

**REGISTERED NUMBER: 00695283 (England and Wales)**

**Hilton International Hotels (U.K.)  
Limited**

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

**TUESDAY**



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**COMPANIES HOUSE**

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

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	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>4</b>
<b>Independent Auditors' Report</b>	<b>6</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>	<b>8</b>
<b>Balance Sheet</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Notes to the Financial Statements</b>	<b>11</b>

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**Hilton International Hotels (U.K.)  
Limited**

**COMPANY INFORMATION**  
**for the year ended 31 December 2018**

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**DIRECTORS:**

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

**SECRETARY:**

HLT Secretary Limited

**REGISTERED OFFICE:**

Maple Court  
Central Park  
Reeds Crescent  
Watford  
Hertfordshire  
WD24 4QQ

**REGISTERED NUMBER:**

00695283 (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**

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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 and a hotel operator.

**REVIEW OF BUSINESS**

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

	2018	2017
	£	£
Turnover	67,211,728	65,118,307
Gross profit	2,878,742	3,295,038
Carrying value of investments	1,436,607,628	1,436,607,628

Turnover represents the results of one hotel which is leased. Turnover has remained reasonably stable on prior year. The primary driver behind the decrease in gross profit is due to increased personnel and rental costs.

**STRATEGIC REPORT  
for the year ended 31 December 2018**

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**PRINCIPAL RISKS AND UNCERTAINTIES**

**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.

**Competitive risk**

This company operates in the UK. Risks that arise come from competitors opening new hotels or improving an existing hotel. The company monitors its competitors' performance and participates in regular benchmarking to understand the company's position compared to its competitors.

**Economic risk**

The company is subject to the cyclical nature of the hospitality and travel industry and is also impacted by the effect that global economic trends have on its customers. On 29 March 2017, the United Kingdom (U.K) government formally announced that the U.K 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. Brexit continues to create global economic uncertainty, but to date, Brexit is not considered to have had a material impact on Hilton's UK business although it may impact our customer's behaviours in the future, particularly with respect to closely monitoring their costs and reducing their spending on travel and corporate events. There continues to be uncertainty therefore over how it will ultimately impact the company but management continues to monitor this on an ongoing basis. Budgeting and forecasting processes enable the company to identify risks in market trends at an early stage to help mitigate such risks.

**Exchange rate risk**

This company is subject to exchange rate risk on inter company loans held in foreign currency. The company's treasury department monitors exchange rates.

**Interest rate risk**

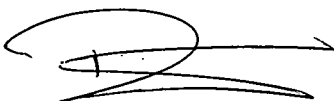
This company is subject to interest rate risk on intercompany loans where the interest rate is linked to LIBOR. The company's treasury department monitors interest rates.

Management does not believe the company is any more exposed to financial statement risk factors than others in the industry and has a system of internal controls and procedures that are designed to mitigate such risk.

**FUTURE DEVELOPMENTS**

The company will continue to operate as an investment holding company and hotel operator in the future with a view to optimising returns.

**ON BEHALF OF THE BOARD:**



Mr R Beeston - Director

30 July 2019

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

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

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2018.

**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 R Vincent  
Mr B Wilson  
Mr J Percival  
Mr S Beasley

Other changes in directors holding office are as follows:

Mr O Lifschitz - resigned 22 August 2018  
Mr J Tynan - resigned 1 October 2018  
Mr C Heath - resigned 31 December 2018  
Mr R Beeston - appointed 6 February 2018  
Mr S Cassidy - appointed 22 August 2018  
Mrs M Momdjian - appointed 19 November 2018  
Mr G C Ogle - appointed 19 November 2018

**EMPLOYEE INVOLVEMENT**

The company has continued to operate a monthly communications cycle that requires General Managers of each hotel to meet with Departmental Managers and then meet with their supervisors and/or staff to discuss:

- (a) performance to date
  - (b) problems or difficulties being experienced
  - (c) future plans
- and other matters those attending the meeting wish to raise.

**DISABLED PERSONS**

The company's policy which applied during the year, is as follows:

- (a) full and fair consideration is given to disabled applicants for employment, having regard to their particular aptitudes and abilities;
- (b) where an employee becomes disabled, the objective is the continued provision of suitable employment either in the same or an alternative position, with appropriate training being given if necessary; and
- (c) disabled employees share in the opportunities for training, career development and promotion.

**EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

No significant post balance sheet events have occurred.

**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.

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

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**DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**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:**



Mr R Beeston - Director

30 July 2019

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HILTON INTERNATIONAL HOTELS (U.K.)  
LIMITED**

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**Opinion**

We have audited the financial statements of Hilton International Hotels (U.K.) Limited (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 loss 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 HOTELS (U.K.)  
LIMITED**

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**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.

