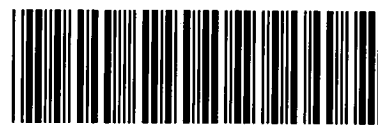


Hyatt Holdings (UK) Limited

**Directors' report and financial statements
for the year ended 31 December 2016**

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Hyatt Holdings (UK) Limited

Company Information

Directors
P Fulton
P M Boesch (appointed 10 March 2016)
C L Ephraim (appointed 15 December 2016)

Company secretary Jordan Company Secretaries Limited

Registered number 3564855

Registered office
First Floor
Templeback
10 Templeback
Bristol
BS1 6FL

Independent auditor
Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ

Bankers
Bank Mendes Gans
PO Box 198
1000 AD Amsterdam
Herengracht 619
The Netherlands

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Solicitors
Osborne Clark
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Hyatt Holdings (UK) Limited

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Hyatt Holdings (UK) Limited

Strategic report For the year ended 31 December 2016

Introduction

The directors present their Strategic report for the year ended 31 December 2016.

Principal activity

There were no significant changes to the Company's activity in 2016. The revenues of the company are the management fees earned from the 2 operating hotels with which the Company has management agreements. In addition, the chain services costs associated with individuals employed by the Company are charged to and are fully reimbursable by Hyatt Chain Services Limited.

Business review

The management agreement for the Hyatt Regency Birmingham started on 16 July 1990 and was terminated effective 22 September 2015 upon the sale of the hotel to an unrelated 3rd party. The initial operating term for the agreement for Hyatt Regency London – The Churchill which started on 1 May 2004 has been extended in 2014 for a successive period of ten years and shall expire in 2024. The agreement for the Andaz London started on 13 March 2006 and runs for an initial term of 30 years.

Most of the Company's revenues are management fees, the basic fees of which are calculated as a percentage of each hotel's revenues and the incentive fees of which are calculated as a percentage of Gross Operating Profit. The Directors analyse various KPI's of the hotels, including Revenue Per Available Room and profitability and work with the hotels to improve these metrics so as to maximise management fees income.

During 2015 the company transitioned from UK GAAP to FRS 101 - Reduced Disclosure Framework and has taken advantage of the reduced disclosure framework allowed under this standard. The Company's ultimate parent undertaking Hyatt Hotels Corporation, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions.

The key financial and other performance indicators during the year ended 31 December 2016 and the corresponding period to 31 December 2015 were as follows:

	2016	2015
	£	£
Turnover	6,031,869	5,571,892
Operating profit/(loss)	1,162,055	(1,683,114)
EBITDA	1,176,089	(1,670,752)
Profit/(loss) after tax	922,824	(1,674,863)
Shareholders' funds	1,486,564	563,740

EBITDA is defined as operating profit/(loss) adjusted to add back depreciation.

Profit/(loss) after tax in 2015 includes a £2.25m provision for legal claims as explained in note 16. The provision did not change in the current year.

Hyatt Holdings (UK) Limited

Strategic report (continued) For the year ended 31 December 2016

Principal risks and uncertainties

Competitive risks

Because we operate in a highly competitive industry, our revenues, profits or market share could be harmed if we are unable to compete effectively, and new distribution channels, alternatives to traditional hotels and industry consolidation among our competitors may negatively impact our business.

The segments of the hospitality industry in which we operate are subject to intense competition. Our principal competitors are other operators of full service properties, including other major hospitality chains with well-established and recognized brands. Some of these major hospitality chains are larger than we are based on the number of properties or rooms they manage, franchise or own or based on the number of geographic locations in which they operate. Some of our competitors also have significantly more members participating in their guest loyalty programs which may enable them to attract more customers and more effectively retain such guests. Our competitors may also have greater financial and marketing resources than we do, which could allow them to improve their properties and expand and improve their marketing efforts in ways that could adversely affect our ability to compete for guests effectively. In addition to these competitors, we also compete against smaller hotel chains and independent and local hotel owners and operators.

Increasingly, we also face competition from new channels of distribution in the travel industry. Additional sources of competition include large companies that offer online travel services as part of their business model, search engines such as Google, and peer-to-peer inventory sources that allow travellers to book stays on websites that facilitate the short-term rental of homes and apartments from owners, thereby providing an alternative to hotel rooms, such as Airbnb and HomeAway.

The hospitality industry has experienced and is continuing to experience significant consolidation and we expect this trend to continue as companies attempt to strengthen or hold their market positions in a highly competitive and evolving industry. Consolidation by our competitors will give them increased scale and may enhance their capacity, abilities and resources and lower their cost structure, causing us to be at a competitive disadvantage. If we lose market share or are not able to successfully attract third-party hotel owners to our brands as a result of this consolidation, our results of operations, cash flow, business and overall financial condition could be materially adversely affected.

