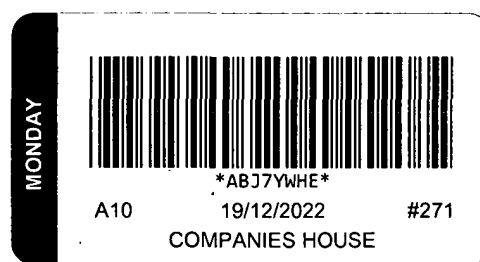


# **Island Hotel (Madeira) Limited**

## **Annual report and financial statements for the year ended 31 December 2021**

Registered number: 00328212



# **Island Hotel (Madeira) Limited**

## **Annual report and financial statements for the year ended 31 December 2021**

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# Island Hotel (Madeira) Limited

## Strategic report

The directors, in preparing this Strategic Report, have complied with section 414C of the Companies Act 2006.

### Principal activities, business review and future developments

The Company's main activity continues to be the ownership and operation (through a Portuguese branch) of Belmond Reid's Palace Hotel, Madeira. At 31 December 2021 the Company had net assets of €22,891,000 (2020: €20,509,000) and net current assets of €19,326,000 (2020: €17,224,000).

The Company's turnover increased from €5,714,000 in 2020 to €12,841,000 in 2021 and the Company made a profit before taxation for the current year of €2,487,000 (2020: loss before tax of €4,240,000).

Throughout 2022 the company intends to continue its operations of Reid's Palace Hotel, with no expected significant future developments.

### Key performance indicators

The key performance indicators that were used by management are occupancy percentage, average daily rate and RevPAR.

In 2021, the Company sold 20,763 (2020: 11,238) room-nights to give an occupancy percentage of 48% (2020: 21%). The average room rate in 2021 was €464 (2020: €352) and RevPAR was €221 (2020: €74).

### Principal risks and uncertainties

The Company's principal risks and uncertainties arise from the performance of the luxury leisure market in Madeira. As a subsidiary of Belmond Ltd., the Group has policies and procedures in place to identify, manage and mitigate the risks and uncertainties that it and its subsidiaries are exposed to. These are outlined in LVMH Möet Hennessy - Louis Vuitton SE's ("LVMH") Annual Report, in which the Company's results are included, and can be obtained from its registered office at 22 Avenue Montaigne, FR-75008 Paris, France or at [www.lvmh.com](http://www.lvmh.com).

In 2020 the hospitality industry was severely impacted by the Covid-19 pandemic which forced hotels and other hospitality venues to close for an extended period of time and restricted the movement of travellers across the globe. The pandemic continued to affect hospitality in 2021, including Belmond; although, as many countries moved towards high levels of vaccination in the population, travel started to reopen with demand for Belmond hotels, trains and cruises also returning.

In 2022 we have seen international travel open up further and demand sustained for many of the hotels within The Belmond group (of which the Company is a part of). Many locations within the group are already exceeding pre-pandemic operation levels in 2022, including Reid's Palace Hotel. In regions still feeling the effects of Covid-19, we would expect to reach pre-pandemic operation levels by 2023, and we do not believe the long-term prospects for the hospitality industry are diminished.

There is still some uncertainty around future Covid variants, travel restrictions and speed of recovery in certain regions, however, the Group would be able to take steps to mitigate the financial impact of such scenarios on the group's operations and cash if required. The directors have also obtained a letter of support from the Company's ultimate parent, LVMH, confirming that it will continue to support the Company.

In addition to Covid, the Directors note three other principal risks and uncertainties of significance to the Group: Brexit, staffing pressures in the hospitality industry and the impact of rising global inflation.

On 31 December 2020, the transition period for the UK's withdrawal from the EU ended. From that point, new rules applied for trading, immigration and importing/exporting procedures. The most significant post-Brexit risks for Belmond are supply chain delays and the impact of immigration changes on recruitment.

The hospitality industry as a whole is facing pressures on recruiting and retaining the appropriate level of workforce as there has been a cultural shift towards more flexible, remote working jobs.

The directors closely monitor stock levels and the availability of raw materials for large renovation projects to ensure any supply chain delays can be mitigated. In order to mitigate the staffing pressures within the industry, the Company works on attracting and retaining talent by investing in our people to make Belmond an employer of choice.

# **Island Hotel (Madeira) Limited**

## **Strategic report (continued)**

Rising global inflation rates is a key risk to the business and the Directors oversee the forecasting and budgeting process where different inflation scenarios are modelled. The financial performance of the Group is continually monitored and reviewed to ensure that it is well placed to react to changes in inflation and if necessary is able to mitigate the financial risk it may have on the business.

