assignment or creation of Security in favour of a central bank or federal reserve, or with the agreement of the Company (acting reasonably) in relation to a charging, assignment or creation of Security in favour of any other entity, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

- (a) any charge, assignment or other Security to secure obligations to a federal reserve or central bank; and
- (b) in the case of any Lender which is a fund, any charge, assignment or other Security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or Security shall:

- (i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security for the Lender as a party to any of the Finance Documents; or
- (ii) require any payments to be made by an Obligor other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

24.9 Pro rata interest settlement

- (a) If the Facility Agent has notified the Lenders that it is able to distribute interest payments on a "pro rata basis" to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 24.6 (*Procedure for transfer*) the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period):
 - (i) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date (*Accrued Amounts*) and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period (or, if the Interest Period is longer than six Months, on the next of the dates

which falls at six Monthly intervals after the first day of that Interest Period); and

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- (ii) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:
 - (A) when the Accrued Amounts become payable, those Accrued Amounts will be payable to the Existing Lender; and
 - (B) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 24.9, have been payable to it on that date, but after deduction of the Accrued Amounts.
 - (b) In this Clause 24.9 references to “Interest Period” shall be construed to include a reference to any other period for accrual of fees.

25. Changes to the Obligors

25.1 Assignments and transfer by Obligors

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

25.2 Additional Borrowers

- (a) Subject to compliance with the provisions of paragraphs (c) and (d) of Clause 20.8 (“*Know your customer*” checks), the Company may request that any of its Subsidiaries becomes an Additional Borrower. That Subsidiary shall become an Additional Borrower if:
 - (i) all Lenders (acting reasonably) approve the addition of that Subsidiary and which they shall do so if that Subsidiary is a wholly owned subsidiary incorporated in the United Kingdom or in the same jurisdiction as an existing Borrower;
 - (ii) the Company delivers to the Facility Agent a duly completed and executed Accession Letter;
 - (iii) the Company confirms that no Default is continuing or would occur as a result of that Subsidiary becoming an Additional Borrower; and
 - (iv) the Facility Agent has received all of the documents and other evidence listed in Part B of Schedule 2 (*Conditions precedent*) in relation to that Additional Borrower, each in form and substance reasonably satisfactory to the Facility Agent.
- (b) The Facility Agent shall notify the Company and the Lenders promptly upon being satisfied that it has received (in form and substance reasonably satisfactory to it) all the documents and other evidence listed in Part B of Schedule 2 (*Conditions precedent*).

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25.3 Resignation of a Borrower

- (a) The Company may request that a Borrower (other than the Company) ceases to be a Borrower by delivering to the Facility Agent a Resignation Letter.
- (b) The Facility Agent shall accept a Resignation Letter and notify the Company and the Lenders of its acceptance if:
 - (i) no Default is continuing or would result from the acceptance of the Resignation Letter (and

the Company has confirmed this is the case); and

- (ii) that Borrower is under no actual or contingent obligations as a Borrower under any Finance Documents,

whereupon that company shall cease to be a Borrower and shall have no further rights or obligations under the Finance Documents.

25.4 Additional Guarantors

- (a) Subject to compliance with the provisions of paragraphs (c) and (d) of Clause 20.8 (“*Know your customer*” checks), the Company may request that any of its Subsidiaries become an Additional Guarantor. That Subsidiary shall become an Additional Guarantor if:
 - (i) the Company delivers to the Facility Agent a duly completed and executed Accession Letter; and
 - (ii) the Facility Agent has received all of the documents and other evidence listed in Part B of Schedule 2 (*Conditions precedent*) in relation to that Additional Guarantor, each in form and substance reasonably satisfactory to the Facility Agent.
- (b) The Facility Agent shall notify the Company and the Lenders promptly upon being satisfied that it has received (in form and substance reasonably satisfactory to it) all the documents and other evidence listed in Part B of Schedule 2 (*Conditions precedent*).

25.5 Repetition of Representations

Delivery of an Accession Letter constitutes confirmation by the relevant Subsidiary that the Repeating Representations are true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

25.6 Resignation of a Guarantor

- (a) The Company may request that a Guarantor (other than the Company) ceases to be a Guarantor by delivering to the Facility Agent a Resignation Letter.

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- (b) The Facility Agent shall accept a Resignation Letter and notify the Company and the Lenders of its acceptance if:
 - (i) no Default is continuing or would result from the acceptance of the Resignation Letter (and the Company has confirmed this is the case); and
 - (ii) the Majority Lenders have consented to the Company’s request (which they shall do if in relation to any Subsidiary of the Company, Clause 22.5 (*Subsidiary Indebtedness*) is being complied with at such time).

26. Role of the Facility Agent and the Arranger

26.1 Appointment of the Facility Agent

- (a) Each other Finance Party appoints the Facility Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each other Finance Party authorises the Facility Agent to exercise the rights, powers, authorities and discretions specifically given to the Facility Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

26.2 Duties of the Facility Agent

- (a) Subject to paragraph (b) below, the Facility Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Facility Agent for that Party by any other Party.
- (b) Without prejudice to Clause 24.7 (*Copy of Transfer Certificate or Increase Confirmation to Company*), paragraph (a) above shall not apply to any Transfer Certificate or any Increase Confirmation.
- (c) Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (d) If the Facility Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- (e) If the Facility Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Facility Agent or the Arranger) under this Agreement it shall promptly notify the other Finance Parties.
- (f) The Facility Agent shall provide to the Company (i) every six months, starting with the date falling six Months from the date of this Agreement and (ii) in any event within three Business Days of a request by the Company, a list (which may be in electronic form) setting out the names of the Lenders as at the date of response or as at the date of that request (as the Company may elect), their respective Commitments, the address and fax number (and the department or officer, if any, for whose attention any communication is to be made) of each Lender for any communication to be made or document to be

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delivered under or in connection with the Finance Documents, the electronic mail address and/or any other information required to enable the sending and receipt of information by electronic mail or other electronic means to and by each Lender to whom any communication under or in connection with the Finance Documents may be made by that means and the account details of each Lender for any payment to be distributed by the Facility Agent to that Lender under the Finance Documents.

- (g) The Facility Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

26.3 Role of the Arranger

Except as specifically provided in the Finance Documents, the Arranger has no obligations of any kind to any other Party under or in connection with any Finance Document.

26.4 No fiduciary duties

- (a) Nothing in this Agreement constitutes the Facility Agent or the Arranger as a trustee or fiduciary of any other person.
- (b) Neither the Facility Agent nor the Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

26.5 Business with the Group

The Facility Agent and the Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

26.6 Rights and discretions of the Facility Agent

- (a) The Facility Agent may rely on:
 - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
 - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (b) The Facility Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
 - (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 23.1 (*Non-payment*));
 - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised; and

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- (iii) any notice or request made by the Company (other than a Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligors.
 - (c) The Facility Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
 - (d) The Facility Agent may act in relation to the Finance Documents through its personnel and agents.
 - (e) The Facility Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
 - (f) Without prejudice to the generality of paragraph (e) above, the Facility Agent may disclose the identity of a Defaulting Lender to the other Finance Parties and the Company and shall disclose the same upon the written request of the Company or the Majority Lenders.
 - (g) Notwithstanding any other provision of any Finance Document to the contrary, neither the Facility Agent nor the Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

26.7 Majority Lenders' instructions

- (a) Unless a contrary indication appears in a Finance Document, the Facility Agent shall (i) exercise any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Facility Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.
- (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
- (c) The Facility Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.
- (d) In the absence of instructions from the Majority Lenders (or, if appropriate, the Lenders), the Facility Agent may act (or refrain from taking action) as it considers to be in the best interest of the

Lenders.

- (e) The Facility Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

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26.8 Responsibility for documentation

Neither the Facility Agent nor the Arranger:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Facility Agent, the Arranger, an Obligor or any other person given in or in connection with any Finance Document; or
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document.