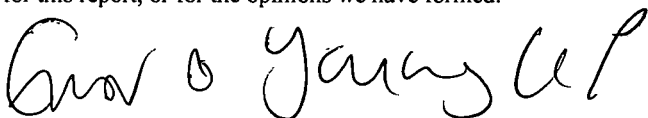
**Auditors' responsibilities for the audit of the financial statements**

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](http://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.



Rebecca Turner (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

	Notes	2018 £	2017 £
<b>TURNOVER</b>	4	67,211,728	65,118,307
Cost of sales		(64,332,986)	(61,823,269)
<b>GROSS PROFIT</b>		2,878,742	3,295,038
Other operating items		(785)	40,506,000
Administrative expenses		(4,607,757)	(3,816,407)
<b>OPERATING (LOSS)/PROFIT</b>		(1,729,800)	39,984,631
Interest payable and similar expenses	6	(13,592,193)	(16,478,610)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	7	(15,321,993)	23,506,021
Tax on (loss)/profit	8	-	-
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(15,321,993)	23,506,021
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Remeasure defined benefit pension plan		12,835,000	9,381,000
Income tax relating to item that will not be reclassified to profit or loss		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		12,835,000	9,381,000
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		(2,486,993)	32,887,021

The notes form part of these financial statements

**Hilton International Hotels (U.K.)  
Limited (Registered number: 00695283)**

**BALANCE SHEET  
31 December 2018**

	Notes	2018 £	2017 £
<b>FIXED ASSETS</b>			
Intangible assets	9	103,240	47,731
Tangible assets	10	40,234,176	42,996,845
Investments	11	1,436,607,628	1,436,607,628
		<u>1,476,945,044</u>	<u>1,479,652,204</u>
<b>CURRENT ASSETS</b>			
Stocks	12	375,376	357,352
Debtors	13	10,401,038	7,729,976
Cash at bank and in hand		1,393,524	32,694
		<u>12,169,938</u>	<u>8,120,022</u>
<b>CREDITORS</b>			
Amounts falling due within one year	14	(782,471,840)	(739,634,183)
<b>NET CURRENT LIABILITIES</b>		<u>(770,301,902)</u>	<u>(731,514,161)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		706,643,142	748,138,043
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	(42,819,098)	(40,100,006)
<b>PENSION LIABILITY</b>	19	-	(41,727,000)
<b>NET ASSETS</b>		<u>663,824,044</u>	<u>666,311,037</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	198	198
Share premium		96,693	96,693
Revaluation reserve		15,310,626	15,310,626
Retained earnings		648,416,527	650,903,520
<b>SHAREHOLDER FUNDS</b>		<u>663,824,044</u>	<u>666,311,037</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 £	Revaluation reserve £	Total equity £
<b>Balance at 1 January 2017</b>	198	618,016,499	96,693	15,310,626	633,424,016
<b>Changes in equity</b>					
Total comprehensive income	-	32,887,021	-	-	32,887,021
<b>Balance at 31 December 2017</b>	198	650,903,520	96,693	15,310,626	666,311,037
<b>Changes in equity</b>					
Total comprehensive loss	-	(2,486,993)	-	-	(2,486,993)
<b>Balance at 31 December 2018</b>	198	648,416,527	96,693	15,310,626	663,824,044

The notes form part of these financial statements

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

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**1. FUNDAMENTAL ACCOUNTING CONCEPT**

Hilton International Hotels (U.K.) Limited 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 Hotels (U.K.) Limited 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.

The company's financial statements are presented in Sterling, 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 paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- 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 requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- 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**

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**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:

**Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in the note "Taxation".

**Operating lease commitments**

The Company has entered into commercial property leases as a lessee. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet. All leases are classified as operating leases.

**Post employment benefits**

The cost of the defined benefit pensions plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers a "spot rate" method for calculating the interest cost for the year to be appropriate. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in the note "Retirement Benefits".

**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 fixed assets**

Determining whether fixed assets are impaired requires an estimation of the value in use of the cash generating unit. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The hotel is considered to represent one cash generating unit.

Details of any impairment loss are set out in the note "Tangible Fixed Assets".

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

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**3. ACCOUNTING POLICIES - continued**

**Impairment of investments**

Determining whether a investment is impaired requires an estimation of the value in use of the investment in its subsidiary. 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.

Details of any impairment losses are disclosed in 'Investments' note.

