

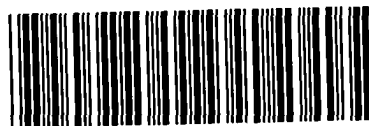
Registered number: 03564855

Hyatt Holdings (UK) Limited

Directors' report and financial statements

for the year ended 31 December 2017

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Hyatt Holdings (UK) Limited

Company Information

Directors	P Fulton P M Boeschen C L Ephraim (resigned 31 December 2017)
Company secretary	Jordan Company Secretaries Limited
Registered number	03564855
Registered office	First Floor Templeback 10 Templeback Bristol BS1 6FL
Independent auditor	Deloitte LLP Statutory Auditor London United Kingdom
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 2017

Introduction

The directors present their Strategic report for the year ended 31 December 2017.

Principal activity

There were no significant changes to the Company's activity in 2017. 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 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. 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.

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.

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 2017 and the corresponding period to 31 December 2016 were as follows:

	2017	2016
	£	£
Turnover	8,675,976	6,031,869
Operating profit	2,807,534	1,162,055
EBITDA	2,850,500	1,176,089
Profit after tax	1,907,323	922,824
Shareholders' funds	3,393,887	1,486,564

EBITDA is defined as operating profit adjusted to add back depreciation.

Hyatt Holdings (UK) Limited

Strategic report (continued)
For the year ended 31 December 2017

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 and select 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 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, such as Alibaba, 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 their 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 may 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 2017

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

Consumer demand for our products and services is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Declines in consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, risks related to natural or man-made disasters, lower consumer confidence, adverse political conditions, currency volatility, impacts of terrorism, and declining oil prices can lower the revenues and profitability and the amount of management fee revenues we are able to generate from our managed and franchised properties. Also, declines in hotel profitability during an economic downturn directly impact the incentive portion of our management fees, since it is based on hotel profit measures. As a result, changes in consumer demand and general business cycles can subject and have subjected our revenues to significant volatility.

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.

This report was approved by the board on 26th September, 2018 and signed on its behalf.



P M Boeschen
Director

Hyatt Holdings (UK) Limited

Directors' report For the year ended 31 December 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Results and dividends


The profit for the year, after taxation, amounted to £1,907,323 (2016 - £922,824).

The directors do not recommend the payment of a dividend (2016 - £NIL).

Directors

The directors who served during the year were:

P Fulton
P M Boesch
C L Ephraim (resigned 31 December 2017)

 26th Sep 2018

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.

Future developments

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

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 Holdings (UK) Limited

Directors' report (continued) For the year ended 31 December 2017

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.

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 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 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 26th September 2018 and signed on its behalf.



P M Boeschen
Director

Hyatt Holdings (UK) Limited

Directors' responsibilities statement For the year ended 31 December 2017

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 to 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.

Hyatt Holdings (UK) Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hyatt Holdings (UK) Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 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 respect of these matters.

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

Responsibilities of directors

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, 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.

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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: . This description forms part of our auditor's report.

Use of our 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.

Report on other legal and regulatory requirements

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.

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 or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Hyatt Holdings (UK) Limited

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



Anthony Morris (Senior statutory auditor)

for and on behalf of

Deloitte LLP

Statutory Auditor

London

United Kingdom

Date: 26 September 2018

Hyatt Holdings (UK) Limited

**Statement of comprehensive income
For the year ended 31 December 2017**

	Note	2017 £	2016 £
Turnover	2	8,675,976	6,031,869
Gross profit		<u>8,675,976</u>	<u>6,031,869</u>
Administrative expenses		(5,868,442)	(4,869,814)
Operating profit	3	<u>2,807,534</u>	<u>1,162,055</u>
Interest receivable and similar income	6	5,051	6,674
Interest payable and similar charges	7	(16,998)	-
Profit before tax		<u>2,795,587</u>	<u>1,168,729</u>
Tax on profit	8	(888,264)	(245,905)
Profit for the financial year		<u>1,907,323</u>	<u>922,824</u>
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,907,323</u>	<u>922,824</u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

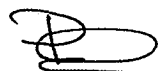
The notes on pages 13 to 28 form part of these financial statements.