26.9 Exclusion of liability

- (a) Without limiting paragraph (b) below and without prejudice to the provisions of paragraph (e) of Clause 29.11 (*Disruption to Payment Systems, etc.*), the Facility Agent will not be liable for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (b) No Party (other than the Facility Agent) may take any proceedings against any officer, employee or agent of the Facility Agent in respect of any claim it might have against the Facility Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Facility Agent may rely on this Clause.
- (c) The Facility Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Facility Agent if the Facility Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Facility Agent for that purpose.
- (d) Nothing in this Agreement shall oblige the Facility Agent or the Arranger to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Facility Agent and the Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Facility Agent or the Arranger.

26.10 Lenders' indemnity to the Facility Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Facility Agent, within three Business Days of demand, against any cost, loss or liability incurred by the Facility Agent (otherwise than by reason of the Facility Agent's gross negligence or wilful misconduct) in acting as Facility Agent under the Finance Documents (unless the Facility Agent has been reimbursed by an Obligor pursuant to a Finance Document).

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26.11 Resignation of the Facility Agent

- (a) The Facility Agent may resign and appoint one of its Affiliates acting through an office in the

United Kingdom as successor by giving notice to the other Finance Parties and the Company.

- (b) Alternatively the Facility Agent may resign by giving notice to the other Finance Parties and the Company, in which case the Majority Lenders may appoint a successor Facility Agent with the consent of the Company (such consent not to be unreasonably withheld or delayed) unless the successor Facility Agent is an Arranger or an Affiliate thereof, in which case the consent of the Company shall not be required.
- (c) If the Majority Lenders have not appointed a successor Facility Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given, the Facility Agent (after consultation with the Company) may appoint a successor Facility Agent (acting through an office in the United Kingdom).
- (d) The retiring Facility Agent shall, at its own cost, make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.
- (e) The Facility Agent's resignation notice shall only take effect upon the appointment of a successor.
- (f) Upon the appointment of a successor, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 26. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the Company the Majority Lenders may, by notice to the Facility Agent, require it to resign in accordance with paragraph (b) above. In this event, the Facility Agent shall resign in accordance with paragraph (b) above.
- (h) The Facility Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Facility Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Facility Agent under the Finance Documents, either:
 - (i) the Facility Agent fails to respond to a request under Clause 13.8 (*FATCA Information*) and the Company or a Lender reasonably believes that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

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- (ii) the information supplied by the Facility Agent pursuant to Clause 13.8 (*FATCA Information*) indicates that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or
 - (iii) the Facility Agent notifies the Company and the Lenders that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date,

and (in each case) the Company or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Facility Agent were a FATCA Exempt Party, and the Company or that Lender, by notice to the Facility Agent, requires it to resign.

26.12 Replacement of the Facility Agent

- (a) Subject to paragraph (b) below, the Majority Lenders may, by giving 30 days' notice to the Facility Agent (or, at any time the Facility Agent is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders) replace the Facility Agent by appointing a successor Facility

Agent (acting through an office in the United Kingdom).

- (b) The Facility Agent may only be replaced with the consent of the Company (such consent not to be unreasonably withheld or delayed) unless the successor Facility Agent is an Arranger or an Affiliate thereof, in which case the consent of the Company shall not be required.
- (c) The retiring Facility Agent shall (at its own cost if it is an Impaired Agent and otherwise at the expense of the Lenders) make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.
- (d) The appointment of the successor Facility Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Facility Agent. As from this date, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 26 (and any agency fees for the account of the retiring Facility Agent shall cease to accrue from (and shall be payable on) that date).
- (e) Any successor Facility Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

26.13 Confidentiality

- (a) In acting as agent for the Finance Parties, the Facility Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

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- (b) If information is received by another division or department of the Facility Agent, it may be treated as confidential to that division or department and the Facility Agent shall not be deemed to have notice of it.

26.14 Relationship with the Lenders

- (a) Subject to Clause 24.9 (*Pro rata interest settlement*), the Facility Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Any Lender may by notice to the Facility Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 31.6 (*Electronic communication*)) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 31.2 (*Addresses*) and paragraph (a)(iii) of Clause 31.6 (*Electronic communication*) and the Facility Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

26.15 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Facility Agent and the Arranger that it has been, and will continue to be, solely responsible for making its own independent appraisal and

investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

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- (d) the adequacy, accuracy and/or completeness of any information provided by the Facility Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

26.16 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Facility Agent shall (in agreement with the Company, such agreement not to be unreasonably withheld) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

26.17 Deduction from amounts payable by the Facility Agent

If any Party owes an amount to the Facility Agent under the Finance Documents the Facility Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Facility Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

26.18 Role of Reference Banks

- (a) No Reference Bank is under any obligation to provide a quotation or any other information to the Facility Agent.
- (b) No Reference Bank will be liable for any action taken by it under or in connection with any Finance Document, or for any Reference Bank Quotation, unless directly caused by its gross negligence or wilful misconduct.
- (c) No Party (other than the relevant Reference Bank) may take any proceedings against any officer, employee or agent of any Reference Bank in respect of any claim it might have against that Reference Bank or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document, or to any Reference Bank Quotation, and any officer, employee or agent of each Reference Bank may rely on this Clause 26.18 subject to Clause 1.3 (*Third Party Rights*) and the provisions of the Third Parties Act.

26.19 Third party Reference Banks

A Reference Bank which is not a Party may rely on Clause 26.18 (*Role of Reference Banks*), Clause 35.2 (*Other exceptions*) subject to Clause 1.3 (*Third party rights*).

27. Conduct of Business by the Finance Parties

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

28. Sharing among the Finance Parties

28.1 Payments to Finance Parties

If a Finance Party (a **Recovering Finance Party**) receives or recovers any amount from an Obligor other than in accordance with Clause 29 (*Payment mechanics*) and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery to the Facility Agent;
- (b) the Facility Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Facility Agent and distributed in accordance with Clause 29 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Facility Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the Sharing Payment) equal to such receipt or recovery less any amount which the Facility Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 29.6 (*Partial payments*).

28.2 Redistribution of payments

The Facility Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) in accordance with Clause 29.6 (*Partial payments*).

28.3 Recovering Finance Party's rights

- (a) On a distribution by the Facility Agent under Clause 28.2 (*Redistribution of payments*), the Recovering Finance Party will be subrogated to the rights of the Finance Parties which have shared in the redistribution.
- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the relevant Obligor shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

28.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Finance Party which has received a share of the relevant Sharing Payment pursuant to Clause 28.2 (*Redistribution of payments*) shall, upon request of the Facility Agent, pay to the Facility Agent for account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay); and
- (b) that Recovering Finance Party's rights of subrogation in respect of any reimbursement shall be cancelled and the relevant Obligor will be liable to the reimbursing Finance Party for the amount so reimbursed.

28.5 Exceptions

- (a) This Clause 28 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
 - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

29. Payment Mechanics

29.1 Payments to the Facility Agent

- (a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the Facility Agent specifies.

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29.2 Distributions by the Facility Agent

Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 29.3 (*Distributions to an Obligor*) and Clause 29.4 (*Clawback*), be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Facility Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre of a Participating Member State or London).

29.3 Distributions to an Obligor

The Facility Agent may (with the consent of the Obligor or in accordance with Clause 30 (*Set-off*)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of

receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

29.4 Clawback

- (a) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

29.5 Impaired Agent

- (a) If, at any time, the Facility Agent becomes an Impaired Agent, an Obligor or a Lender which is required to make a payment under the Finance Documents to the Facility Agent in accordance with Clause 29.1 (*Payments to the Facility Agent*) may instead either pay that amount direct to the required recipient or pay that amount to an interest-bearing account held with an Acceptable Bank and in relation to which no Insolvency Event has occurred and is continuing, in the name of the Obligor or the Lender making the payment and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents. In each case such payments must be made on the due date for payment under the Finance Documents.

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- (b) All interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the beneficiaries of that trust account pro rata to their respective entitlements.
 - (c) A Party which has made a payment in accordance with this Clause 29.5 shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.
 - (d) Promptly upon the appointment of a successor Facility Agent in accordance with Clause 26.12 (*Replacement of the Facility Agent*), each Party which has made a payment to a trust account in accordance with this Clause 29.5 shall give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Facility Agent for distribution in accordance with Clause 29.2 (*Distributions by the Facility Agent*).

