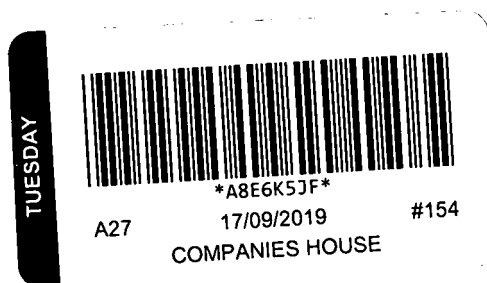


REGISTERED NUMBER: 10513497 (England and Wales)

Hilton International IP Holding 2 Ltd

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**



CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

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COMPANY INFORMATION
for the year ended 31 December 2018

DIRECTORS:

Mr S Beasley
Mr B Wilson
Mr J O Percival
Mr R Beeston
Mr G C Ogle
Mrs M Momdjian
Mr S Cassidy

SECRETARY:

HLT Secretary Limited

REGISTERED OFFICE:

Maple Court
Reeds Crescent
Watford
United Kingdom
WD24 4QQ

REGISTERED NUMBER:

10513497 (England and Wales)

AUDITORS:

Ernst & Young LLP
Senior Statutory Auditor
1 More London Place
London
SE1 2AF

STRATEGIC REPORT
for the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

The principal activity of the company in the year under review was that of an investment holding company.

REVIEW OF BUSINESS

The company's key financial indicators of performance during the year are considered to be:

	Year Ended 31.12.18 \$	Period 8.7.16 to 31.12.17 \$
Profit/(loss) after taxation	1,290,634,232	(43,055)
Carrying value of investments	3,317,436,078	3,317,436,078

The increase in profit was primarily due to dividend income from group undertakings.

During the year the company implemented a corporate realignment which resulted in an addition and disposal of equal value of investments held to the value of \$1,295,686,543. This addition was purchased from the company's subsidiary and subsequently distributed to its immediate parent.

100 ordinary shares of \$1.27 (£1) were issued on incorporation in the prior period.

In the prior period, as part of a group restructuring, the company acquired shares in a group undertaking with a net book value of \$3,317,436,078 in exchange for issuing 1 share with a nominal value of \$1.28 (£1) and share premium of \$3,317,436,077.

Subsequently the company undertook a capital reduction, reducing its share premium by £3,317,436,077 transferring this amount to retained earnings and creating distributable reserves.

PRINCIPAL RISKS AND UNCERTAINTIES

Interest rate risk

This company is subject to interest rate risk on intercompany loans where the interest rate is linked to LIBOR. The company's treasury department monitors interest rates.

Exchange rate risk

The company is subject to exchange rate risk on intercompany loans held in foreign currencies, its investments in overseas subsidiaries, branches and joint venture undertakings. On 29 March 2017, the United Kingdom (U.K) government formally announced that the UK will leave the European Union (E.U). The outcome of the negotiations between the E.U. and the U.K as regards the framework of the future relationship, in particular, the terms and conditions for the post-Brexit access of the U.K to the European single market, is not clear. If a Withdrawal Agreement is not approved by 31 October 2019, the U.K might leave the E.U and become subject to World Trade Organisation tariffs and rules without a transition period being implemented. This may cause exchange rate volatility. There continues to be uncertainty therefore over how it will ultimately impact the company, but the company's treasury department monitors exchange rates.

Impairment Risk

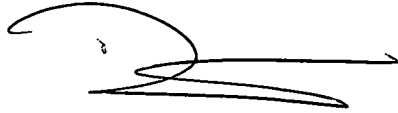
One of the company's activities is that of an investment holding company. As such a risk and uncertainty facing the company relates to the recoverability of the value of its investments. The company monitors the fair value of all underlying assets to determine whether there are indicators that the carrying values of investments are not recoverable.

STRATEGIC REPORT
for the year ended 31 December 2018

FUTURE DEVELOPMENTS

The company will continue to operate as an investment holding company in the future.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line and a small flourish.