**Changes in accounting policies**

IFRS 15 Revenue from contracts with customers, provides a single, five step revenue recognition model, applicable to all sales contracts, which is based on the principal revenue is recognised when control of goods or services are passed to the customer. IFRS 15 was adopted by the company with effect from 1 January 2018. The company applied the full retrospective restatement approach to the comparative year ended 31 December 2017 in the financial statements for the year ended 31 December 2018 however there was no impact on the financial statements at 31 December 2017 as previously presented.

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.

**Revenue recognition**

**Turnover**

Turnover derived is from hotel operations, and arose wholly in the United Kingdom. Turnover is recognised when services have been rendered. The turnover of the hotel is derived primarily from the rental of rooms, conference and banqueting, food and beverage sales. Turnover is all rendering of goods and services. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

**Interest income**

Interest is recognised as it accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

**Intangible assets**

Computer software is stated at cost less accumulated amortisation and accumulated impairment. Cost comprises the aggregate amount paid to acquire the asset and includes any costs directly attributable to preparing the asset for its intended use.

Amortisation is provided on computer software on a straight-line basis over its expected useful life of three years.

The carrying values of computer software are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to rise from its continued use. Gains or losses are included in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

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

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**3. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Leasehold improvements, fixtures, fittings and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all leasehold improvements, fixtures, fittings and equipment, on a straight-line basis over its expected useful life as follows:

- Leasehold improvements - lower of 50 years or the lease term
- Fixtures, fittings and equipment - between 7.5% and 33.3% per annum

The carrying values of leasehold improvements, fixtures, fittings and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. The depreciation period and the depreciation method are reviewed at least at each financial year end. Changes in the expected useful life is accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

An item of leasehold improvement, fixtures, fittings and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.



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

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**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.

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

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**3. ACCOUNTING POLICIES - continued**

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.

**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.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. These costs incurred are accounted for using a first-in, first-out basis.

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

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

**Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases. Rentals payable, including contingent rent as determined by reference to the turnover or profit of the hotel, are charged in the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the lease term.

Assets held under finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments.

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

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**3. ACCOUNTING POLICIES - continued**

**Employee benefit costs**

The Company operates two defined benefit pension plans, which were closed to new members in 2013 from which time membership of a defined contribution plan is available. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions

The funding policy is for the plan to hold assets equal to the present value of the benefits due from the plan, based on the projected salaries and a set of assumptions used for funding the plan, which are agreed between the company and the trustee of the plan.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset taking account of any changes in the net defined liability during the period as a result of contribution and benefits payments. The net interest is recognised in profit or loss.

Remeasurements, comprising actuarial gains and losses and the return on net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the Statement of Profit or Loss and Other Comprehensive Income in the period to which they relate.

**Fixed asset investments**

Investments in subsidiary undertakings are stated at cost except for the investments disposed as part of CRA in 2014. These investments have subsequently been recorded at fair value as deemed 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**

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; except in the case where the group reorganisation does not fall under the scope of the IFRS 3 exemption for business combinations as it is not under common control, the company will record the acquisition of investments at fair value rather than the previous parent's book value.

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

**3. ACCOUNTING POLICIES - continued**

**Share based payments**

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss for the period.

**4. TURNOVER**

The turnover and loss (2017 - profit) before taxation are attributable to the one principal activity of the company.

**5. 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 £15,141,202 has been included in cost of sales in respect of their services (2017: £13,729,882).

A total expense of £253,182 (2017: £181,167) has been recognised in profit or loss which relates to contributions to the defined contribution plan. In addition, a total expense of £3,573,000 (2017: £3,068,000) has been recognised in profit or loss which relates to contributions to the defined benefit pension plans.

All the directors of the company are also directors of other group companies. The directors received total remuneration for the year of £2.9m (2017: £2.6m) 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.

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018	2017
	£	£
Interest payable to fellow group undertakings	12,315,717	14,804,610
Interest payable on employee benefit obligations	871,000	1,273,000
Finance cost of preference shares	401,000	401,000
Finance lease interest	4,476	-
	<u>13,592,193</u>	<u>16,478,610</u>

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

**7. (LOSS)/PROFIT BEFORE TAXATION**

This is stated after charging:

	2018 £	2017 £
Management charge payable to group undertakings	2,315,140	2,299,804
Depreciation of tangible fixed assets	4,366,063	5,213,536
Amortisation of intangible fixed assets	89,945	27,454
Operating lease rentals - property	17,507,715	16,388,897
Operating lease rentals - other	198,330	176,570
	<u>22,577,293</u>	<u>24,116,261</u>

Other operating items consist of:

	2018 £	2017 £
Foreign exchange on currency loans	-	40,506,000
	<u>-</u>	<u>40,506,000</u>

The remuneration of the auditors of £19,563 (2017: £18,811) is borne entirely by Hilton Worldwide Limited.