29.6 Partial payments

- (a) If the Facility Agent receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Facility Agent shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:
 - (i) firstly, in or towards payment pro rata of any unpaid fees, costs and expenses of the Facility Agent or the Arranger under the Finance Documents;
 - (ii) secondly, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;
 - (iii) thirdly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and

- (iv) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) The Facility Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by an Obligor.

29.7 No set-off by Obligors

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim unless:

- (a) the relevant payments are to be made to a Defaulting Lender; and

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- (b) all Lenders (other than the Defaulting Lender) have agreed to that Obligor making such payments with set-off or counterclaim.

29.8 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

29.9 Currency of account

- (a) Subject to paragraphs (b) to (e) below, the Base Currency is the currency of account and payment for any sum due from an Obligor under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than the Base Currency shall be paid in that other currency.

29.10 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Facility Agent (acting reasonably and after consultation with the Company); and
 - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit

into the other, rounded up or down by the Facility Agent (acting reasonably and after consultation with the Company).

- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Facility Agent (acting reasonably and after consultation with the

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Company) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

29.11 Disruption to Payment Systems etc.

If either the Facility Agent determines (in its discretion) that a Disruption Event has occurred or the Facility Agent is notified by the Company that a Disruption Event has occurred:

- (a) the Facility Agent may, and shall if requested to do so by the Company, consult with the Company with a view to agreeing with the Company such changes to the operation or administration of the Facility as the Facility Agent may deem necessary in the circumstances;
- (b) the Facility Agent shall not be obliged to consult with the Company in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;
- (c) the Facility Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;
- (d) any such changes agreed upon by the Facility Agent and the Company shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 35 (*Amendments and Waivers*);
- (e) the Facility Agent shall not be liable for any damages, costs or losses whatsoever arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 29.11 save to the extent the relevant damage, cost or loss (as the case may be) is caused by the fraud of the Facility Agent; and
- (f) the Facility Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.

30. Set-Off

Without prejudice to the normal rights of the Finance Parties at law, after the occurrence of an Event of Default which is continuing, a Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. That Finance Party shall promptly notify that Obligor of any such set-off or conversion.

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31. Notices

31.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

31.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Company, that identified with its name below;
- (b) in the case of each Lender or any other Obligor, that notified in writing to the Facility Agent on or prior to the date on which it becomes a Party; and
- (c) in the case of the Facility Agent, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five Business Days' notice.

31.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
 - (i) if by way of fax, when received in legible form; or
 - (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 31.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Facility Agent will be effective only when actually received by the Facility Agent and then only if it is expressly marked for the attention of the department or officer identified with the Facility Agent's signature below (or any substitute department or officer as the Facility Agent shall specify for this purpose).
- (c) All notices from or to an Obligor shall be sent through the Facility Agent.
- (d) Any communication or document made or delivered to the Company in accordance with this Clause will be deemed to have been made or delivered to each of the Obligors.

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31.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 31.2 (*Addresses*) or changing its own address or fax number, the Facility Agent shall notify the other Parties.

31.5 Communication when Facility Agent is Impaired Agent

If the Facility Agent is an Impaired Agent the Parties may, instead of communicating with each other through the Facility Agent, communicate with each other directly and (while the Facility Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Facility Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Facility Agent has been appointed.

31.6 Electronic communication

- (a) Any communication to be made between the Facility Agent and a Lender or an Obligor and the Facility Agent under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Facility Agent and the relevant Lender or, as appropriate, the relevant Obligor and the Facility Agent:
 - (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
 - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - (iii) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Facility Agent and a Lender or an Obligor and the Facility Agent will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Facility Agent or an Obligor to the Facility Agent only if it is addressed in such a manner as the Facility Agent shall specify for this purpose.
- (c) The ability of an Obligor to use electronic communications is without prejudice to its obligation to submit any Utilisation Request, Accession Letter, Resignation Letter or Compliance Certificate in the form required under this Agreement or any other document or notice which requires the signature of any director or authorised signatory of an Obligor.

31.7 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.

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- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Facility Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

32. Calculations and Certificates

32.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

32.2 Certificates and Determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document shall set out the basis of calculation in reasonable detail and is *prima facie* evidence of the matters to which it relates.

32.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 365 days in the case of Sterling or 360 days in the case of euro and US Dollars or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

33. **Partial Invalidity**

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

34. **Remedies and Waivers**

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

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35. **Amendments and Waivers**

35.1 **Required consents**

- (a) Subject to Clause 35.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Obligors and any such amendment or waiver will be binding on all Parties.
- (b) The Facility Agent may effect, on behalf of any Finance Party, and the Company may effect, on behalf of any Obligor, any amendment or waiver permitted by this Clause.

35.2 **Exceptions**

- (a) Subject to Clause 35.3 (*Replacement of Screen Rate*) an amendment or waiver that has the effect of changing or which relates to:
 - (i) the definition of EURIBOR, LIBOR or Majority Lenders in Clause 1.1 (*Definitions*);
 - (ii) an extension to the date of payment of any amount under the Finance Documents;
 - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
 - (iv) an increase in or an extension of any Commitment;
 - (v) a change to the Borrowers or Guarantors other than in accordance with Clause 25 (*Changes to the Obligors*);
 - (vi) any provision which expressly requires the consent of all the Lenders;
 - (vii) Clause 2.3 (Finance Parties' rights and obligations), Clause 24 (*Changes to the Lenders*), Clause 28 (*Sharing among the Finance Parties*), or this Clause 35; or
 - (viii) the nature or scope of the guarantee and indemnity granted under Clause 18 (*Guarantee and Indemnity*),

shall not be made without the prior consent of all the Lenders.

- (b) An amendment or waiver which relates to the rights or obligations of the Facility Agent or the Arranger or a Reference Bank may not be effected without the consent of the Facility Agent or the Arranger or that Reference Bank.
- (c) If a Lender fails to respond or vote in relation to a request for a consent, waiver, amendment or

other vote under the Finance Documents (a **Request**) within fifteen Business Days (unless any Borrower and the Facility Agent agree a longer time period in relation to any request) of that Request being made, (i) with respect to any Request that does not require the consent of all Lenders pursuant to paragraph (a) of this Clause 35.2, in ascertaining whether

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the Majority Lenders or any other given percentage of the Total Commitments has been obtained, that Lender's Commitments shall not be included (for the avoidance of doubt, for the purposes of calculating both (A) the Total Commitments and (B) the aggregate Commitments of Lenders voting in favour of such Request) and (ii) with respect to any Request requiring the consent of all Lenders pursuant to paragraph (a) of this Clause 35.2, that Lender shall be deemed to have declined to consent to such Request (and the requested consent, waiver, amendment or other vote shall not become effective); provided, however, that if the Super-Majority Lenders have agreed to the Request, the Company may exercise its rights under Clause 8.6 (*Replacement of a Non-Consenting Lender*) with respect to such Lender as if it were a Non-Consenting Lender.

35.3 Replacement of Screen Rate

- (a) Subject to Clause 14.3 (*Exceptions*), if the Screen Rate is not available for a currency which can be selected for a Loan, any amendment or waiver which relates to providing for another benchmark rate to apply in relation to that currency in place of that Screen Rate (or which relates to aligning any provision of a Finance Document to the use of that other benchmark rate) may be made with the consent of the Majority Lenders and the Obligors.
- (b) If any Lender fails to respond to a request for an amendment or waiver described in paragraph (a) above within 5 Business days (unless the Company and the Facility Agent agree to a longer time period in relation to any request) of that request being made:
 - (i) its Commitment shall not be included for the purpose of calculating the Total Commitments when ascertaining whether any relevant percentage of Total Commitments has been obtained to approve that request; and
 - (ii) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

35.4 Disenfranchisement of Defaulting Lenders

- (a) For so long as a Defaulting Lender has any Available Commitment, in ascertaining the Majority Lenders or whether any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments has been obtained in respect of any request for a consent, waiver, amendment or other vote under the Finance Documents, that Defaulting Lender's Commitments will be reduced (for the avoidance of doubt, for the purposes of calculating both (i) the Total Commitments and (ii) the aggregate Commitments of Lenders voting in favour of such consent, waiver, amendment or other vote under the Finance Documents) by the amount of its Available Commitments.