Mr R Beeston - Director

30 July 2019

**REPORT OF THE DIRECTORS
for the year ended 31 December 2018**

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2018 will be \$1,295,686,543.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

Mr S Beasley
Mr B Wilson
Mr J O Percival

Other changes in directors holding office are as follows:

Mr C Heath - resigned 31 December 2018
Mr J Tynan - resigned 1 October 2018
Mr R Beeston - appointed 6 February 2018
Mr G C Ogle - appointed 19 November 2018
Mrs M Momdjian - appointed 19 November 2018
Mr S Cassidy - appointed 1 October 2018

GOING CONCERN

The company's activities, together with the factors likely to affect its future development, its competitive, economic and interest rate risks are set out in the 'Review of Business' and 'Principal Risks and Uncertainties' section in the Strategic Report. The financial statements have been prepared under the going concern basis because the company's ultimate parent, Hilton Worldwide Holdings Inc. has provided a letter of support stating it will provide financial support, should it be needed, to enable the company to meet its debts as they fall due.

DIRECTORS' AND OFFICERS' LIABILITY

During the year Hilton Worldwide Holdings Inc. purchased and maintained on behalf of the company liability insurance for its directors and officers, in respect of proceedings brought by third parties, as permitted by section 236 of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

REPORT OF THE DIRECTORS
for the year ended 31 December 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

In accordance with section 485 of the Companies Act 2006, a resolution is proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line that ends in a small arrowhead pointing to the right.

Mr R Beeston - Director

30 July 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON INTERNATIONAL IP HOLDING 2 LTD

Opinion

We have audited the financial statements of Hilton International IP Holding 2 Ltd (the 'company') for the year ended 31 December 2018 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON INTERNATIONAL IP HOLDING 2 LTD

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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 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.

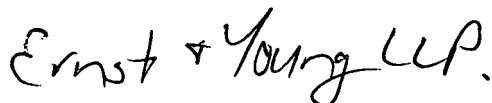
Auditors' responsibilities for the audit of the financial statements

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 Auditors' 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' 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 Auditors' 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.



Peter McIver (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Senior Statutory Auditor
1 More London Place
London
SE1 2AF

30 July 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

		Year Ended 31.12.18 \$	Period 6.12.16 to 31.12.17 \$
	Notes		
TURNOVER		-	-
OPERATING PROFIT		-	-
Income from shares in group undertakings	5	1,295,686,543	-
		1,295,686,543	-
Interest payable and similar expenses	6	(5,052,311)	(43,055)
PROFIT/(LOSS) BEFORE TAXATION	7	1,290,634,232	(43,055)
Tax on profit/(loss)	8	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,290,634,232	(43,055)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		1,290,634,232	(43,055)

The notes form part of these financial statements

BALANCE SHEET
31 December 2018

	Notes	2018 \$	2017 \$
FIXED ASSETS			
Investments	10	3,317,436,078	3,317,436,078
CURRENT ASSETS			
Debtors	11	128	128
CREDITORS			
Amounts falling due within one year	12	(175,095,366)	(170,043,055)
NET CURRENT LIABILITIES		(175,095,238)	(170,042,927)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,142,340,840</u>	<u>3,147,393,151</u>
CAPITAL AND RESERVES			
Called up share capital	13	129	129
Retained earnings		<u>3,142,340,711</u>	<u>3,147,393,022</u>
SHAREHOLDER FUNDS		<u>3,142,340,840</u>	<u>3,147,393,151</u>

The financial statements were approved by the Board of Directors on 30 July 2019 and were signed on its behalf by:



Mr R Beeston - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Called up share capital \$	Retained earnings \$	Share premium \$	Total equity \$
Changes in equity				
Issue of share capital	129	-	-	129
Dividends	-	(170,000,000)	-	(170,000,000)
Total comprehensive loss	-	(43,055)	-	(43,055)
Capital reduction	-	3,317,436,077	(3,317,436,077)	-
Issued in restructure	-	-	3,317,436,077	3,317,436,077
Balance at 31 December 2017	<u>129</u>	<u>3,147,393,022</u>	<u>-</u>	<u>3,147,393,151</u>
Changes in equity				
Dividends	-	(1,295,686,543)	-	(1,295,686,543)
Total comprehensive income	-	1,290,634,232	-	1,290,634,232
Balance at 31 December 2018	<u>129</u>	<u>3,142,340,711</u>	<u>-</u>	<u>3,142,340,840</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

1. FUNDAMENTAL ACCOUNTING CONCEPT

Hilton International IP Holding 2 Ltd is incorporated and domiciled in England and Wales.

The financial statements have been prepared under the going concern basis because the company's ultimate parent, Hilton Worldwide Holdings Inc. has provided a letter agreeing to give financial support to enable the company to meet its debts as they fall due.