Currency risks

The hotel business is affected by the strength of sterling, with strong sterling increasing the effective room rates to international guests.

Legislative risks

Health and safety regulations are constantly reviewed and to this effect an appointed Health and Safety Manager carries out all legally required training to ensure all health and safety policies are communicated and adhered to.

Hyatt Holdings (UK) Limited

Strategic report (continued)
For the year ended 31 December 2016

Other risks**Economic development**

The Company operates in a competitive environment influenced by both the UK and global economy. Adverse economic and financial market developments, including recession and currency fluctuations could lead to lower revenues and reduced income. Recent experience shows a recession lessens both leisure and business travel and negatively affects rooms' rates and/or occupancy levels and other income-generating activities such as food and beverage sales. This may result in the worsening of operating results and potentially reduce the value of properties.

Events that impact domestic or international travel

Turnover of the Company could be negatively affected by events that reduce domestic and/or international travel. These include events such as acts of terrorism, epidemics, travel-related industrial action and increased fuel costs all of which could result in a fall in both domestic and worldwide travel. Such events may lead to a fall in demand for hotel rooms that would have a subsequent impact on the Company's operations and financial results.

Technology and systems

The Company is reliant upon certain IT systems for the smooth and efficient running of its business and any disruption to those systems could have a detrimental effect on the running of the business.

Future developments

The directors do not expect any changes in the activities of the Company in the near future.

This report was approved by the board on 2 October 2017 and signed on its behalf.



P M Boeschen
Director

Hyatt Holdings (UK) Limited

Directors' report For the year ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Results and dividends

The audited financial statements for the year ended 31 December 2016 are set out on pages 10 to 28. The profit for the year, after taxation, amounted to £922,824 (2015 - loss £1,674,863).

The directors do not recommend the payment of a dividend (2015 - £4,000,000).

Directors

The directors who served during the year were:

P Fulton

P M Boeschen (appointed 10 March 2016)

C L Ephraim (appointed 15 December 2016)

Qualifying third party indemnity provisions were in place for all directors of the Company for the current and preceding year.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1.

Employee involvement

Information on matters of concern to employees is given through information bulletins, meetings and reports, the same means are used to help employees achieve a common awareness of the financial and economic factors affecting the performance of the Company. Regular meetings between management and employees allow a free flow of information and ideas.

Hyatt Holdings (UK) Limited

Directors' report (continued) For the year ended 31 December 2016

UK tax policy

The publication of this statement is regarded as complying with Part 2 of Sch. 19 FA 2016.

This UK tax policy applies to Hyatt Hotels Corporation and all UK entities in the Hyatt Hotels Corporation group (referred to here as Hyatt). Hyatt's business activities generate a substantial amount of taxes globally, including corporate income taxes, excise taxes, stamp duties, employment and other taxes. Hyatt also collects and remits employee taxes and indirect taxes such as excise taxes and Value Added Tax (VAT). Hyatt's policy is to properly report and pay tax pursuant to the applicable laws and economic substance of Hyatt's business transactions.

Hyatt is committed to compliance with the tax laws and regulations of the UK, and to maintaining a transparent and constructive relationship with HMRC. It is Hyatt's policy to maintain an internal control process designed to identify, assess and account for tax risks in a manner consistent with all applicable regulatory requirements. Where the complexity of tax laws and regulations create significant uncertainty or risk, particularly in relation to international tax obligations, Hyatt may rely on advice from external tax advisors.

Hyatt engages in efficient tax planning that supports the commercial and economic activity of Hyatt's global business, and which reflects legitimate, non-tax driven business purposes. Hyatt's approach to tax planning is in alignment with Hyatt's Code of Business Conduct and Ethics, and therefore does not involve any tax planning activity that is contrived or artificial. It is Hyatt's policy that transactions between Hyatt group companies are conducted on an arm's-length basis, in accordance with UK tax laws and regulations, as well as current OECD principals.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Financial risk management objectives and policies

The activities of the Company expose it to a number of financial risks, including credit risk and liquidity risk.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables, which are stated net of allowances for doubtful receivables and, where there is an identifiable loss, impairment.

Credit risk is spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity the Company maintains sufficient cash balances to eliminate or reduce this risk.