### **Financial risk management objectives and policies**

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the principal financial risks the Directors consider relevant to this Company are credit risk and liquidity risk. These risks are mitigated by the nature of the balances involved, with the counterparties being group companies.

### **Section 172(1) Statement**

The Directors of the Company note that they have a duty to promote the success of the Company for the benefit of the Company's members as a whole, having regard to a number of broader matters including the likely long-term consequences of decisions, and the Company's wider relationships. In this regard, the Board:

- considers on an annual basis the key business activities and the likely long-term consequences of any key decisions;
- ensures employees are regularly engaged through annual reviews to discuss employee performance, suitability and interest;
- ensures the Company maintains strong business relationships with suppliers, customers and others;
- ensures the Company's operations do not have a negative impact on the community and environment; and
- ensures, through the Company's policies and procedures, that the desired high standards of business conduct prevail across all functions.

Approved by the Board and signed on its behalf by:



Véronique Robin-Amour  
Director

9<sup>th</sup> December 2022

**Registered office:**  
4B Victoria House  
Bloomsbury Square  
London  
WC1B 4DA

# **Island Hotel (Madeira) Limited**

## **Directors' report**

The directors present their annual report on the affairs of the Company, together with the audited financial statements and independent auditor's report, for the year ended 31 December 2021.

### **Financial risk management and future developments**

Details of the principal risks and uncertainties and future developments are included in the Strategic Report and form part of this report by cross-reference.

### **Going concern**

The Directors have taken into consideration the continued pandemic impact in 2022 which now varies globally. Whilst Covid-19 has had a significant impact on the financial performance of the group throughout 2021, in 2022 we have seen international travel open up further and demand return for many of the hotels within the Belmond group (of which the Company is a part of). Many locations within the group are already exceeding pre-pandemic operation levels in 2022. The Directors expect the regions not yet achieving these levels will do so by 2023.

There is still some uncertainty around future Covid variants, travel restrictions and speed of recovery in certain regions, however, the Directors would take steps to mitigate the financial impact of such scenarios on the group's operations and cash if required. The Directors have also obtained a letter of support from the Company's ultimate parent, LVMH, confirming that it will continue to support the Company. Therefore, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis in preparing the financial statements.

### **Dividends**

The directors do not recommend a dividend for the year and after year end (2020: €nil).

### **Directors**

The directors who served during the year and to the dates of these financial statements were as follows:

D Ruff  
R Koren  
C Soares  
V Robin-Amour

The Company has arranged qualifying third-party indemnity for all of its directors.

None of the Directors had any notifiable interests in the shares of the Company during the year ended 31 December 2021.

## **Island Hotel (Madeira) Limited**

### **Directors' report (continued)**

#### **Existence of branch outside the UK**

The Company has a branch as defined in s.1046(3) of the Companies Act 2006, in Portugal.


#### **Statement of disclosure to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



Véronique Robin-Amour  
Director

9<sup>th</sup> December 2022

**Registered office:**  
4B Victoria House  
Bloomsbury Square  
London  
WC1B 4DA

## **Island Hotel (Madeira) Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report to the members of Island Hotel (Madeira) Limited**

## **Opinion**

We have audited the financial statements of Island Hotel Madeira Limited (the 'Company') for the year ended 31 December 2021 which comprise of the Statement of Comprehensive Income, the Balance sheet, the Statement of changes in equity and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



# **Independent auditor's report to the members of Island Hotel (Madeira) Limited (continued)**

## **Other information**

The other information comprises the information included in the Strategic and Directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditor's report to the members of Island Hotel (Madeira) Limited (continued)**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment laws and regulations (including health and safety) and laws and regulations relating to unethical and prohibited business practices.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as taxation legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgments and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.


There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Independent auditor's report to the members of Island Hotel (Madeira) Limited (continued)**

### **Use of the audit report**

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.