2. STATUTORY INFORMATION

Hilton International IP Holding 2 Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

3. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The company's financial statements are presented in US Dollar (USD), which is the company's functional currency. Amounts have been rounded to the nearest \$.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraphs 10(d), 16 and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 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.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

3. ACCOUNTING POLICIES - continued

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet 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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Foreign currency

An entity's functional currency is determined (not chosen). IAS 21 (The Effects of Changes in Foreign Exchange Rates) provide factors, often referred to as indicators, that are considered when identifying the functional currency. In some cases, the indicators will clearly identify a particular currency as the functional currency. In other cases they will not. When the factors provide a varied result and the functional currency is not obvious, management must use judgement based on the entity's individual facts and circumstances to determine its functional currency in a way that gives a fair presentation (ie faithfully represents the economic effects of transactions, events and conditions). As Hilton International IP Holding 2 Ltd has an array of differing cash flows, economic environments, and lack of autonomy, management has used their judgement in determining the functional currency to be USD.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year.

Impairment of investments

Determining whether an investment is impaired requires an estimation of the value in use of the investment in its subsidiaries. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the subsidiary and a suitable discount rate in order to calculate present value. Each subsidiary is an individual cash generating unit.

Changes in accounting policies

IFRS 9 Financial Instruments provides a standardised approach for classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. There were no material changes identified from adoption of the new standard.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

3. ACCOUNTING POLICIES - continued

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through the Statement of Profit or Loss and Other Comprehensive Income. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the Statement of Profit or Loss and Other Comprehensive Income, transaction costs.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the asset is derecognised, modified or impaired.

Subsequent measurement

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the asset is derecognised, modified or impaired.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

3. ACCOUNTING POLICIES - continued

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the Statement of Profit or Loss and Other Comprehensive Income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and some intercompany loans, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through the Statement of Profit or Loss and Other Comprehensive Income, loans and borrowings, or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement - Intercompany loans

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

3. ACCOUNTING POLICIES - continued

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 tax assets and liabilities are 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:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which:
 - (i) is not a business combination; and
 - (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- 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. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

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 profit or loss.

Foreign currencies

Assets and liabilities in foreign currencies are translated into USD at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into USD at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Fixed asset investments

Investments in subsidiary undertakings are stated at cost. The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Group reorganisation

In accounting for a group reorganisation as a business combination under common control, the following principles have been adopted:

- Where investments were acquired in exchange for the issue of shares the company has chosen to account for these transactions using the previous parent's book value with the difference between the value of the investments received and the nominal value of the shares issued being recognised within other reserves in equity.

4. EMPLOYEES AND DIRECTORS

All operations of the company during the year ended 31 December 2018 have been undertaken by employees of other companies within Hilton Worldwide Holdings Inc.. A charge of \$- (2017: \$-) has been included in cost of sales in respect of their services.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

All the directors of the company are also directors of other group companies. The directors received total remuneration for the year of £1.4m (2017: £1.3m) all of which was paid by other companies within the group. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the other group companies.

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year Ended 31.12.18 \$	Period 6.12.16 to 31.12.17 \$
Shares in group undertakings	<u>1,295,686,543</u>	<u>-</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31.12.18 \$	Period 6.12.16 to 31.12.17 \$
Interest payable to fellow group undertakings	<u>5,052,311</u>	<u>43,055</u>

7. PROFIT/(LOSS) BEFORE TAXATION

The remuneration of the auditors of £15,819 (2017: £15,211) is borne entirely by Hilton Worldwide Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

8. TAXATION

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2018 nor for the period ended 31 December 2017.

Factors affecting the tax expense

The tax assessed for the year is higher (2017 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit/(loss) before income tax	<u>1,290,634,232</u>	<u>(43,055)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19%)	245,220,504	(8,180)
Effects of:		
Group relief surrendered to/(from) fellow subsidiaries free of charge	959,939	8,180
Non-taxable income and profit	<u>(246,180,443)</u>	<u>-</u>
Tax expense	<u>-</u>	<u>-</u>

The enacted main rate of corporation tax was reduced from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. These changes do not have a material effect on these financial statements.