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- (b) For the purposes of this Clause 35.3, the Facility Agent may assume that the following Lenders are Defaulting Lenders:
 - (i) any Lender which has notified the Facility Agent that it has become a Defaulting Lender;
 - (ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of Defaulting Lender has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Facility Agent) or the Facility Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

35.5 Replacement of a Defaulting Lender

- (a) The Company may, at any time a Lender has become and continues to be a Defaulting Lender, by giving five Business Days' prior written notice to the Facility Agent and such Lender:
 - (i) replace such Lender by requiring such Lender to (and to the extent permitted by law such Lender shall) transfer pursuant to Clause 24 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement;
 - (ii) require such Lender to (and to the extent permitted by law such Lender shall) transfer pursuant to Clause 24 (*Changes to the Lenders*) all (and not part only) of the undrawn Commitment of the Lender; or
 - (iii) require such Lender to (and to the extent permitted by law such Lender shall) transfer pursuant to Clause 24 (*Changes to the Lenders*) all (and not part only) of its rights and obligations,

to a Lender or other bank, financial institution, trust, fund or other entity (a **Replacement Lender**) selected by the Company (which is not a member of the Group) and which confirms its willingness to assume and does assume all the obligations or all the relevant obligations of the transferring Lender (including the assumption of the transferring Lender's participations or unfunded participations (as the case may be) on the same basis as the transferring Lender) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Utilisations and all accrued interest, Break Costs and other amounts payable in relation thereto under the Finance Documents.

- (b) Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause shall be subject to the following conditions:
 - (i) the relevant Lender continues to be a Defaulting Lender at the time when the Company exercises its rights under this Clause 35.5 (*Replacement of a Defaulting Lender*);
 - (ii) the Company shall have no right to replace the Facility Agent;

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- (iii) neither the Facility Agent nor the Defaulting Lender shall have any obligation to the Company to find a Replacement Lender;
 - (iv) the transfer must take place as soon as reasonably practicable following receipt by the Facility Agent of the notice referred to in paragraph (a) above; and
 - (v) in no event shall the Defaulting Lender be required to pay or surrender to the Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents.

36. Confidentiality

36.1 Confidential Information

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 36.2 (*Disclosure of Confidential Information*) and Clause 36.3 (*Disclosure to numbering service providers*), to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information and to use all reasonable endeavours to ensure that any person to whom that Finance Party passes any Confidential Information (unless disclosed in accordance with paragraph (b)(v) of Clause 36.2 (*Disclosure of Confidential*

Information)) acknowledges and complies with the provisions of this Clause 36 as if that person were bound by it.

36.2 Disclosure of Confidential Information

Any Finance Party may disclose, on a need-to-know basis:

- (a) to any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors and partners such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;
- (b) to any person:
 - (i) to (or through) whom it transfers (or may potentially transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that person's Affiliates, Representatives and professional advisers for the purpose of that actual or potential assignment or transfer;
 - (ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may

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be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, Representatives and professional advisers for the purpose of that actual or potential sub-participation or transaction;

- (iii) appointed by any Finance Party or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under paragraph (b) of Clause 26.14 (*Relationship with the Lenders*));
- (iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above for the purpose of that transaction;
- (v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
- (vi) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 24.8 (*Security over Lenders' rights*);
- (vii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes in connection with the Finance Documents;
- (viii) who is a Party; or
- (ix) with the consent of the Company;

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

- (A) in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the

Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

- (B) in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

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- (C) in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the reasonable opinion of that Finance Party, it is not practicable so to do in the circumstances;
 - (c) to any person appointed by that Finance Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Company and the relevant Finance Party;
 - (d) to any rating agency (including its professional advisers) the following information:
 - (i) names of Obligors;
 - (ii) country of domicile of Obligors;
 - (iii) place of incorporation of Obligors;
 - (iv) date of this Agreement;
 - (v) the names of the Facility Agent and the Arranger;
 - (vi) date of each amendment and restatement of this Agreement;
 - (vii) amount of Total Commitments;
 - (viii) currencies of the Facility;
 - (ix) type of Facility;
 - (x) ranking of Facility;
 - (xi) Termination Date for Facility;
 - (xii) the amount of such Finance Party's Commitment;
 - (xiii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xii) above; and

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(xiv) such other information agreed between such Finance Party and the Company, as may be required to be disclosed to enable such rating agency to perform its normal corporate loan rating activities in relation to the Finance Documents.

36.3 Disclosure to numbering service providers

- (a) Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Facility and/or one or more Obligor the following information:
- (i) names of Obligors;
 - (ii) country of domicile of Obligors;
 - (iii) place of incorporation of Obligors;
 - (iv) date of this Agreement;
 - (v) the names of the Facility Agent and the Arranger;
 - (vi) date of each amendment and restatement of this Agreement;
 - (vii) amount of Total Commitments;
 - (viii) currencies of the Facility;
 - (ix) type of Facility ;
 - (x) ranking of Facility;
 - (xi) Termination Date for Facility;
 - (xii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xi) above; and
 - (xiii) such other information agreed between such Finance Party and the Company,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

- (b) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facility and/or one or more Obligors by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.
- (c) The Facility Agent shall notify the Company and the other Finance Parties of:
- (i) the name of any numbering service provider appointed by the Facility Agent in respect of this Agreement, the Facility and/or one or more Obligors; and

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- (ii) the number or, as the case may be, numbers assigned to this Agreement, the Facility and/or one or more Obligors by such numbering service provider.

36.4 Entire agreement

This Clause 36 (*Confidentiality*) constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

36.5 Inside information

Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

36.6 Notification of disclosure

Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Company:

- (a) of the circumstances of any disclosure of Confidential Information made pursuant to (i) paragraph (b)(v) of Clause 36.2 (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function or (ii) paragraph (b)(vi) of Clause 36.2 (*Disclosure of Confidential Information*); and
- (b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 36.

36.7 Continuing obligations

The obligations in this Clause 36 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of twelve months from the earlier of:

- (a) the date on which all amounts payable by the Obligors under or in connection with this Agreement have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and
- (b) the date on which such Finance Party otherwise ceases to be a Finance Party.

37. Confidentiality of Funding Rates and Reference Bank Quotations

37.1 Confidentiality and disclosure

- (a) The Facility Agent and each Obligor agree to keep each Funding Rate (and, in the case of the Facility Agent, each Reference Bank Quotation) confidential and not to disclose it to anyone, save to the extent permitted by paragraphs (b), (c) and (d) below.

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- (b) The Facility Agent may disclose:
 - (i) any Funding Rate (but not, for the avoidance of doubt, any Reference Bank Quotation) to the relevant Borrower pursuant to Clause 9.4 (*Notification of rates of interest*); and
 - (ii) any Funding Rate or any Reference Bank Quotation to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such service provider to provide those services if the service provider to whom that information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Facility Agent and the relevant Lender or Reference Bank, as the case may be.
 - (c) The Facility Agent may disclose any Funding Rate or any Reference Bank Quotation, and each Obligor may disclose any Funding Rate, to:
 - (i) any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives if any person to whom that Funding Rate or Reference Bank Quotation is to be given pursuant to this paragraph (i) is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of that Funding Rate or Reference Bank

Quotation or is otherwise bound by requirements of confidentiality in relation to it;

- (ii) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Facility Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances;
- (iii) any person to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings

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or disputes if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Facility Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances; and

- (iv) any person with the consent of the relevant Lender or Reference Bank, as the case may be.
- (d) The Facility Agent's obligations in this Clause 37 relating to Reference Bank Quotations are without prejudice to its obligations to make notifications under Clause 9.4 (*Notification of rates of interest*) provided that (other than pursuant to paragraph (b)(i) above) the Facility Agent shall not include the details of any individual Reference Bank Quotation as part of any such notification.