Jennifer Birch  
(Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Two Chamberlain Square  
Birmingham  
B3 3AX

Date: 9th December 2022

## Island Hotel (Madeira) Limited

### Statement of comprehensive income For the year ended 31 December 2021

	Note	2021 €'000	2020 €'000
<b>Turnover</b>	4	12,841	5,714
Cost of sales		(1,243)	(694)
<b>Gross profit</b>		11,598	5,020
Other operating income	4	566	352
Administrative expenses		(9,676)	(9,612)
<b>Operating profit/ (loss)</b>		2,488	(4,240)
Finance expense	5	(1)	10
<b>Profit/ (Loss) before taxation</b>	6	2,487	(4,230)
Tax charge on profit/ (loss)	9	(105)	(14)
<b>Profit/ (Loss) for the year</b>		2,382	(4,244)
Other movements	16	-	-
<b>Total comprehensive income/ (loss)</b>		2,382	(4,244)

All operations are continuing.

## Island Hotel (Madeira) Limited

### Balance sheet

As at 31 December 2021

	Note	2021 €'000	2020 €'000
<b>Fixed assets</b>			
Tangible assets	10	3,648	3,324
Investments	11	43	85
		<u>3,691</u>	<u>3,409</u>
<b>Current assets</b>			
Stocks	12	352	296
Debtors	13	21,826	19,125
Cash at bank and in hand		941	547
		<u>23,119</u>	<u>19,968</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(3,793)</u>	<u>(2,744)</u>
<b>Net current assets</b>		<u>19,326</u>	<u>17,224</u>
<b>Total assets less current liabilities</b>		<u>23,017</u>	<u>20,633</u>
<b>Non-current provisions</b>	15	<u>(126)</u>	<u>(124)</u>
<b>Net assets</b>		<u>22,891</u>	<u>20,509</u>
<b>Capital and reserves</b>			
Called-up share capital	16	42	42
Profit and loss account	16	20,899	18,517
Other reserve	16	1,950	1,950
<b>Shareholder's funds</b>		<u>22,891</u>	<u>20,509</u>

The financial statements of Island Hotel (Madeira) Limited (registered number 00328212) were approved by the Board of Directors and authorised for issue on 9<sup>th</sup> December 2022.

Signed on behalf of the Board of Directors



Véronique Robin-Amour  
Director

## Island Hotel (Madeira) Limited

### Statement of changes in equity For the year ended 31 December 2021

	Notes	Called-up share capital €'000	Profit and loss account €'000	Other reserves €'000	Total €'000
<b>At 31 December 2019</b>		42	22,761	1,950	24,753
Loss for the financial year		-	(4,244)	-	(4,244)
<b>Total comprehensive income for the year</b>		-	(4,244)	-	(4,244)
<b>At 31 December 2020</b>		42	18,517	1,950	20,509
Profit for the financial year		-	2,382	-	2,382
<b>Total comprehensive loss for the year</b>		-	2,382	-	2,382
<b>At 31 December 2021</b>		42	20,899	1,950	22,891

Other reserves include non-distributable profits relating to government grant and legal reserves.

The Company has contractual reserves under the Portuguese SIFIT (Sistema de Incentivos Financeiros ao Investimento no Turismo) contract of 1991 of €1,641,000 (2020: €1,641,000), where the government grants related to non-current assets establishes that this reserve is not available for distribution to the capital owner.

The other reserves are split into the following:

	2021 €'000	2020 €'000
Distributable profits	301	301
Non-distributable profits	1,649	1,649
	<u>1,950</u>	<u>1,950</u>

# Island Hotel (Madeira) Limited

## Notes to the financial statements

For the year ended 31 December 2021

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### a. General information and basis of accounting

Island Hotel (Madeira) Limited is a private Company, limited by shares, and is incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is 4B Victoria House, Bloomsbury Square, London, WC1B 4DA. The Company's main activity continues to be the ownership and operation (through a Portuguese branch) of Belmond Reid's Palace Hotel, Madeira. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Island Hotel (Madeira) Limited is considered to be Euros because that is the currency of the primary economic environment in which the Company operates.

Island Hotel (Madeira) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement, disclosure of related party transactions, financial instruments and remuneration of key management personnel. Island Hotel (Madeira) Limited is consolidated in the financial statements of its ultimate parent company, LVMH Möet Hennessy - Louis Vuitton SE ("LVMH"), copies of which may be obtained from its registered office at 22 Avenue Montaigne, FR-75008 Paris, France or at [www.lvmh.com](http://www.lvmh.com).

#### b. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

At 31 December 2021 the Company had net assets of €22,891,000 (2020: €20,509,000) and net current assets of €19,326,000 (2019: €17,224,000).