The Group's future tax charge could be affected by numerous factors including, but not limited to, the UK's triggering of Article 50 and any future consequences of the UK leaving the European Union, the UK's proposal to amend the tax rules relating to the utilisation of brought forward losses and any tax reforms adopted from the OECD's BEPS actions such as those in relation to the deductibility of interest, anti-avoidance or transfer pricing. No quantification of these changes is currently possible due to uncertainty around when any currently proposed rules will be enacted or effective.

9. DIVIDENDS

	Year Ended 31.12.18 \$	Period 6.12.16 to 31.12.17 \$
Ordinary shares of \$1 each		
Final	<u>1,295,686,543</u>	<u>170,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

10. INVESTMENTS

	Shares in group undertakings \$
COST	
At 1 January 2018	3,317,436,078
Additions	1,295,686,543
Disposals	(1,295,686,543)
At 31 December 2018	<u>3,317,436,078</u>
NET BOOK VALUE	
At 31 December 2018	<u>3,317,436,078</u>
At 31 December 2017	<u>3,317,436,078</u>

During the year the company implemented a corporate realignment which resulted in an addition and disposal of equal value of investments held to the value of \$1,295,686,543. This addition was purchased from the company's subsidiary and subsequently distributed to its immediate parent.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

10. INVESTMENTS - continued

Details of the principal investments in which the company holds nominal value of any class of share capital are as follows:

Investments in directly held subsidiary undertakings are denoted below with an asterisk; all other investments in subsidiary undertakings are indirectly held.

	Country of registration and operation	Principal activities	Proportion of voting rights and shares held
Hilton International IP Holding Limited*	United Kingdom	Investment holding company	100%
Hilton International (UK) Limited	United Kingdom	Hotel operator	100%
Hilton Worldwide Manage Limited	United Kingdom	Investment holding company	100%
Mayaguez Hilton LLC	Puerto Rico	Dormant	100%
Hilton Tobago Unlimited	Trinidad and Tobago	Hotel operator	100%
Hilton International Manage (Argentina) SRL	Argentina	Hotel manager	100%
Hilton International Barbados Limited	Barbados	Hotel manager	100%
Conrad International (Thailand) Limited	Thailand	Hotel manager	100%
Conrad International Hotels (HK) Limited	Hong Kong	Hotel manager	100%
Conrad International (Egypt) LLC	United States	Hotel manager	100%
Hilton Hotel Management Services Private Limited	India	Hotel manager	100%
Hilton Argentina SRL	Argentina	Dormant	100%
Hilton (Maldives) PVT Ltd	Maldives	Dormant	100%
HIRO Verwaltungs GmbH	Germany	Dormant	100%
HIRO Hotel GmbH & Co KG	Germany	Dormant	100%
HIRO Grundstücks GmbH & Co KG	Germany	Dormant	100%
Hilton Hotel Management (Shanghai) Co. Ltd.	China	Hotel manager	100%
HLT German Manage GmbH	Germany	Investment holding company	100%
HLT German Services GmbH	Germany	Investment holding company	100%
Grand Hotel Imperial DD (JV)	Croatia	Investment holding company	17.54%
Hilton Worldwide Services Limited	United Kingdom	Investment holding company	100%
Hilton International (Thailand) Limited	Thailand	Hotel operator	100%
HI Hotel Management (Guam), Inc	Guam	Hotel manager	100%
Hilton of Malaysia LLC	Malaysia	Hotel manager and operator	100%
Nagoya Hilton Co Limited (JV)	Japan	Hotel operator	24%
Osaka Hilton Co Limited (JV)	Japan	Hotel owner	70.36%
Tokyo Bay Hilton Co Limited (JV)	Japan	Hotel operator	24%
Addis Ababa Hilton Private Limited Company	Ethiopia	Hotel operator	100%
African American Investment Corporation (PTY) Limited	South Africa	Dormant	100%