**8. TAXATION**

**Analysis of tax expense**

No liability to UK corporation tax arose for the year ended 31 December 2018 nor for the year 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 £
(Loss)/profit before income tax	(15,321,993)	23,506,021
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.247%)	(2,911,179)	4,524,204
Effects of:		
Expenses not deductible for tax purposes	184,479	57,679
Group relief surrendered (from)/to fellow subsidiaries free of charge	3,146,192	(4,306,504)
Non deductible depreciation and amortisation	482,106	(243,207)
Utilisation of previously unrecognised deferred tax assets	(901,598)	(32,172)
Tax expense	<u>-</u>	<u>-</u>

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

**8. TAXATION - continued**

**Tax effects relating to effects of other comprehensive income**

		2018	
	Gross £	Tax £	Net £
Remeasure defined benefit pension plan	12,835,000	-	12,835,000
	Gross £	2017 Tax £	Net £
Remeasure defined benefit pension plan	9,381,000	-	9,381,000

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.

At 31 December 2018, the company had temporary differences amounting to £25,586,174 (2017: £68,250,833) in respect of which no deferred tax assets were recognised.

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

9. INTANGIBLE FIXED ASSETS

	Computer software £
<b>COST</b>	
At 1 January 2018	200,610
Additions	127,104
Disposals	(2,825)
At 31 December 2018	324,889
<b>AMORTISATION</b>	
At 1 January 2018	152,879
Amortisation for year	70,810
Eliminated on disposal	(2,040)
At 31 December 2018	221,649
<b>NET BOOK VALUE</b>	
At 31 December 2018	103,240
At 31 December 2017	47,731

10. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Fixtures, fittings and equipment £	Totals £
<b>COST</b>			
At 1 January 2018	68,095,557	28,982,160	97,077,717
Additions	887,198	735,331	1,622,529
Disposals	-	(277,896)	(277,896)
At 31 December 2018	68,982,755	29,439,595	98,422,350
<b>DEPRECIATION</b>			
At 1 January 2018	29,823,483	24,257,389	54,080,872
Charge for year	2,537,396	1,847,802	4,385,198
Eliminated on disposal	-	(277,896)	(277,896)
At 31 December 2018	32,360,879	25,827,295	58,188,174
<b>NET BOOK VALUE</b>			
At 31 December 2018	36,621,876	3,612,300	40,234,176
At 31 December 2017	38,272,074	4,724,771	42,996,845



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

**10. TANGIBLE FIXED ASSETS - continued**

The net book value of tangible fixed assets includes £91,343 in respect of assets held under finance leases.

**11. INVESTMENTS**

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2018	
and 31 December 2018	1,917,482,254
<b>PROVISIONS</b>	
At 1 January 2018	
and 31 December 2018	480,874,626
<b>NET BOOK VALUE</b>	
At 31 December 2018	1,436,607,628
At 31 December 2017	1,436,607,628

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

**11. 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 Worldwide Manage Limited*	United Kingdom	Investment holding company	80.27%
Mayaguez Hilton LLC	Puerto Rico	Dormant	80.27%
	Trinidad and Tobago		
Hilton Tobago Unlimited	Tobago	Hotel operator	80.27%
Hilton International Manage (Argentina) SRL	Argentina	Hotel manager	80.27%
Hilton International Barbados Limited	Barbados	Hotel manager	80.27%
Conrad International (Thailand) Limited	Thailand	Hotel manager	80.27%
Conrad International Hotels (HK) Limited	Hong Kong	Hotel manager	80.27%
Conrad International (Egypt) LLC	United States	Hotel manager	80.27%
Hilton Hotel Management Services Private Limited	India	Hotel manager	80.27%
Hilton Argentina SRL	Argentina	Dormant	80.27%
Hilton (Maldives) PVT Ltd	Maldives	Dormant	80.27%
HIRO Verwaltungs GmbH	Germany	Dormant	80.27%
HIRO Hotel GmbH & Co KG	Germany	Dormant	80.27%
Hiro Grundstücks GmbH & Co KG	Germany	Dormant	80.27%
Hilton Hotel Management (Shanghai) Co. Ltd.	China	Hotel manager	80.27%
		Investment holding company	
HLT German Manage GmbH	Germany		80.27%
		Investment holding company	
HLT German Services GmbH	Germany		80.27%
		Investment holding company	
Grand Hotel Imperial DD (JV)	Croatia		14.08%
		Investment holding company	
Hilton Worldwide Services Limited	United Kingdom		80.27%
Hilton International (Thailand) Limited	Thailand	Hotel operator	80.27%
HI Hotel Management (Guam), Inc	Guam	Hotel manager	80.27%
Hilton of Malaysia LLC	Malaysia	Hotel manager and operator	80.27%
Nagoya Hilton Co Limited (JV)	Japan	Hotel operator	19.26%
Osaka Hilton Co Limited (JV)	Japan	Hotel owner	56.48%
Tokyo Bay Hilton Co Limited (JV)	Japan	Hotel operator	19.26%
Addis Ababa Hilton Private Limited Company	Ethiopia	Hotel operator	80.27%
African American Investment Corporation (PTY) Limited	South Africa	Dormant	80.27%
Madagascar Hilton SARL	Madagascar	Hotel operator	80.27%
International Hotels (Kenya) Limited (JV)	Kenya	Hotel owner	47.70%