The Directors have taken into consideration the continued pandemic impact in 2022 which now varies globally. Whilst Covid-19 has had a significant impact on the financial performance of the group throughout 2021, in 2022 we have seen international travel open up further and demand return for many of the hotels within the Belmond group (of which the Company is a part of). Many locations within the group are already exceeding pre-pandemic operation levels in 2022. The Directors expect the regions not yet achieving these levels will do so by 2023.

There is still some uncertainty around future Covid variants, travel restrictions and speed of recovery in certain regions, however, the Directors would take steps to mitigate the financial impact of such scenarios on the group's operations and cash if required. The Directors have also obtained a letter of support from the Company's ultimate parent, LVMH, confirming that it will continue to support the Company. Therefore, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis in preparing the financial statements.

#### c. Tangible fixed assets

All material additions and improvements are capitalised. Items in the course of construction are treated as work in progress. These are not depreciated and are transferred into the appropriate account when the construction is complete. Normal repairs and maintenance are charged to the profit and loss account in the period when incurred.

## Island Hotel (Madeira) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2021

#### 1. Accounting policies (continued)

##### c. *Tangible fixed assets (continued)*

The Company has taken advantage of the transitional provisions of FRS 102 Section 35 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard.

Depreciation is calculated on the gross value of tangible fixed assets in order to write off such value on a straight line basis over their estimated useful lives as follows:

Freehold buildings	10 - 50 years
Plant and machinery	4 - 10 years
Fixtures, fittings and equipment	4 - 10 years

No depreciation is provided on freehold land or artwork, and work in progress until available for use.

##### d. *Investments*

Investments held as fixed assets are stated at cost less provision for impairment.

##### e. *Stocks*

Stocks are stated at the lower of cost and net realisable value, determined on a weighted average basis, and consist of raw materials and consumables. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### f. *Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### g. *Taxation*

Current tax is based on the profit for the year and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.



# Island Hotel (Madeira) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 1. Accounting policies (continued)

#### g. Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### h. Turnover

Turnover comprises revenue arising from hotel operations in the island of Madeira and is recognised in the period earned. Revenue is measured at the fair value of the consideration received or receivable. The revenue to be recognized is less the estimated amount of returns, discounts and other rebates and is recognized net of taxes related to the sale or services provided.

#### i. Foreign currency

The Company carries on its business in the island of Madeira, where the books and records are maintained in euros, and the Company's functional currency is euros, accordingly the financial statements are presented in €000 (thousands euros).

Assets and liabilities denominated in foreign currencies other than euros are translated at the exchange rate ruling at the balance sheet date. Exchange gains or losses on these translations are included in the profit and loss account.

#### j. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and recognised in the profit and loss over the expected useful life of the asset.

#### k. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership of the leased asset to the Company.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

#### l. Finance income

Finance income is derived of interest income from intercompany loan balances.

# Island Hotel (Madeira) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 1. Accounting policies (continued)

#### m. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Key source of estimation uncertainty – impairment of tangible fixed assets*

Tangible assets are reviewed for potential indicators of impairment on an annual basis, and where these exist a formal impairment review is carried out.

#### *Key source of estimation uncertainty – impairment of debtors*

Trade debtors are stated net of discounts, less any provisions for amounts that are considered to be unable to be recovered from customers. This provision is reviewed monthly based on the ageing profile of trade debtors and historical collection experience. Where management has obtained sufficient and reasonable evidence such that it is more likely than not that the customer will not be able to settle the amounts owed to the Company, a bad debt provision is made against the receivable.

# Island Hotel (Madeira) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 3. Ultimate parent company and controlling party

The immediate parent company is Reid's Hotels, Lda, a company registered in Portugal.

The largest and smallest group for which consolidated financial statements are prepared is the ultimate parent company, LVMH, a Company incorporated in France. Copies of its financial statements can be obtained from its registered office at 22 Avenue Montaigne, FR-75008 Paris, France or at [www.lvmh.com](http://www.lvmh.com).