37.2 Related obligations

- (a) The Facility Agent and each Obligor acknowledge that each Funding Rate (and, in the case of the Facility Agent, each Reference Bank Quotation) is or may be price-sensitive information and that its use may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Facility Agent and each Obligor undertake not to use any Funding Rate or, in the case of the Facility Agent, any Reference Bank Quotation for any unlawful purpose.
- (b) The Facility Agent and each Obligor agree (to the extent permitted by law and regulation) to inform the relevant Lender or Reference Bank, as the case may be:
 - (i) of the circumstances of any disclosure made pursuant to paragraph (c)(ii) of Clause 37.1 (*Confidentiality and disclosure*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and
 - (ii) upon becoming aware that any information has been disclosed in breach of this Clause 37.

37.3 No Event of Default

No Event of Default will occur under Clause 23.3 (*Other obligations*) by reason only of an Obligor's failure to comply with this Clause 37.

38. Counterparts

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

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39. Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

40. Enforcement

40.1 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a *Dispute*).
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 40.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

40.2 Service of process

Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in England and Wales):

- (a) irrevocably appoints the Company as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and
- (b) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

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Schedule 1 The Original Lenders

Part A The Original Lenders (other than UK Non Bank Lenders)

Name of Original Lender	Commitment	Treaty Passport scheme reference number and jurisdiction of tax residence (if applicable)
Bank of America Merrill Lynch International Limited	\$150,000,000	N.A.
Barclays Bank PLC	\$150,000,000	N.A.
HSBC Bank plc	\$150,000,000	N.A.
SunTrust Bank	\$150,000,000	13/S/67712/DTTP (USA)
The Bank Of Tokyo-Mitsubishi UFJ, Ltd.	\$150,000,000	N.A.
The Royal Bank of Scotland plc	\$150,000,000	N.A.
Citibank, N.A. London Branch	\$ 75,000,000	N.A.
Commerzbank Aktiengesellschaft, London Branch	\$ 75,000,000	N.A.
DBS Bank Ltd., London Branch	\$ 75,000,000	N.A.

U.S. Bank National Association	\$ 75,000,000	13/U/62184/DTTP (USA)
Wells Fargo Bank N.A., London Branch	\$ 75,000,000	N.A.

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Part B
The Original Lenders (UK Non Bank Lenders)

Name of Original Lender	Commitment
N.A.	N.A.

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Schedule 2
Conditions Precedent

Part A Conditions Precedent to Initial Utilisation

1. The Company

- 1.1 A copy of the constitutional documents of each Original Obligor.
- 1.2 A copy of a resolution of the board of directors and/or a committee of the board of directors of each Original Obligor (together with a copy of the resolutions appointing such committee):
 - (a) approving the terms of, and the transactions contemplated by, the Finance Documents and resolving that it execute the Finance Documents;
 - (b) authorising a specified person or persons to execute the Finance Documents on its behalf; and
 - (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents.
- 1.3 A specimen of the signature of each person authorised by the resolution referred to in paragraph 1.2 above.
- 1.4 A copy of any necessary resolution signed by the holders of the issued shares in each Original Guarantor (other than the Company) which is a Subsidiary of the Company and is incorporated in England and Wales, approving the terms of, and the transactions contemplated by, the Finance Documents to which the Original Guarantor is a party.
- 1.5 A certificate of the Company (signed by a duly authorised officer) confirming that borrowing or guaranteeing, as appropriate, the Total Commitments would not cause any borrowing, guaranteeing or similar limit binding on any Original Obligor to be exceeded.
- 1.6 A certificate of each Original Obligor (signed by an authorised signatory) certifying that each copy document relating to it specified in this Part A of Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.
- 1.7 The Original Financial Statements.
- 1.8 A prepayment and cancellation notice (which shall be irrevocable) in respect of the Existing Facility to be effective on the date of this Agreement and such that the Existing Facility will be cancelled and prepaid in full on the first Utilisation Date under this Agreement.

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2. Legal Opinions

A legal opinion of Clifford Chance LLP, legal advisers to the Arranger and the Facility Agent in England, substantially in the form distributed to the Original Lenders prior to signing this Agreement.

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Part B **Conditions Precedent Required to be Delivered by an Additional Obligor**

1. An Accession Letter, duly executed by the Additional Obligor and the Company.
2. A copy of the constitutional documents of the Additional Obligor.
3. A copy of a resolution of (or of a committee of) the board of directors of the Additional Obligor:
 - (a) approving the terms of, and the transactions contemplated by, the Accession Letter and the Finance Documents and resolving that it execute the Accession Letter;
 - (b) authorising a specified person or persons to execute the Accession Letter on its behalf; and
 - (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all other documents and notices (including, in relation to an Additional Borrower, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents.
4. A specimen of the signature of each person authorised by the resolution referred to in paragraph 3 above.
5. A copy of any necessary resolutions signed by all the holders of the issued shares of the Additional Guarantor which are members of the Group, approving the terms of, and the transactions contemplated by, the Finance Documents to which the Additional Guarantor is a party.
6. A certificate of the Additional Obligor (signed by an authorised signatory) confirming that borrowing or guaranteeing, as appropriate, the Total Commitments would not cause any borrowing, guaranteeing or similar limit binding on it to be exceeded
7. A certificate of the Additional Obligor (signed by an authorised signatory) certifying that each copy document listed in this Part B of Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of the Accession Letter.
8. If available, the latest audited financial statements of the Additional Obligor.
9. A legal opinion of Clifford Chance LLP, legal advisers to the Arranger and the Facility Agent in England.
10. If the Additional Obligor is incorporated in a jurisdiction other than England and Wales, a legal opinion of the legal advisers to the Arranger and the Facility Agent in the jurisdiction in which the Additional Obligor is incorporated.
11. If the proposed Additional Obligor is incorporated in a jurisdiction other than England and Wales, evidence that the process agent specified in Clause 40.2 (*Service of process*), if not an Obligor, has accepted its appointment in relation to the proposed Additional Obligor.

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Schedule 3 **Utilisation Request**

From: [Borrower]

To: [Facility Agent]

Dated:

Dear Sirs

InterContinental Hotels Group PLC – \$1,275,000,000 Facility Agreement dated [●] 2015 (the Agreement)

1. We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
2. We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [●] (or, if that is not a Business Day, the next Business Day)

Currency of Loan: [●]

Amount: [●] or, if less, the Available Facility

Interest Period: [●]

3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.
4. The proceeds of this Loan should be credited to [account].
5. This Utilisation Request is irrevocable.

Yours faithfully

authorised signatory for
[*name of relevant Borrower*]

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**Schedule 4
Form of Transfer Certificate**

To: [●] as Facility Agent

From: [The Existing Lender] (the *Existing Lender*) and [The New Lender] (the *New Lender*)

Dated:

InterContinental Hotels Group PLC – \$1,275,000,000 Facility Agreement dated [●] 2015 (the Agreement)

1. We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
 2. We refer to Clause 24.6 (*Procedure for transfer*):
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with Clause 24.6 (*Procedure for transfer*).
 - (b) The proposed Transfer Date is [●].
 - (c) The Facility Office, administrative office (if different) and address, fax number and attention details for notices of the New Lender for the purposes of Clause 31.2 (*Addresses*) are set out in the Schedule.
 3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 24.5 (*Limitation of responsibility of Existing Lenders*).
 4. The New Lender confirms, for the benefit of the Facility Agent and without liability to any Obligor, that it is:
 - (a) [a Qualifying Lender (other than a Treaty Lender);]
 - (b) [a Treaty Lender;]
 - (c) [not a Qualifying Lender].¹
- [5.] [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:
- (a) a company resident in the United Kingdom for United Kingdom tax purposes;

1 Delete as applicable – each Increase Lender is required to confirm which of these three categories it falls within.

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- (b) a partnership each member of which is:
 - (i) a company so resident in the United Kingdom; or
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA 2009) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA 2009; or
 - (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (for the purposes of section 19 of the CTA 2009) of that company.²
- [5/6.] [The New Lender confirms, for the benefit of the Facility Agent and without liability to any Obligor, that it is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport scheme (reference number []) and is tax resident in [], so that interest payable to it by borrowers is generally subject to full exemption from UK withholding tax and requests that Company notify:
- (a) each Borrower which is a Party as a Borrower as at the Transfer Date; and
 - (b) each Additional Borrower which becomes an Additional Borrower after the Transfer Date,

that it wishes that scheme to apply to the Agreement]**4

[5/6/7.]This Transfer Certificate may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Transfer Certificate by e-mail attachment or telecopy shall be an effective mode of delivery.