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

**11. INVESTMENTS - continued**

Societe Tunis Hilton SARL	Tunisia	Dormant	80.27%
Hilton (Hellas) Monoprosopi EPE	Greece	Hotel operator	80.27%
Hilton International (Germany) GmbH	Germany	Hotel operator	80.27%
Hilton Cyprus Limited	Cyprus	Hotel manager	80.27%
Hilton Enternasyonal Otelcilik AS	Turkey	Hotel operator	80.27%
Hilton International (Switzerland) GmbH	Switzerland	Hotel operator	80.27%
Hotelbetriebsgesellschaft Hochstrasse GmbH	Germany	Hotel operator	80.27%
Grundstucksgesellschaft Belvederer Allee Weimar GmbH	Germany	Dormant	80.27%
Hilton Malta Limited	Malta	Hotel operator and manager	80.27%
Hilton International (Bulgaria) EAD	Bulgaria	Hotel operator	80.27%
Kayseri Hilton Enternasyonal Otelcilik AS	Turkey	Hotel manager	80.27%
Hilton International Holdings LLC	United States	Investment holding company	80.27%
Comfort Inns BV	Netherlands	Investment holding company	80.27%
HIC Roissy Netherlands BV	Netherlands	Investment holding company	80.27%
World Hotels BV	Netherlands	Investment holding company	80.27%
UK Leasing Cobham Limited	United Kingdom	company	80.27%
UK Leasing Croydon Limited	United Kingdom	Dormant	80.27%
UK Leasing Watford Limited	United Kingdom	Dormant	80.27%
UK Leasing Leicester Limited	United Kingdom	Dormant	80.27%
Hilton Worldwide Franchising LP	United Kingdom	Hotel operator	80.27%
Comfort Hotels International Limited	United Kingdom	Franchisor entity	80.27%
Adda Properties Limited	United Kingdom	Dormant	80.27%
Hilton Worldwide Manage Branchco Limited	United Kingdom	Hotel proprietor	80.27%
Hilton Worldwide Holding 1 Limited	United Kingdom	Investment holding company	80.27%
Comfort Hotels Limited	United Kingdom	Investment holding company	80.27%
Hilton Worldwide International Myanmar Company Limited	Myanmar	company	80.27%
Adda Hotels	United Kingdom	Hotel manager	80.27%
Hilton Copenhagen ApS	Denmark	Hotel operator	80.27%
Maple Hotels Management Company Limited	United Kingdom	Hotel manager	80.27%
Dunkeld Lodges (Management) Limited	United Kingdom	Hotel manager	80.27%
Puckrup Hall Hotel Limited	United Kingdom	Dormant	80.27%
HIC Holdings BV	Netherlands	Hotel operator	80.27%
HLT London Manage Limited	United Kingdom	Investment holding company	80.27%
HLT Aro Manage Limited	United Kingdom	company	80.27%
Hilton UK Manage Limited	United Kingdom	Hotel manager	80.27%
HLT Stakis Operator Limited	United Kingdom	Hotel manager	80.27%
HLT Owned Mezz V-A Limited	United Kingdom	Hotel operator	80.27%
		Investment holding company	80.27%

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

**11. INVESTMENTS - continued**

HLT Owned Mezz V-B Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz V-C Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz V-D Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz V-E Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz V-F Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz V-G Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz V-H Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz V-I Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz V-J Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz V-K Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-A Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-B Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-C Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-D Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-E Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-F Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-G Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-H Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-I Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-J Limited	United Kingdom	Investment holding company	80.27%
HLT Owned Mezz IX-K Limited	United Kingdom	Investment holding company	80.27%
HLT Managed Mezz XI-A GmbH	Germany	Investment holding company	80.27%
HLT Managed Mezz XI-B GmbH	Germany	Investment holding company	80.27%
HLT Managed Mezz XI-C GmbH	Germany	Investment holding company	80.27%