### 4. Turnover and other operating income

An analysis of the Company's revenue is as follows:

	2021 €'000	2020 €'000
<b>Turnover</b>		
Sale of goods	77	37
Rooms sales	9,552	3,984
Food and beverage	2,860	1,484
Other services	352	209
<b>Total turnover</b>	<b>12,841</b>	<b>5,714</b>
<b>Other operating income</b>		
Equipment rental	36	12
Government Grants	496	333
Other	34	7
<b>Other operating income</b>	<b>566</b>	<b>352</b>

### 5. Finance expense/(income)

	2021 €'000	2020 €'000
Interest payable and similar charges	1	1
Less: Interest receivable and similar income	-	(11)
	<b>1</b>	<b>(10)</b>

#### *Interest payable and similar charges*

	2021 €'000	2020 €'000
Interest payable on bank loans	1	1

#### *Interest receivable and similar income*

	2021 €'000	2020 €'000
Interest receivable from group undertakings	-	(11)

## Island Hotel (Madeira) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2021

#### 6. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2021 €'000	2020 €'000
Depreciation of tangible fixed assets (note 10)	808	880
Impairment of investments (note 11)	42	-
Cost of stock recognised as an expense	1,244	694

Fees payable to the Company's auditor for the audit of the Company's annual financial statements are £8,113 (2020: £10,000). These are borne by Belmond Ltd, another Group company. In addition, €32,500 was payable for the audit of the Company's Portuguese branch financial statements to Mazars in Portugal (2020: €32,500).

The Company only trades through its Portuguese branch. The United Kingdom branch has no profit or loss for the current or preceding year other than those of the Portuguese branch at the current or preceding year-end.

#### 7. Staff numbers and costs

Average number of monthly employees:

	2021 Number	2020 Number
Operations	187	188
Administrative	12	15
	199	203

Their aggregate remuneration comprised:

	2021 €'000	2020 €'000
Wages and salaries	3,731	5,269
Social security costs	724	716
	4,455	5,985

#### 8. Directors' remuneration and transactions

The directors carried out their duties outside the United Kingdom in both years.

All of the directors were employed by other group companies in the current and preceding years and it is not practicable to apportion their emoluments as regards their services to the Company for either year.

# Island Hotel (Madeira) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 9. Tax on profit/ (loss)

The tax charge comprises:

	2021 €000	2020 €000
<b>Current tax on profit/ (loss) on ordinary activities</b>		
U.K. corporation tax at 19% (2020: 19%)	-	-
Overseas current taxation	(105)	(14)
<b>Total current tax</b>	(105)	(14)
<b>Total tax on profit/ (loss) on ordinary activities</b>	(105)	(14)

The standard rate of tax applied to reported profit on ordinary activities is 19% (2020: 19%). During the year beginning 1 January 2021, the net reversal of deferred tax assets and liabilities is expected to remain unchanged.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2021 on 24 May 2021 (the Finance Bill 2021 received Royal Assent on 10 June 2021 and became the Finance Act 2021). These changes include an increase to the main rate from 19% to 25% from 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

There is no expiry date on timing differences, unused tax losses or tax credits.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2021 €'000	2020 €'000
Profit/ (loss) on ordinary activities before taxation	2,487	(4,230)
Tax on profit/ (loss) on ordinary activities at standard UK corporation tax rate of 19% (2020: 19%)	473	(804)
Effects of:		
Overseas income not taxable in the United Kingdom	(473)	804
Impact of overseas tax rates	(105)	(14)
<b>Total tax charge for year</b>	(105)	(14)

## Island Hotel (Madeira) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2021

#### 10. Tangible assets

	Freehold land and buildings €'000	Plant and machinery €'000	Fixtures, fittings and equipment €'000	Work in progress €'000	Total €'000
<b>Cost</b>					
At 1 January 2021	47,439	23,837	1,507	565	73,348
Restatement*	29	(1,076)	350	(3)	(700)
Restated cost brought forward	47,468	22,761	1,857	562	72,648
Additions	298	722	5	106	1,131
Transfers	-	151	(151)	-	-
Disposals	-	(342)	(1)	-	(343)
At 31 December 2021	47,766	23,292	1,710	668	73,436
<b>Depreciation</b>					
At 1 January 2021	45,458	23,106	1,379	81	70,024
Restatement*	(50)	(876)	307	(81)	(700)
Restated depreciation brought forward	45,408	22,230	1,686	-	69,324
Charge for the year	85	665	57	-	807
Disposals	-	(342)	(1)	-	(343)
Transfers	-	51	(51)	-	-
At 31 December 2021	45,493	22,604	1,691	-	69,788
<b>Net book value</b>					
At 31 December 2021	2,273	688	19	668	3,648
At 31 December 2020	1,981	731	128	484	3,324

Freehold land with a cost of €20,000 (2020: €20,000) is not depreciated.

\*Prior year closing cost and depreciation has been restated to correct for transfers that have taken place between tangible asset categories previously and to align to the local fixed asset register. The transfer is €700k at both cost and depreciation, the assets have a nil net book value and there is no impact on the profit and loss.