Hyatt Holdings (UK) Limited

Directors' report (continued)
For the year ended 31 December 2016

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be 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.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 2 October 2017 and signed on its behalf



P M Boeschen
Director

**Directors' responsibilities statement
For the year ended 31 December 2016**

The directors are responsible for preparing the Strategic report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Hyatt Holdings (UK) Limited

We have audited the financial statements of Hyatt Holdings (UK) Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

Opinion on other matter 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.

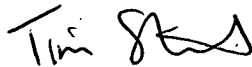
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Independent auditor's report to the members of Hyatt Holdings (UK) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Timothy Steel (Senior statutory auditor)

for and on behalf of

Deloitte LLP

Statutory Auditor

London

Date: 6 October 2017

Hyatt Holdings (UK) Limited

**Statement of comprehensive income
For the year ended 31 December 2016**

	Note	2016 £	2015 £
Turnover		6,031,869	5,571,892
Gross profit		<u>6,031,869</u>	<u>5,571,892</u>
Administrative expenses		(4,869,814)	(7,255,006)
Operating profit/(loss)	3	<u>1,162,055</u>	<u>(1,683,114)</u>
Interest receivable and similar income	6	6,674	7,265
Interest payable and similar charges	7	-	(157)
Profit/(loss) before tax		<u>1,168,729</u>	<u>(1,676,006)</u>
Tax on profit/(loss)	8	(245,905)	1,143
Profit/(loss) for the financial year		<u>922,824</u>	<u>(1,674,863)</u>
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>922,824</u>	<u>(1,674,863)</u>

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

The notes on pages 13 to 28 form part of these financial statements.

Hyatt Holdings (UK) Limited
Registered number: 3564855

Statement of financial position
As at 31 December 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	10		200,207		56,912
			<u>200,207</u>		<u>56,912</u>
Current assets					
Debtors: amounts falling due within one year	11	2,192,492		985,795	
Cash at bank and in hand	12	2,524,714		2,423,289	
		<u>4,717,206</u>		<u>3,409,084</u>	
Creditors: amounts falling due within one year	13	(1,180,849)		(652,256)	
Net current assets			<u>3,536,357</u>		<u>2,756,828</u>
Other provisions	16	(2,250,000)		(2,250,000)	
			<u>(2,250,000)</u>		<u>(2,250,000)</u>
Net assets			<u>1,486,564</u>		<u>563,740</u>
Capital and reserves					
Share capital	17		1,014,200		1,014,200
Profit and loss account			472,364		(450,460)
Shareholders' funds			<u>1,486,564</u>		<u>563,740</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


P.M. Boeschen
 Director

The notes on pages 13 to 28 form part of these financial statements.

Hyatt Holdings (UK) Limited

Statement of changes in equity For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	1,014,200	(450,460)	563,740
Comprehensive income for the year			
Profit for the year	-	922,824	922,824
Total comprehensive income for the year	-	922,824	922,824
Total transactions with owners	-	-	-
At 31 December 2016	1,014,200	472,364	1,486,564

Statement of changes in equity For the year ended 31 December 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	2,114,200	4,124,403	6,238,603
Comprehensive income for the year			
Loss for the year	-	(1,674,863)	(1,674,863)
Total comprehensive income for the year	-	(1,674,863)	(1,674,863)
Dividends: Equity capital	-	(4,000,000)	(4,000,000)
Share cancelled during the year (note 17)	(1,100,000)	1,100,000	-
Total transactions with owners	(1,100,000)	(2,900,000)	(4,000,000)
At 31 December 2015	1,014,200	(450,460)	563,740

The notes on pages 13 to 28 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2016

1. Accounting policies

1.1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Hyatt Holdings (UK) Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the board of directors on **20th 2017** and the statement of financial position was signed on the board's behalf by P M Boeschen.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards and the Companies Act 2006. The results of Hyatt Holdings (UK) Limited are included in the consolidated financial statements of Hyatt Hotels Corporation which are available from 150 N. Riverside Plaza, 14th Floor, Chicago, Illinois 60606, United States of America.

Consent has been obtained from the Company's shareholders in order for the company to adopt FRS 101.

Hyatt Holdings (UK) Limited is incorporated and domiciled in England and Wales.

The Company's financial statements are presented in Sterling.

The principal accounting policies adopted by the Company are set out below.

1.2 Basis of preparation of financial statements

The Company transitioned from previously extant UK GAAP to FRS 101 as at 1 January 2014.

The accounting policies which follow, set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

1.3 Financial reporting standard 101 - reduced disclosure exemptions

In the current year, the Company has applied a new Interpretation issued by the International Accounting Standards Board (IASB) that is mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

1. Accounting policies (continued)

1.4 Judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those 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.

During this period the directors do not believe there are any critical judgments that the directors have made in the process of applying the Company's accounting policies.