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

**11. INVESTMENTS - continued**

HLT Managed Mezz XI-D GmbH	Germany	Investment holding company	80.27%
HLT Managed Mezz XI-E GmbH	Germany	Investment holding company	80.27%
HLT Managed Mezz XI-F GmbH	Germany	Investment holding company	80.27%
HLT Managed Mezz XI-G GmbH	Germany	Investment holding company	80.27%
HLT Managed Mezz XI-H GmbH	Germany	Investment holding company	80.27%
HLT Managed Mezz XI-I GmbH	Germany	Investment holding company	80.27%
HLT Managed Mezz XI-J GmbH	Germany	Investment holding company	80.27%
HLT Managed Mezz XI-K GmbH	Germany	Investment holding company	80.27%
HLT Operating Mezz III-K Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz V-K Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-A Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-B Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-C Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-D Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-E Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-F Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-G Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-H Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-I Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-J Limited	United Kingdom	Investment holding company	80.27%
HLT Operating Mezz VII-K Limited	United Kingdom	Investment holding company	80.27%
HLT Operating VII-A Borrower GmbH	Germany	Investment holding company	80.27%
HLT Stakis IP Limited	United Kingdom	Investment holding company	80.27%
Hilton UK Corporate Director Limited	United Kingdom	Dormant	80.27%
HLT Managed XI-A Borrower GmbH	Germany	Investment holding company	80.27%

**Hilton International Hotels (U.K.)  
Limited (Registered number: 00695283)**

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

**11. INVESTMENTS - continued**

HLT Owned V Holding Limited	United Kingdom	Investment holding company	80.27%
HLT Owned V-A Holding Limited	United Kingdom	Investment holding company	80.27%
HLT Owned IX Holding Limited	United Kingdom	Investment holding company	80.27%
HLT Owned IX-A Holding Limited	United Kingdom	Investment holding company	80.27%
Hilton International Canada CRA ULC (HC ULC)	Canada	Dormant	80.27%
Hapeville Investors LLC	United States	Dormant	80.27%
Servicios y Recursos Administrativos Hoteleros S. de R.L. de C.V.	Mexico	Hotel manager	80.27%
Operadora de Hoteles Loreto, S. de R.L. de C.V	Mexico	Hotel manager	80.27%
HLT Mexico LLC	United States	Investment holding company	80.27%
HLT Managed XII-A Holding LLC	United States	Investment holding company	80.27%
Hilton International Manage LLC	United States	Hotel manager	80.27%
HLT Waldorf Astoria International Manage LLC	United States	Investment holding company	80.27%
Hilton Internacional de Venezuela CA	Venezuela	Hotel manager	80.27%
Hilton Russia LLC	United States	Hotel manager	80.27%
HLT International Manage LLC	United States	Hotel manager	80.27%
PT Hilton International Manage Indonesia	Indonesia	Hotel manager	80.27%
Nippon Hilton Co Limited (JV)	Japan	Hotel operator	55.19%
Ankara Enternasyonel Otelcilik AS	Turkey	Hotel operator	8.05%
Izmir Hilton Enternasyonal Otelcilik AS	Turkey	Hotel operator	80.27%
Mersin Hilton Enternasyonal Otelcilik AS	Turkey	Hotel operator	80.27%
Istanbul Park Hilton Enternasyonal Otelcilik Limited Sirketi	Turkey	Hotel operator	80.27%
Hilton Hotel Service Co Limited	Japan	Hotel manager	56.19%
Hilton Munich Airport Hotel Manage GmbH	Germany	Catering operator	80.27%
Societe de Developpement Hotel Pointe des Blagueurs B.V. (JV)	Netherlands	Dormant	20.08%
ATM Hotels Pty Limited	Australia	Hotel business nameowner	80.27%
Morning Light Co Limited (JV)	Mauritius	Hotel manager	15.64%
HI Investment (Colombia) EU	Colombia	Hotel manager	80.27%
Vista Real Estate Management Company (JV)	Egypt	Dormant	44.15%
Hilton International Jamaica Limited	Jamaica	Hotel operator	80.27%
Hilton International Management LLC	United States	Investment holding company	80.27%
Doubletree International Franchise LLC	United States	Franchisor entity	80.27%
Hilton International LLC	United States	Investment holding company	80.27%
Hilton Worldwide Domestic FS Treasury LLC	United States	Finance company	80.27%
Hilmex Holdings S.de.R.L. de CV	Mexico	Non trading	80.27%
Hilton Worldwide International Puerto Rico LLC	Puerto Rico	Hotel operator	80.27%
Hilton International Manage (Maldives) PVT Ltd	Maldives	Hotel manager	80.27%