## Island Hotel (Madeira) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2021

#### 11. Investments

	€'000
<b>Cost</b>	
At 1 January 2021 and 31 December 2021	85
<b>Provision for impairment</b>	
At 1 January 2021	-
Impairment	42
As 31 December 2021	42
<b>Net book value</b>	
At 31 December 2021	43
At 1 January 2021	85

The Company has investments in the following subsidiary undertaking

	% of share capital held		Number and type of shares	Unit value	Incorporated in	Principal Activity
	Direct	Indirect				
Sociedade Palheiro Golf, S.A		3	15,000 bearer shares	€5	Portugal	Golf Course

The registered addresses of the subsidiary undertakings are as follows:

#### Registered Address

Sociedade Palheiro Golf, S.A                      Rua do Balancal, n° 29, 9060-414 Funchal, Portugal

#### 12. Stocks

	2021 €'000	2020 €'000
Raw materials and consumables	352	296

## Island Hotel (Madeira) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2021

#### 13. Debtors

	2021 €'000	2020 €'000
<b>Amounts falling due within one year:</b>		
Trade debtors	858	975
Prepayments and accrued income	155	235
Amounts owed by Group undertakings	20,813	17,915
	<u>21,826</u>	<u>19,125</u>

As at 31 December 2021, the Company has a loan receivable from Belmond Finance Services Limited of €20,681,000 (2020: €17,918,000). The loan bears a fixed rate of interest by applying the 12-month EURIBOR rate and has a maturity date of December 2021. The loan has been classified as a basic financial instrument under FRS 102 Section 11 *Basic Financial Instruments*, and is measured at principal plus accrued interest. The Directors have assessed that this measurement basis does not differ materially from amortised cost.

#### 14. Creditors: amounts falling due within one year

	2021 €'000	2020 €'000
Finance lease obligations	21	33
Trade creditors	907	154
Other creditors	-	332
Accruals and deferred income	1,407	1,314
Taxation and social insurance	306	134
Amounts due to Group undertakings	1,152	777
	<u>3,793</u>	<u>2,744</u>

As at 31 December 2021 finance lease obligations include amounts falling due in over one year of €nil (2020: €22,000).

#### 15. Long-term provisions

	2021 €'000	2020 €'000
Other risks and charges	<u>126</u>	<u>124</u>

The provision for other risks and charges during the year relates to risks arising from activities assessed as probable. The provisions constituted are adequate and sufficient to meet the estimated contingencies.



## Island Hotel (Madeira) Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2021

#### 16. Called-up share capital and reserves

		2021 €'000	2020 €'000
<b>Allotted, called-up and fully paid:</b>			
2,008,930 ordinary shares of US\$0.001 each	US\$2,008.93	2	2
2,008,930 deferred shares of 5 pence each	£100,446.50	40	40
		<u>42</u>	<u>42</u>

Holders of the ordinary shares are entitled to share in distributed profits. Holders of deferred shares are only entitled to participate in the assets of the Company after the holders of every other class of share have received £1,000,000 in respect of each share and then only to the extent of £2 per deferred share. None of the deferred shares carry any rights to receive notice of or attend or vote at any general meeting of the Company.

The Company's other reserves are as follows:

The profit and loss account represents cumulative profits or losses.

Other movements represents the adjustment to deferred tax liabilities related with the fixed asset revaluation of non-depreciable assets.

Other reserves include non-distributable profits relating to government grant and legal reserves.

#### 17. Related party transactions

The Company is a wholly-owned subsidiary undertaking and has taken advantage of the exemption available under section 33.1A of FRS 102 "Related Party Disclosures" not to disclose transactions with wholly-owned group entities or investees of the group qualifying as related parties.

Advantage has been taken of the exemption permitted by FRS 102 not to disclose total compensation of key management personnel.

#### 18. Capital commitments

As at 31 December 2021 amounts contracted for but not provided in the financial statements amounted to €301,000 (2020: €35,000).

#### 19. Leasing commitments

The Company's future minimum finance lease payments are as follows:

	2021 €'000	2020 €'000
Within one year	11	11
Between one and five years	22	22
More than 5 years	-	-

Certain plant and machinery is held under finance lease arrangements. The lease agreements include fixed lease payments and a purchase option.

## **Island Hotel (Madeira) Limited**

### **Notes to the financial statements (continued)**

**For the year ended 31 December 2021**

#### **20. Subsequent events**

The Company performed a review of events subsequent to the balance sheet date through the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.