Hyatt Holdings (UK) Limited
Registered number:03564855

Statement of financial position
As at 31 December 2017

	Note	2017 £	2016 £
Tangible fixed assets	9	158,774	200,207
		<u>158,774</u>	<u>200,207</u>
Current assets			
Debtors: amounts falling due within one year	10	1,347,718	2,192,492
Cash at bank and in hand	11	5,149,136	2,524,714
		<u>6,496,854</u>	<u>4,717,206</u>
Creditors: amounts falling due within one year	12	(1,011,741)	(1,180,849)
Net current assets		<u>5,485,113</u>	<u>3,536,357</u>
Other provisions	15	2,250,000	2,250,000
		<u>(2,250,000)</u>	<u>(2,250,000)</u>
Net assets		<u><u>3,393,887</u></u>	<u><u>1,486,564</u></u>
Capital and reserves			
Called up share capital	16	1,014,200	1,014,200
Profit and loss account		2,379,687	472,364
		<u><u>3,393,887</u></u>	<u><u>1,486,564</u></u>

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



20th September 2018

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 2017**

	Share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	1,014,200	472,364	1,486,564
Comprehensive income for the year			
Profit for the year	-	1,907,323	1,907,323
Total comprehensive income for the year	-	1,907,323	1,907,323
Total transactions with owners	-	-	-
At 31 December 2017	1,014,200	2,379,687	3,393,887

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

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

	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

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

Hyatt Holdings (UK) Limited

Notes to the financial statements For the year ended 31 December 2017

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 2017 were authorised for issue by the board of directors on 26th July 18 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.

Hyatt Holdings (UK) Limited is a private company limited by shares and 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 Financial reporting standard 101 - reduced disclosure exemptions

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 and 18A 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

**Notes to the financial statements
For the year ended 31 December 2017**

1. Accounting policies (continued)

1.3 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 15.

The following principal accounting policies were applied:

1.4 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 15 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 2017

1. Accounting policies (continued)

1.5 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.

Hyatt Hotels Corporation, the ultimate parent of the Company, updated its transfer pricing methodology effective January 1, 2015 and again on January 1, 2016 to include two additional related parties in Europe. As a result of this new transfer pricing methodology (at arms length), the Company generated a network service revenue of GBP 1,655,219 from Hyatt International (Europe Africa Middle East) LLC.

1.6 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.

1.7 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.

Hyatt Holdings (UK) Limited

Notes to the financial statements
For the year ended 31 December 2017

1. Accounting policies (continued)**1.8 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.

**Notes to the financial statements
For the year ended 31 December 2017**

1. Accounting policies (continued)

1.9 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.

1.10 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.

Notes to the financial statements
For the year ended 31 December 2017

1. Accounting policies (continued)

1.11 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'.

1.12 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.

1.13 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.

1.14 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.

1.15 Interest income

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

Notes to the financial statements
For the year ended 31 December 2017

1. Accounting policies (continued)

1.16 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.

1.17 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.

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2017**

2. Turnover

	2017 £	2016 £
Management fees		
Great Eastern Hotel	700,195	761,888
Hyatt Regency London - The Churchill	2,303,473	1,110,409
Hyatt Regency Birmingham	-	532,378
Total Management fees	3,003,668	2,404,675
Other		
Hyatt Chain Services	3,046,931	2,620,295
Hyatt Chain Services Markup Income	152,347	131,015
Reimbursement Hyatt Regency London - The Churchill	499,028	624,155
Network Services Payment - Hyatt International EAME	1,655,220	-
Other Income	318,782	251,729
Turnover	8,675,976	6,031,869

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.

3. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	42,966	14,034
Exchange differences	22,995	33,723
Defined contribution pension cost	155,537	75,905
Operating lease payments: - minimum lease payments	128,652	128,652
Management service and royalty fees payable to an affiliated company	283,478	659,230

During the year, no director received any emoluments from the Company (2016 - £NIL).

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2017**

4. Auditor remuneration

The company paid the following amounts to its auditor in respect of the audit of the financial statements:

	2017 £	2016 £
Fees for the audit of the Company	<u>21,315</u>	<u>20,300</u>

Amounts payable to Deloitte LLP by the Company in respect of non-audit services were £NIL (2016 - £NIL).

5. Employees

Staff costs were as follows:

	2017 £	2016 £
Salaries and wages	2,653,621	1,971,607
Social security costs	372,724	277,381
Redundancy payments	110,313	148,365
Cost of defined contribution pension scheme	155,537	75,905
	<u>3,292,195</u>	<u>2,473,258</u>

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

	2017 No.	2016 No.
Sales and general management	<u>23</u>	<u>20</u>

The directors discharge their duties mainly outside the UK and received no emoluments in respect of services to the Company in the year (2016 - £NIL).