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

**11. INVESTMENTS - continued**

Hilton Hotels (Ireland) Ltd	Ireland	Hotel operator	80.27%
Hilton International DEMPE Holding Limited	United Kingdom	Dormant	80.27%
Hilton Worldwide International do Brasil Ltda	Brazil	Hotel manager	80.27%
Hilton Worldwide International Japan			
Godo-Kaisha	Japan	Hotel operator	80.27%
Hilton Worldwide International Singapore Pte. Ltd	Singapore	Hotel manager	80.27%
HLT English Operator Ltd	United Kingdom	Hotel operator	80.27%
Hilton International Franchisor LLC	United States	Franchisor entity	80.27%
HLT International Existing Franchise Holding LLC	United States	Franchisor entity	80.27%
Splendid Property Company Limited	United Kingdom	Hotel operator	80.27%
Izmir Enternasyonel Otelcilik Anonim Sirketi	Turkey	Hotel operator	0.104%
Hilton Hotels Management India Private Limited	India	Hotel manager	80.27%
Hilton Worldwide FS Treasury Limited	United Kingdom	Finance company	80.27%
Conrad International Management Services (Singapore) PTE	Singapore	Non trading	80.27%
Hilton International Asia Pacific Pte Ltd	Singapore	Non trading	80.27%

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 the subsidiary and joint venture undertakings is not less than the amounts at which they are stated in these financial statements.

**12. STOCKS**

	2018	2017
	£	£
Goods for resale	375,376	357,352

The directors estimate that the replacement cost of stocks is not materially different from their book value.

**13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£	£
Trade debtors	4,454,308	2,915,850
Amounts owed by group undertakings	804,754	-
Other debtors	54,491	6,600
Prepayments and accrued income	5,087,485	4,807,526
	<u>10,401,038</u>	<u>7,729,976</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.

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

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£	£
Finance leases (see note 16)	85,362	-
Trade creditors	1,224,219	936,012
Amounts owed to group undertakings	771,119,287	728,065,233
Social security and other taxes	2,991,205	2,308,718
Other creditors	528,625	563,734
Accruals and deferred income	6,523,142	7,760,486
	<u>782,471,840</u>	<u>739,634,183</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.

**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2018	2017
	£	£
Preference shares (see note 16)	40,100,006	40,100,006
Finance leases (see note 16)	15,018	-
Other creditors	2,704,074	-
	<u>42,819,098</u>	<u>40,100,006</u>

**16. FINANCIAL LIABILITIES - BORROWINGS**

	2018	2017
	£	£
Current:		
Finance leases (see note 17)	<u>85,362</u>	<u>-</u>
Non-current:		
Preference shares	40,100,006	40,100,006
Finance leases (see note 17)	15,018	-
	<u>40,115,024</u>	<u>40,100,006</u>



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

**16. FINANCIAL LIABILITIES - BORROWINGS - continued**

Terms and debt repayment schedule

	1 year or less £	1-2 years £	More than 5 years £	Totals £
Preference shares	-	-	40,100,006	40,100,006
Finance leases	85,362	15,018	-	100,380
	<u>85,362</u>	<u>15,018</u>	<u>40,100,006</u>	<u>40,200,386</u>

Details of shares shown as liabilities are as follows:

Allotted and issued:		Nominal value:	2018 £	2017 £
Number:	Class:			
40,100,006	Pref shares - share type 2	£1	<u>40,100,006</u>	<u>40,100,006</u>

The preference shares carry a dividend of 1% per annum, payable annually in arrears on 31 October. Only dividends earned in the current year were distributed in the current year.

The preference shares carry no votes at meetings unless the dividend thereon has not been fully paid on each of the preceding two dividend payment dates, or the business of the meeting includes a resolution which varies the rights of the preference shares.

On a winding up of the company the preference shareholders have a right to receive in preference to payment to shareholders of the 'A' and 'B' shares, £1 per share plus any accrued dividend.