During this period the directors do not believe there are any key sources of estimation uncertainty impacting the financial statements except for the potential legal claims which have been provided for as discussed in note 16.

The following principal accounting policies were applied:

1.5 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 and the directors report.

The current economic conditions create uncertainty particularly over (a) the level of demand for hotels, and (b) the exchange rate between sterling and US dollars and thus the consequence for the cost of the Company's administrative expenses. The legal claims disclosed in note 16 also create uncertainty.

However the Company has several years' track record of profitable trading and is cash generative. The directors have also been able to adjust to the current climate and reduce the negative effect on profitability through actively managing costs.

A parent company has confirmed its intention to provide or procure continuing financial support for at least the next 12 months, although it has not provided a commitment to this effect.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the financial statements
For the year ended 31 December 2016

1. Accounting policies (continued)

1.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives as follows:

Fixtures and fittings	-	7 years straight line
Computer equipment	-	3 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1. Accounting policies (continued)

1.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost. Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position.

1.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Accounting policies (continued)

1.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

1.13 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

1. Accounting policies (continued)

1.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

1.17 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

1.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Hyatt Holdings (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies (continued)

1.19 Current and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the statement of comprehensive income.

2. Turnover

	2016 £	2015 £
Management fees		
Great Eastern Hotel	761,888	744,099
Hyatt Regency London - The Churchill	1,110,409	1,042,007
Hyatt Regency Birmingham	532,378	739,534
Total Management fees	2,404,675	2,525,640
Other		
Hyatt Chain Services	2,620,295	2,062,865
Hyatt Chain Services Markup Income	131,015	102,829
Reimbursement Hyatt Regency London - The Churchill	624,155	466,089
Other Income	251,729	414,469
Turnover	6,031,869	5,571,892

The Hyatt Regency Birmingham management agreement with HHUK was terminated effective 22 September 2016 upon the sale of the hotel to an unrelated 3rd party.

Hyatt Holdings (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

3. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	14,034	12,362
Provision for liability (note 16)	-	2,250,000
Exchange differences	33,723	41,395
Defined contribution pension cost	75,905	84,911
Operating lease payments:		
- minimum lease payments	128,652	223,693
Management service and royalty fees payable to an affiliated company	659,230	1,970,910

During the year, no director received any emoluments from the Company (2015 - £NIL).

4. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2016 £	2015 £
Fees for the audit of the Company	20,300	24,700

Amounts payable to Deloitte LLP by the Company in respect of non-audit services were £NIL (2015 - £NIL).

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2016**

5. Employees

Staff costs were as follows:

	2016 £	2015 £
Salaries and wages	1,787,839	1,296,611
Social security costs	277,381	191,176
Redundancy payments	148,365	-
Cost of defined contribution pension scheme	75,905	84,911
	<u>2,289,490</u>	<u>1,572,698</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Sales and general management	<u>20</u>	<u>17</u>

The directors discharge their duties mainly outside the UK and received no emoluments in respect of services to the Company in the year (2015 - £NIL).

6. Interest receivable and similar income

	2016 £	2015 £
Other interest receivable	6,674	7,265
	<u>6,674</u>	<u>7,265</u>

7. Interest payable and similar charges

	2016 £	2015 £
Other interest payable	-	157
	<u>-</u>	<u>157</u>

Hyatt Holdings (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

8. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	243,440	-
	<u>243,440</u>	<u>-</u>
Total current tax	<u>243,440</u>	<u>-</u>
Deferred tax		
Current year	2,578	1,776
Adjustment in respect of previous periods	-	(3,446)
Effect of changes in tax rates	(113)	527
Total deferred tax	<u>2,465</u>	<u>(1,143)</u>
Tax charge/(credit) on profit/(loss) on ordinary activities	<u>245,905</u>	<u>(1,143)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 -lower than) the standard rate of corporation tax in the UK of 20% (2015 -20.25%). The differences are explained below:

	2016 £	2015 £
Profit/(loss) on ordinary activities before tax	<u>1,168,729</u>	<u>(1,676,006)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 -20.25%)	233,746	(339,391)
Effects of:		
Expenses not deductible for tax purposes	12,272	467,109
Adjustments in respect of prior periods	-	(3,446)
Tax rate changes	(113)	527
Effects of group relief/other reliefs	-	(125,942)
Total tax charge/(credit) for the year	<u>245,905</u>	<u>(1,143)</u>

Hyatt Holdings (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

8. Taxation (continued)

Factors that may affect future tax charges

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act 2016, substantively enacted on 6 September 2016, reduced the rate further to 17% from 1 April 2020. As such the temporary differences are expected to reverse at the main rate of UK corporation tax of 17%, being the substantively enacted rate at the balance sheet date, and deferred tax has therefore been provided at this rate.