[6/7/8.]This Transfer Certificate and any non contractual obligations arising out of or in connection with it are governed by English law.

-
- 2 Include if New Lender comes within paragraph (a)(ii) of the definition of Qualifying Lender in Clause 1.1 (*Definitions*).
 - 3 Insert jurisdiction of tax residence.
 - 4 This confirmation must be included if the New Lender holds a passport under the HMRC DT Treaty Passport scheme as at the Transfer Date, and wishes that scheme to apply to the Facility Agreement.

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THE SCHEDULE

Commitment/rights and obligations to be transferred

[insert relevant details]

[Facility Office, administrative office (if different) address, fax number and attention details for notices and account details for payments.]

[Existing Lender]

[New Lender]

By: _____

By: _____

This Transfer Certificate is accepted by the Facility Agent and the Transfer Date is confirmed as [●].

[Facility Agent]

By: _____

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Schedule 5 Form of Accession Letter

To: [●] as Facility Agent

From:[*Subsidiary*] and InterContinental Hotels Group PLC

Dated:

Dear Sirs

InterContinental Hotels Group PLC - \$1,275,000,000 Facility Agreement dated [●] 2015 (the Agreement)

1. We refer to the Agreement. This is an Accession Letter. Terms defined in the Agreement have the same meaning in this Accession Letter unless given a different meaning in this Accession Letter.
2. [Subsidiary] agrees to become an Additional [Borrower]/[Guarantor] and to be bound by the terms of the Agreement as an Additional [Borrower]/[Guarantor] pursuant to [Clause 25.2 (Additional Borrowers)]/[Clause 25.4 (Additional Guarantors)] of the Agreement. [Subsidiary] is a company duly incorporated under the laws of [name of relevant jurisdiction].
3. [Subsidiary's] administrative details are as follows:

Address:

Fax No:

Attention:
4. This Accession Letter and any non contractual obligations arising out of or in connection with it are governed by English law.

[This Guarantor Accession Letter is entered into by deed.]

InterContinental Hotels Group PLC

[Subsidiary]

By: _____

By: _____

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**Schedule 6
Form of Resignation Letter**

To: [●] as Facility Agent

From: [resigning Obligor] and InterContinental Hotels Group PLC

Dated:

Dear Sirs

InterContinental Hotels Group PLC - \$1,275,000,000 Facility Agreement dated [●] 2015 (the Agreement)

1. We refer to the Agreement. This is a Resignation Letter. Terms defined in the Agreement have the same meaning in this Resignation Letter unless given a different meaning in this Resignation Letter.
2. Pursuant to [Clause 25.3 (Resignation of a Borrower)]/[Clause 25.6 (Resignation of a Guarantor)], we request that [resigning Obligor] be released from its obligations as a [Borrower]/[Guarantor] under the Agreement.

3. We confirm that:
- (a) no Default is continuing or would result from the acceptance of this request; and
 - (b) the provisions of [Clause 25.3 (*Resignation of a Borrower*)]/[Clause 25.6 (*Resignation of a Guarantor*)] are otherwise complied with.
4. This Resignation Letter and any non contractual obligations arising out of or in connection with it are governed by English law.

InterContinental Hotels Group PLC

[Subsidiary]

By: _____

By: _____

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Schedule 7
Form of Compliance Certificate

To: [●] as Facility Agent

From: InterContinental Hotels Group PLC

Dated:

Dear Sirs

InterContinental Hotels Group PLC - \$1,275,000,000 Facility Agreement dated [●] 2015 (the Agreement)

We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

1. We confirm that:
- (a) the ratio of EBITDA to Net Interest Payable for the Relevant Period ending [●] was [●]:1; and
 - (b) the ratio of Net Borrowings, as at the last day of the Relevant Period ending [●], to EBITDA for that Relevant Period was [●]:1

Computations of the above (in reasonable detail) are attached to this Compliance Certificate.

2. The Material Subsidiaries as at the period ending [●] are [●].

3. [We confirm that no Default is continuing.]5

Signed: _____

- 5 If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

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**Schedule 8
Security**

<u>Member of the Group</u>	<u>Counterparty</u>	<u>Maturity Date</u>	<u>Principal amount secured</u>
IHG Queenstown Limited	HSBC	01 Nov. 2015	NZD 4,900,000
IHC Overseas (UK) Limited	The Law Debenture Pension Trust Corporation plc	Not applicable (Executive Top-Up Plan)	GBP 31,250,000
Six Continents Limited	IC Hotels Pension Trust Limited	Not applicable	GBP 3,000,000

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**Schedule 9
Timetables**

“D-” refers to the number of Business Days before the relevant Utilisation Date/the first day of the relevant Interest Period.

	<u>Loans in euro</u>	<u>Loans in Sterling</u>	<u>Loans in US Dollars</u>	<u>Loan in respect of the first Utilisation</u>	<u>Loans in other currencies</u>
Request for approval as an Optional Currency, if required (Clause 4.3 (<i>Conditions relating to Optional Currencies</i>))	—	—	—	—	D-5 10:30 a.m.
Facility Agent notifies the Lenders of the request (Clause 4.3 (<i>Conditions relating to Optional Currencies</i>))	—	—	—	—	D-5 3:00 p.m.
Responses by Lenders to the request (Clause 4.3 (<i>Conditions relating to Optional Currencies</i>))	—	—	—	—	D-4 1:00 p.m.
Facility Agent notifies the Company if a currency is approved as an Optional Currency in accordance with Clause 4.3 (<i>Conditions relating to Optional</i>)	—	—	—	—	D-4 5:00 p.m.

Currencies)

Delivery of a duly completed Utilisation Request (Clause 5.1 (<i>Delivery of a Utilisation Request</i>))	D-3 10:30 a.m.	D-1 10:30 a.m.	D-3 10:30 a.m.	D-2 9:30 a.m.	D-3 10:30 a.m.
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	<u>Loans in euro</u>	<u>Loans in Sterling</u>	<u>Loans in US Dollars</u>	<u>Loan in respect of the first Utilisation</u>	<u>Loans in other currencies</u>
Facility Agent determines (in relation to a Utilisation) the Base Currency Amount of the Loan, if required under Clause 5.4 (<i>Lenders' participation</i>) and notifies the Lenders of the Loan in accordance with Clause 5.4 (<i>Lenders' participation</i>)	D-3 3:00 p.m.	D-1 3:00 p.m.	D-3 3:00 p.m.	D-2 10:30 a.m.	D-3 3:00 p.m.
Facility Agent receives a notification from a Lender under Clause 6.2 (<i>Unavailability of a currency</i>)	Quotation Day 9:30 a.m.	Quotation Day 9:30 a.m.	—	—	Quotation Day 9:30 a.m.
Facility Agent gives notice in accordance with Clause 6.2 (<i>Unavailability of a currency</i>)	Quotation Day 10:30 a.m.	Quotation Day 10:30 a.m.	—	—	Quotation Day 10:30 a.m.
LIBOR or EURIBOR is fixed	Quotation Day as of 11:00 a.m.	Quotation Day as of 11:00 a.m.	Quotation Day as of 11:00 a.m.	Quotation Day as of 11:00 a.m.	Quotation Day as of 11:00 a.m.