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

10. INVESTMENTS - continued

Madagascar Hilton SARL	Madagascar	Hotel operator	100%
International Hotels (Kenya) Limited (JV)	Kenya	Hotel owner	59.42%
Societe Tunis Hilton SARL	Tunisia	Dormant	100%
Hilton (Hellas) Monoprosopi EPE	Greece	Hotel operator	100%
Hilton International (Germany) GmbH	Germany	Hotel operator	100%
Hilton Cyprus Limited	Cyprus	Hotel manager	100%
Hilton Enternasyonal Otelcilik AS	Turkey	Hotel operator	100%
Hilton International (Switzerland) GmbH	Switzerland	Hotel operator	100%
Hotelbetriebsgesellschaft Hochstrasse GmbH	Germany	Hotel operator	100%
Grundstücksgesellschaft Belvederer Allee Weimar GmbH	Germany	Dormant	100%
Hilton Malta Limited	Malta	Hotel operator and manager	100%
Hilton International (Bulgaria) EAD	Bulgaria	Hotel operator	100%
Konya Hilton Enternasyonal Otelcilik AS	Turkey	Hotel manager	100%
Kayseri Hilton Enternasyonal Otelcilik AS	Turkey	Hotel manager	100%
Hilton International Holdings LLC	United States	Investment holding company	100%
Comfort Inns BV	Netherlands	Investment holding company	100%
HIC Roissy Netherlands BV	Netherlands	Investment holding company	100%
World Hotels BV	Netherlands	Investment holding company	100%
Hilton Worldwide Franchising LP	United Kingdom	Franchisor entity	100%
Hilton Worldwide Manage Branchco Limited	United Kingdom	Investment holding company	100%
Hilton Worldwide Holding 1 Limited	United Kingdom	Investment holding company	100%
Hilton Worldwide International Myanmar Company Limited*	Myanmar	Hotel manager	100%
Hilton Copenhagen ApS	Denmark	Hotel manager	100%
HLT Owned Mezz V-A Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-B Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-C Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-D Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-E Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-F Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-G Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-H Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-I Limited	United Kingdom	Investment holding company	100%

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

10. INVESTMENTS - continued

HLT Owned Mezz V-J Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-K Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-A Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-B Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-C Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-D Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-E Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-F Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-G Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-H Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-I Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-J Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-K Limited	United Kingdom	Investment holding company	100%
HLT Managed Mezz XI-A GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-B GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-C GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-D GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-E GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-F GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-G GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-H GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-I GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-J GmbH	Germany	Investment holding company	100%
HLT Managed Mezz XI-K GmbH	Germany	Investment holding company	100%
HLT Operating Mezz VII-A Limited	United Kingdom	Investment holding company	100%

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

10. INVESTMENTS - continued

HLT Operating Mezz VII-B Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-C Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-D Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-E Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-F Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-G Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-H Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-I Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-J Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-K Limited	United Kingdom	Investment holding company	100%
HLT Operating VII-A Borrower GmbH	Germany	Investment holding company	100%
HLT Managed XI-A Borrower GmbH	Germany	Investment holding company	100%
HLT Owned V Holding Limited	United Kingdom	Investment holding company	100%
HLT Owned V-A Holding Limited	United Kingdom	Investment holding company	100%
HLT Owned IX Holding Limited	United Kingdom	Investment holding company	100%
HLT Owned IX-A Holding Limited	United Kingdom	Investment holding company	100%
Hilton International Canada CRA ULC (HC ULC)	Canada	Dormant	100%
Hapeville Investors LLC	United States	Dormant	100%
Servicios y Recursos Administrativos Hoteleros S. de R.L. de C.V.	Mexico	Hotel manager	100%
Operadora de Hoteles Loreto, S. de R.L. de C.V	Mexico	Hotel manager	100%
HLT Mexico LLC	United States	Investment holding company	100%
HLT Managed XII-A Holding LLC	United States	Investment holding company	100%
Hilton International Manage LLC	United States	Investment holding company	100%
HLT Waldorf Astoria International Manage LLC	United States	Investment holding company	100%
Hilton Internacional de Venezuela CA	Venezuela	Hotel manager	100%
Hilton Russia LLC	United States	Hotel manager	100%
HLT International Manage LLC	United States	Hotel manager	100%
PT Hilton International Manage Indonesia	Indonesia	Hotel manager	100%