6. Interest receivable and similar income

	2017 £	2016 £
Other interest receivable	5,051	6,674
	<u>5,051</u>	<u>6,674</u>

Hyatt Holdings (UK) Limited

Notes to the financial statements
For the year ended 31 December 2017

7. Interest payable and similar expenses

	2017 £	2016 £
Interest payable to HMRC	16,998	-
	<u>16,998</u>	<u>-</u>

8. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	561,729	243,440
Adjustments in respect of previous periods	326,346	-
	<u>888,075</u>	<u>243,440</u>
Total current tax	<u>888,075</u>	<u>243,440</u>
Deferred tax		
Current year	(1,586)	2,578
Adjustment in respect of previous periods	1,590	-
Effect of changes in tax rates	185	(113)
	<u>189</u>	<u>2,465</u>
Total deferred tax	<u>189</u>	<u>2,465</u>
Taxation on profit on ordinary activities	<u>888,264</u>	<u>245,905</u>

Hyatt Holdings (UK) Limited

Notes to the financial statements
For the year ended 31 December 2017

8. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	2,795,587	1,168,729
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	538,150	233,746
Effects of:		
Expenses not deductible for tax purposes	21,986	12,272
Adjustments in respect of prior periods	327,936	-
Tax rate changes	194	(113)
Other	(2)	-
Total tax charge for the year	888,264	245,905

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.

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2017**

9. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2017	194,396	41,710	236,106
Additions	1,533	-	1,533
At 31 December 2017	<u>195,929</u>	<u>41,710</u>	<u>237,639</u>
Depreciation			
At 1 January 2017	32,019	3,880	35,899
Charge for the year on owned assets	35,355	7,611	42,966
At 31 December 2017	<u>67,374</u>	<u>11,491</u>	<u>78,865</u>
Net book value			
At 31 December 2017	<u>128,555</u>	<u>30,219</u>	<u>158,774</u>
At 31 December 2016	<u>162,377</u>	<u>37,830</u>	<u>200,207</u>

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2017**

10. Debtors

	2017 £	2016 £
Trade debtors	435,594	9,323
Amounts owed by group undertakings	886,777	2,171,769
Other debtors	23,067	-
Prepayments and accrued income	-	8,930
Deferred taxation (note 14)	2,280	2,470
	<u>1,347,718</u>	<u>2,192,492</u>

11. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	5,149,136	2,524,714
	<u>5,149,136</u>	<u>2,524,714</u>

12. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	55,650	88,635
Amounts owed to group undertakings	216,406	629,630
Corporation tax	57,257	84,391
Taxation and social security	132,860	44,485
Other creditors	355	42,984
Accruals and deferred income	549,213	290,724
	<u>1,011,741</u>	<u>1,180,849</u>

Hyatt Holdings (UK) Limited

Notes to the financial statements
For the year ended 31 December 2017

13. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	1,345,438	2,181,092
	<u>1,345,438</u>	<u>2,181,092</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(821,624)	(1,008,989)
	<u>(821,624)</u>	<u>(1,008,989)</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.

14. Deferred taxation

	2017 £	2016 £
At beginning of year	2,470	4,935
Charged to profit or loss	(189)	(2,465)
Rounding difference	(1)	-
At end of year	<u>2,280</u>	<u>2,470</u>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Capital allowances	2,280	2,470
	<u>2,280</u>	<u>2,470</u>

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2017**

15. Other provisions

	Other provision £
At 1 January 2017	2,250,000
At 31 December 2017	<u>2,250,000</u>

In 2017, 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.

16. Share capital

	2017 £	2016 £
Authorised		
1,000,000 Ordinary shares of £100 each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully paid		
10,142 Ordinary shares of £100 each	<u>1,014,200</u>	<u>1,014,200</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.

17. Capital commitments

The Company had no capital commitments at 31 December 2017 (2016 - £NIL).

18. 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 2017 was £1,349 (2016 - £NIL).

Hyatt Holdings (UK) Limited

**Notes to the financial statements
For the year ended 31 December 2017**

19. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	128,300	128,300
Between 2 and 5 years	513,552	513,552
Later than 5 years	124,082	252,382

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.

20. 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 Holding 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.