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**Schedule 10
Form of Margin Certificate**

To: [●] as Facility Agent

From: InterContinental Hotels Group PLC

Dated:

Dear Sirs

InterContinental Hotels Group PLC - \$1,275,000,000 Facility Agreement dated [●] 2015 (the Agreement)

1. We refer to the Agreement. This is a Margin Certificate. Terms defined in the Agreement have the same

meaning when used in this Margin Certificate unless given a different meaning in this Margin Certificate.

2. We confirm that the ratio of Net Borrowings, as at the last day of the last preceding Margin Period, to EBITDA for that Margin Period was [higher than [3.00:1]]/[in the range of [____]:1 to [____]:1]/[equal to or lower than [1:50:1]].⁶

Computations of the above (in reasonable detail) are attached to this Margin Certificate.

Signed: _____
Director of InterContinental Hotels Group PLC

6 Delete as appropriate.

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Schedule 11 Form of Increase Confirmation

To: [●] as Facility Agent and InterContinental Hotels Group PLC as Company, for and on behalf of each Obligor

From: [the Increase Lender] (the **Increase Lender**)

Dated:

InterContinental Hotels Group PLC – \$1,275,000,000 Facility Agreement dated [●] 2015 (the Agreement)

1. We refer to the Agreement. This is an Increase Confirmation. Terms defined in the Agreement have the same meaning in this Increase Confirmation unless given a different meaning in this Increase Confirmation.
2. We refer to Clause 2.2 (*Increase*).
3. The Increase Lender agrees to assume and will assume all of the obligations corresponding to the Commitment specified in the Schedule (the **Relevant Commitment**) as if it was an Original Lender under the Agreement.
4. The proposed date on which the increase in relation to the Increase Lender and the Relevant Commitment is to take effect (the **Increase Date**) is [●].
5. On the Increase Date, the Increase Lender becomes party to the Finance Documents as a Lender.
6. The Facility Office and address, fax number and attention details for notices to the Increase Lender for the purposes of Clause 31.2 (*Addresses*) are set out in the Schedule.
7. The Increase Lender expressly acknowledges the limitations on the Lenders' obligations referred to in paragraph (e) of Clause 2.2 (*Increase*).
8. The Increase Lender confirms, for the benefit of the Facility Agent and without liability to any Obligor,

that it is:

- (a) [a Qualifying Lender (other than a Treaty Lender);]
- (b) [a Treaty Lender;]
- (c) [not a Qualifying Lender].⁷

7 Delete as applicable – each Increase Lender is required to confirm which of these three categories it falls within.

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9. [The Increase Lender confirms, for the benefit of the Facility Agent and without liability to any Obligor, that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:
- (a) a company resident in the United Kingdom for United Kingdom tax purposes; or
 - (b) a partnership each member of which is:
 - (i) a company so resident in the United Kingdom; or
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA 2009) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA 2009; or
 - (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA 2009) of that company.]⁸

[9/10.][The Increase Lender confirms, for the benefit of the Facility Agent and without liability to any Obligor, that it is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport scheme (reference number []) and is tax resident in [], so that interest payable to it by borrowers is generally subject to full exemption from UK withholding tax and requests that the Company notify:

- (a) each Borrower which is a Party as a Borrower as at the Increase Date; and
- (b) each Additional Borrower which becomes an Additional Borrower after the Increase Date,

that it wishes that scheme to apply to the Agreement]

[9/10/11]This Increase Confirmation may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Increase Confirmation by e-mail attachment or telecopy shall be an effective mode of delivery.

[10/11/12]This Increase Confirmation and any non contractual obligations arising out of or in connection with it are governed by English law.

[11/12/13]This Agreement has been entered into on the date stated at the beginning of this Agreement.

8 Include if New Lender comes within paragraph (a)(ii) of the definition of Qualifying Lender in Clause 13.1 (*Definitions*).

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THE SCHEDULE

Relevant Commitment/rights and obligations to be assumed by the Increase Lender

[insert relevant details]

[Facility office address, fax number and attention details for notices and account details for payments]

[Increase Lender]

By: _____

This Increase Confirmation is accepted as an Increase Confirmation for the purposes of the Agreement by the Facility Agent and the Increase Date is confirmed as [•].

Facility Agent

By: _____

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SIGNATURE PAGES

The Company

INTERCONTINENTAL HOTELS GROUP PLC

By: /s/ Paul Edgecliffe-Johnson

Name: PAUL EDGECLIFFE-JOHNSON

Title: DIRECTOR

Address: Broadwater Park
Denham
Middlesex UB9 5HR

Fax No: 0870 197 4426

Attention: The Company Secretary

cc: Treasurer
InterContinental Hotels Group PLC
No 1 First Avenue
Centrum 100
Burton on Trent

Staffordshire DE14 2WB

Fax No: 01283 514767

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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The Original Borrowers

INTERCONTINENTAL HOTELS GROUP PLC

By: /s/ Paul Edgecliffe-Johnson

Name: PAUL EDGECLIFFE-JOHNSON

Title: DIRECTOR

Address: Broadwater Park
Denham
Middlesex UB9 5HR

Fax No: 0870 197 4426

Attention: The Company Secretary

cc: Treasurer
InterContinental Hotels Group PLC
No 1 First Avenue
Centrum 100
Burton on Trent
Staffordshire DE14 2WB

Fax No: 01283 514767

INTERCONTINENTAL HOTELS LIMITED

By: /s/ Ralph Wheeler

Name: RALPH WHEELER

Title: DIRECTOR

Address: Broadwater Park
Denham
Middlesex UB9 5HR

Fax No: 0870 197 4426

Attention: The Company Secretary

cc: Treasurer
InterContinental Hotels Group PLC
No 1 First Avenue
Centrum 100
Burton on Trent
Staffordshire DE14 2WB

Fax No: 01283 514767

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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SIX CONTINENTS LIMITED

By: /s/ Ralph Wheeler

Name: RALPH WHEELER

Title: DIRECTOR

Address: Broadwater Park
Denham
Middlesex UB9 5HR

Fax No: 0870 197 4426

Attention: The Company Secretary

cc: Treasurer
InterContinental Hotels Group PLC
No 1 First Avenue
Centrum 100
Burton on Trent
Staffordshire DE14 2WB

Fax No: 01283 514767

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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The Original Guarantors

INTERCONTINENTAL HOTELS GROUP PLC

By: /s/ Paul Edgecliffe-Johnson

Name: PAUL EDGECLIFFE-JOHNSON

Title: DIRECTOR

INTERCONTINENTAL HOTELS LIMITED

By: /s/ Ralph Wheeler

Name: RALPH WHEELER

Title: DIRECTOR

SIX CONTINENTS LIMITED

By: /s/ Ralph Wheeler

Name: RALPH WHEELER

Title: DIRECTOR

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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The Mandated Lead Arrangers and Joint Bookrunners

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED

By: /s/ Mauro Maioli

Name: MAURO MAIOLI

Title: DIRECTOR

Address: c/o Bank of America
26 Elmfield Road
Bromley, Kent BR1 1WA

Fax No: +44 208 695 3544

Attention: Shirley Brown / Adi Khambata

Telephone No: +44 208 695 3347 / +44 208 695 3389

E- emealoanservicebromley@bankofamerica.com
mail address:

BARCLAYS BANK PLC

By: /s/ Isanna R. Devine

Name: ISANNA R. DEVINE

Title: DIRECTOR, DEBT FINANCE

Address: 1 Churchill Place, London, E14 5HP

Fax No: 02071167641

Attention: Mr T Helliwell

E- tim.helliwell@barclays.com
mail address:

Telephone No:0207 116 4536

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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HSBC BANK PLC