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

10. INVESTMENTS - continued

Nippon Hilton Co Limited (JV)	Japan	Hotel operator	68.76%
Ankara Enternasyonel Otelcilik AS	Turkey	Hotel operator	10.30%
Izmir Hilton Enternasyonal Otelcilik AS	Turkey	Hotel operator	100%
Mersin Hilton Enternasyonal Otelcilik AS	Turkey	Hotel operator	100%
Istanbul Park Hilton Enternasyonal Otelcilik Limited Sirketi	Turkey	Hotel operator	100%
Hilton Hotel Service Co Limited	Japan	Hotel manager	70%
Hilton Munich Airport Hotel Manage GmbH	Germany	Catering operator	100%
Societe de Developpement Hotel Pointe des Blagueurs B.V. (JV)	Netherlands	Dormant	25%
ATM Hotels Pty Limited	Australia	Hotel business nameowner	100%
Morning Light Co Limited (JV)	Mauritius	Hotel manager	19.48%
HI Investment (Colombia) EU	Colombia	Hotel manager	100%
Vista Real Estate Management Company (JV)	Egypt	Dormant	55%
Hilton International Jamaica Limited	Jamaica	Hotel operator	100%
Hilton International Management LLC	United States	Investment holding company	100%
Doubletree International Franchise LLC	United States	Franchisor entity	100%
Hilton International LLC	United States	Investment holding company	100%
Hilton Worldwide Domestic FS Treasury LLC	United States	Finance company	100%
Hilmex Holdings S.de.R.L. de CV	Mexico	Non trading	100%
Conrad International Management Services (Singapore) PTE	Singapore	Non trading	100%
Hilton International Asia Pacific Pte Ltd	Singapore	Non trading	100%
Hilton Worldwide International Puerto Rico LLC*	Puerto Rico	Hotel operator	100%
Hilton International Manage (Maldives) PVT Ltd	Maldives	Hotel manager	100%
Hilton International DEMPE Holding Limited	United Kingdom	Dormant	100%
Hilton International Franchisor LLC	United States	Franchisor entity	100%
Hilton Worldwide International do Brasil Ltda	Brazil	Hotel manager	100%
Hilton Worldwide International Japan Godo-Kaisha	Japan	Hotel operator	100%
HLT International Existing Franchise Holding LLC	United States	Franchisor entity	100%
Hilton Worldwide International Singapore Pte. Ltd	Singapore	Hotel manager	100%
Hilton Hotels Management India Private Limited	India	Hotel manager	100%
Izmir Enternasyonel Otelcilik Anonim Sirketi	Turkey	Hotel operator	100%
Hilton Worldwide FS Treasury Limited	United Kingdom	Finance company	100%
Hilton International New Zealand Limited	New Zealand	Non trading	100%

Consolidated financial statements have not been prepared as the company is consolidated into the financial statements of a larger group, for which the consolidated financial statements are publicly available, as disclosed in the below note "Parent undertaking, controlling party and consolidating entity".

In the opinion of the directors the aggregate value of the investment in subsidiary and joint venture undertakings is not less than the amounts at which they are stated in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	\$	\$
Amounts owed by group undertakings	<u>128</u>	<u>128</u>

Amounts owed by group undertakings are included in amounts due within one year where there are no specified repayment terms. Amounts owed by group undertakings are technically repayable on demand and hence are included in amounts due within one year. The loans bear interest at a rate linked to LIBOR plus a margin.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	\$	\$
Amounts owed to group undertakings	<u>175,095,366</u>	<u>170,043,055</u>

Amounts owed to group undertakings are included in amounts due within one year where there are no specified repayment terms and there is no fixed repayment schedule in place. While amounts owed to group undertakings are technically repayable on demand, and hence are included in amounts due within one year, the directors are of the opinion (as a result of their group role in relation to the group undertakings amounts are owed to) that in the ordinary course of business, repayment within such a timescale would not be required. The loans bear interest at LIBOR plus a margin.

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018	2017
			\$	\$
101	Ordinary	£1	<u>129</u>	<u>129</u>

The number of shares authorised and issued at the period end was 100 shares of £1 recorded at \$1.27 each and 1 share of £1 recorded at \$1.28 each.

14. PARENT UNDERTAKING, CONTROLLING PARTY AND CONSOLIDATING ENTITY

The company's immediate parent undertaking is Hilton Worldwide Holdings LLP, an investment holding company registered in England.

The ultimate parent the only undertaking for which group financial statements were prepared and into which the company is consolidated for 31 December 2018, was Hilton Worldwide Holdings Inc., a Delaware company incorporated in the United States of America. These group financial statements are available from the company secretary, Hilton Worldwide Holdings Inc., 7930 Jones Branch Drive, McLean, Fairfax County, Virginia VA 22102-3302, United States of America .

15. COMMITMENTS

The company has not entered into any commitments contracted for but not provided in the financial statements at period end.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

16. CONTINGENT LIABILITIES

The company had jointly and severally guaranteed the value added tax liability of other companies within the same UK VAT group, which amounted to approximately £7.9m/\$10.0m (2017: £6.7m/\$9.1m) at 31 December 2018.