9. Dividends

	2016 £	2015 £
Dividends paid on equity	-	4,000,000
	<u>-</u>	<u>4,000,000</u>

Hyatt Holdings (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

10. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 2016	72,958	5,819	78,777
Additions	121,438	35,891	157,329
At 31 December 2016	194,396	41,710	236,106
Depreciation			
At 1 January 2016	17,985	3,880	21,865
Charge owned for the period	14,034	-	14,034
At 31 December 2016	32,019	3,880	35,899
Net book value			
At 31 December 2016	162,377	37,830	200,207
At 31 December 2015	54,973	1,939	56,912

11. Debtors

	2016 £	2015 £
Trade debtors	9,323	316,562
Amounts owed by group undertakings	2,171,769	454,405
Corporation tax repayable	-	209,893
Prepayments and accrued income	8,930	-
Deferred taxation (note 15)	2,470	4,935
	2,192,492	985,795

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2016**

12. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	2,524,714	2,423,289
	<u>2,524,714</u>	<u>2,423,289</u>

13. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	88,635	24,494
Amounts owed to group undertakings	629,630	322,366
Corporation tax	84,391	-
Taxation and social security	44,485	143,684
Other creditors	42,984	-
Accruals and deferred income	290,724	161,712
	<u>1,180,849</u>	<u>652,256</u>

14. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	2,190,022	980,860
	<u>2,190,022</u>	<u>980,860</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(1,051,973)	(508,572)
	<u>(1,051,973)</u>	<u>(508,572)</u>

Financial assets measured at amortised cost comprise of trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, deferred income and amounts owed to group undertakings.

Hyatt Holdings (UK) Limited

Notes to the financial statements
For the year ended 31 December 2016

15. Deferred taxation

	2016 £	2015 £
At beginning of year	4,935	3,792
(Charged)/credited to the profit or loss	(2,465)	1,143
At end of year	<u>2,470</u>	<u>4,935</u>

The deferred tax asset is made up as follows:

	2016 £	2015 £
Capital allowances	2,470	4,935
	<u>2,470</u>	<u>4,935</u>

16 Other provisions

	Other provision £
At 1 January 2016	2,250,000
At 31 December 2016	<u>2,250,000</u>

In 2016, the Company provided for the estimated liabilities which may arise in relation to certain legal claims against the Company. The timing and amount of any ultimate payments are uncertain and whilst the directors believe the Company has a strong defence against such claims, a range of outcomes between nil and £3,000,000 is possible. Further details are not provided as their disclosure could prejudice seriously the Company's position.

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2016**

17. Share capital

	2016 £	2015 £
Shares classified as equity		
Authorised		
1,000,000 Ordinary shares of £100 each	100,000,000	100,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
10,142 Ordinary shares of £100 each	1,014,200	1,014,200
	<u> </u>	<u> </u>

The Directors approved the reduction of the Company's share capital on 5 January 2015 by special resolution, which was effected by the cancellation of 11,000 issued ordinary shares.

18. Capital commitments

The Company had no capital commitments at 31 December 2016 (2015 - £NIL).

19. Pension commitments

The Company makes pension contributions for certain employees to the Hyatt International Hotels Retirement Plan, a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered trust. The pension cost charge for the year is disclosed in note 3 and represents contributions due by the Company for the year. The amount of pension contributions outstanding as at 31 December 2016 was £NIL (2015 - £NIL).

20. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Land and buildings		
Not later than 1 year	128,300	128,652
Between 2 and 5 years	513,552	513,552
Later than 5 years	252,382	380,682
	<u> </u>	<u> </u>

The lease of the office premises is subject to rent reviews at specified intervals. It provides for the lessee to pay all insurance, maintenance and repair costs.

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2016**

21. Controlling party

The Company's ultimate parent company and controlling party is Hyatt Hotels Corporation, incorporated in the United States of America. The immediate parent company is HI Holdings Cyprus Limited, incorporated in Cyprus.

The results of Hyatt Holdings (UK) Limited are consolidated into Hyatt Hotels Corporation, a New York Stock Exchange listed public company. The consolidated accounts of Hyatt Hotels Corporation are available to the public at its registered address, being 150 N. Riverside Plaza, 14th Floor, Chicago, Illinois 60606, United States of America.