By: /s/ Laura Griffiths

Name: LAURA GRIFFITHS

Title: DIRECTOR

Address: 24th Floor, 8 Canada Square
London E14 5HQ

Fax No: 020 799 24680

Attention: Process Manager, Loans Administration

SUNTRUST ROBINSON HUMPHREY

By: /s/ W. Bradley Hamilton

Name: W. BRADLEY HAMILTON

Title: DIRECTOR

Address: 211 Perimeter Ctr. Parkway
Atlanta GA. 30346

Fax No: 404-588-4402

Attention: James Wu

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

By: /s/ Sean Malone

Name: SEAN MALONE

Title: DEPUTY GENERAL MANAGER AND MANAGING DIRECTOR, SYNDICATIONS

Address: Ropemaker Place
25, Ropemaker St.,
London EC2Y 9AN

Fax No: +44 (0)20 7577 1559

Attention: Loan Participation / Ganesh Ganeshwaran

THE ROYAL BANK OF SCOTLAND PLC

By: /s/ Roy Evans

Name: ROY EVANS

Title: DIRECTOR

Address: 280 Bishopsgate
London, EC2M 4RB

Fax No: 0044 20 7672 6403

Attention: Lending Operations

Telephone No:+4420 3361 2582

E- LendingOpsSmartShore@rbs.com
mail address:

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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The Original Lenders

BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED

By: /s/ Adam Lawrence

Name: ADAM LAWRENCE

Title: VICE PRESIDENT

Address: c/o Bank of America
26 Elmfield Road
Bromley, Kent BR1 1WA

Fax No: +44 208 695 3544

Attention: Shirley Brown / Adi Khambata

Telephone No:+44 208 695 3347 / +44 208 695 3389

E- emealoanservicebromley@bankofamerica.com
mail address:

BARCLAYS BANK PLC

By: /s/ Isanna R. Devine

Name: ISANNA R. DEVINE

Title: DIRECTOR, DEBT FINANCE

Address: 1 Churchill Place, London, E14 5HP

Fax No: 02071167641

Attention: Mr T Helliwell

E- tim.helliwell@barclays.com
mail address:

Telephone No:0207 116 4536

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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CITIBANK, N.A. LONDON BRANCH

By: /s/ Rudi Baxter-Warman

Name: RUDI BAXTER-WARMAN

Title: VICE PRESIDENT

Address: c/o Citibank International Plc Poland Branch
Loans Operations Department
8 CHALUBINSKIEGO Str., 8th Floor
Warsaw 00-613, Poland

Fax No: 0044 20 7942 7512

Attention: Olga Grzeskowiak (Section Manager) and Anna Rudnicka (Manager)

E-mail address: cibuk.loans@citi.com

COMMERZBANK AKTIENGESELLSCHAFT, LONDON BRANCH

By: /s/ Thomas Bush

/s/ Ian Anderson

Name: THOMAS BUSH

IAN ANDERSON

Title: DIRECTOR

MANAGING DIRECTOR

Address: 30 Gresham Street
London EC2V 7PG

Fax No: +44 207 475 2241

Attention: Thomas Bush

E-mail address: Thomas.Bush@commerzbank.com

SIGNATURE PAGES TO THE FACILITY AGREEMENT

DBS BANK LTD., LONDON BRANCH

By: /s/ Eunice Warren

Name: EUNICE WARREN

Title: SENIOR VICE PRESIDENT

Address: 4th Floor, Paternoster House
65 St. Paul's Churchyard
London EC4M 8AB

For credit matters:

Fax No: +44 (0) 20 7489 5850

Attention: Iain Stuart/Jeanne Kay/Joanne Foronda

Telephone No:+44 (0)20 7489 6583/584/541

E- iainstuart@dbs.com / jeannekay@dbs.com / joanneforonda@dbs.com
mail address:

For operational matters:

Fax No: +44 (0)20 7489 5852

Attention: Ian Herrod/Ruth Yan

Telephone No:+44 (0)20 7489 6548/567

E- LoanOpsLondon@dbs.com
mail address:

HSBC BANK PLC

By: /s/ Laura Griffiths

Name: LAURA GRIFFITHS

Title: DIRECTOR

Address: 24th Floor, 8 Canada Square
London E14 5HQ

Fax No: 020 799 24680

Attention: Process Manager, Loans Administration

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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SUNTRUST BANK

By: /s/ W. Bradley Hamilton

Name: W. BRADLEY HAMILTON

Title: DIRECTOR

Address: 211 Perimeter Ctr. Parkway
Atlanta GA. 30346

Fax No: 404-588-4402

Attention: James Wu

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

By: /s/ Andrew Trenouth

Name: ANDREW TRENOUTH

Title: DEPUTY GENERAL MANAGER AND MANAGING DIRECTOR

Address: Ropemaker Place
25, Ropemaker St.,
London EC2Y 9AN

Fax No: +44 (0)20 7577 1559

Attention: Loan Participation / Ganesh Ganeshwaran

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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THE ROYAL BANK OF SCOTLAND PLC

By: /s/ Roy Evans

Name: ROY EVANS

Title: DIRECTOR

Address: 280 Bishopsgate
London, EC2M 4RB

Fax No: 0044 20 7672 6403

Attention: Lending Operations

Telephone No:+4420 3361 2582

E-mail address: LendingOpsSmartShore@rbs.com

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Steven L. Sawyer

Name: STEVEN L. SAWYER

Title: SENIOR VICE PRESIDENT

Address: 214 N. Tryon Street
Charlotte, NC 28202

Fax No: +1 704-335-2435

Attention: Steve Sawyer

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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WELLS FARGO BANK N.A., LONDON BRANCH

By: /s/ Nathan Hamsik

Name: NATHAN HAMSIK

Title: VP/RM

Address: One Plantation Place
30 Fenchurch Street
London EC3M 3BD

Fax No: +44 (0)20 7149 8392

Attention: Nathan Hamsik

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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The Facility Agent

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

By: /s/ Sean Malone _____

Name: SEAN MALONE

Title: DEPUTY GENERAL MANAGER AND MANAGING DIRECTOR, SYNDICATIONS

Address: Ropemaker Place
25, Ropemaker St.
London EC2Y 9AN

Fax No: +44 (0)20 7577 1559

Attention: The Manager, Loans Agency Services

E-mail address: loanagency@uk.mufg.jp

SIGNATURE PAGES TO THE FACILITY AGREEMENT

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I, Richard Solomons, certify that:

1. I have reviewed this Annual Report on Form 20-F of InterContinental Hotels Group PLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: 3 March 2016

/s/ Richard Solomons
Chief Executive Officer

I, Paul Edgecliffe-Johnson, certify that:

1. I have reviewed this Annual Report on Form 20-F of InterContinental Hotels Group PLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: 3 March 2016

/s/ Paul Edgecliffe-Johnson
Chief Financial Officer

906 Certification

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F for the year ended December 31, 2015 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Richard Solomons, the Chief Executive Officer, and Paul Edgecliffe-Johnson, the Chief Financial Officer of InterContinental Hotels Group PLC, each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of InterContinental Hotels Group PLC.

Date: 3 March 2016

By:

/s/ Richard Solomons

Name: Richard Solomons

Title: Chief Executive Officer

By:

/s/ Paul Edgecliffe-Johnson

Name: Paul Edgecliffe-Johnson

Title: Chief Financial Officer

Consent of independent registered public accounting firm

We consent to the incorporation by reference in the following Registration Statements (Form F-3 No. 333-108084 and Form S-8 Nos. 333-99785, 333-89508, 333-104691, 333-126139, 333-181334 and 333-197846) of InterContinental Hotels Group PLC of our reports dated February 22, 2016, with respect to the consolidated financial statements of InterContinental Hotels Group PLC, and the effectiveness of internal control over financial reporting of InterContinental Hotels Group PLC, included in this Annual Report on Form 20-F for the year ended December 31, 2015.

/s/ Ernst & Young LLP
London, England
March 2, 2016



*Comunidad Virtual de Contadores,
creada por Contadores para Contadores*



Form 20-F

InterContinental Hotels Group PLC

For the fiscal year ended December 31, 2015