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

**17. LEASING AGREEMENTS**

Minimum lease payments under finance leases fall due as follows:

		Finance leases	
		2018	2017
		£	£
Gross obligations repayable:			
Within one year		87,782	-
Between one and five years		15,105	-
		<u>102,887</u>	<u>-</u>
Finance charges repayable:			
Within one year		2,420	-
Between one and five years		87	-
		<u>2,507</u>	<u>-</u>
Net obligations repayable:			
Within one year		85,362	-
Between one and five years		15,018	-
		<u>100,380</u>	<u>-</u>

**18. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	2018	2017
Number:	Class:		£	£
950,000,849	Ordinary "A" shares	0.0000001	95	95
101	Deferred "B" shares	£1	101	101
2	Ordinary "B" shares	£1	2	2
			<u>198</u>	<u>198</u>

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

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**18. CALLED UP SHARE CAPITAL - continued**

**Deferred 'B' shares**

The deferred 'B' shares carry no dividend unless in a financial year the profits of the company available for distribution, after payment of preference dividends, exceeds £50,000,000 in which instance the excess of any dividend paid over £50,000,000 shall be distributed at the same rate per share to the holders of 'A' and 'B' shares.

The holders of deferred 'B' shares are entitled to receive notice of and to attend but not vote at a general meeting of the company unless the general meeting is to consider a resolution which varies, modifies, alters or abrogates any of the rights, privileges, or restrictions attached to the 'B' shares, or to wind-up the company.

On a winding up of the company, the deferred 'B' shareholders have a right to a return on capital invested after payment of preference shares; *pari passu* with the holders of 'A' ordinary shares, but no right to participate in any surplus.

**19. EMPLOYEE BENEFIT OBLIGATIONS**

The company operates a funded pension plan which was closed to new entrants on 1 March 2012 and closed to future accrual on 30 November 2013. The plan provides benefits based on the members' completed pensionable service up to closure and their final pensionable pay. The assets of the plan are held separately to the company in a trustee-administered fund.

The funding policy is for the plan to hold assets equal to the present value of the benefits due from the plan, based on projected salaries and a set of assumptions used for funding the plan, which are agreed between the company and the trustee of the plan. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against this funding policy, then the company and trustee agree deficit contributions to meet this deficit over an agreed period. The 31 December 2015 valuation is ongoing, which may result in additional contributions being agreed. The next actuarial valuation of the plan is due with an effective date of 31 December 2018. In addition, the company pays an allowance for expenses to the plan.

The preliminary results of the formal actuarial valuation of the plan as at 31 December 2015 were updated to the accounting date by an independent qualified actuary in accordance with IAS19, allowing for contributions, benefit payments made, and changes in market conditions.

During the year, the pension plan was transferred at book value to another subsidiary within the Hilton Worldwide Inc. group.

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

19. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2018 £	2017 £
Present value of funded obligations	-	(327,797,000)
Fair value of plan assets	-	286,070,000
	-	(41,727,000)
Present value of unfunded obligations	-	-
Deficit	-	(41,727,000)
Net liability	-	(41,727,000)

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2018 £	2017 £
Current service cost	1,802,000	1,795,000
Net interest from net defined benefit asset/liability	871,000	1,273,000
Past service cost	900,000	-
	3,573,000	3,068,000
Actual return on plan assets	6,153,000	6,418,000

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

**19. EMPLOYEE BENEFIT OBLIGATIONS - continued**

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Opening defined benefit obligation	327,797,000	328,007,000
Current service cost	1,802,000	1,795,000
Past service cost	900,000	-
Interest cost	7,024,000	7,691,000
Benefits paid	(15,266,000)	(13,142,000)
Transfer to/from another entity	(293,134,000)	-
Remeasurements:		
Actuarial (gains)/losses from changes in demographic assumptions	(1,750,000)	(4,560,000)
Actuarial (gains)/losses from changes in financial assumptions	(27,504,000)	7,920,000
Actuarial (gains)/losses from experience on benefit obligation	131,000	86,000
	<u>-</u>	<u>327,797,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Opening fair value of scheme assets	286,070,000	272,973,000
Contributions by employer	7,381,000	6,994,000
Assets actual return	6,153,000	6,418,000
Benefits paid	(15,266,000)	(13,142,000)
Transfer to/from another entity	(268,050,000)	-
Return on plan assets (excluding interest income)	(16,288,000)	12,827,000
	<u>-</u>	<u>286,070,000</u>

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

19. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2018 £	2017 £
Actuarial (gains)/losses from changes in demographic assumptions	1,750,000	4,560,000
Actuarial (gains)/losses from changes in financial assumptions	27,504,000	(7,920,000)
Actuarial (gains)/losses from experience on benefit obligation	(131,000)	(86,000)
Return on plan assets (excluding interest income)	(16,288,000)	12,827,000
	<u>12,835,000</u>	<u>9,381,000</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	2018	2017
Diversified growth funds	-	34%
Bonds	-	28%
Cash	-	2%
Direct lending	-	9%
Equities	-	14%
Property	-	13%
		<u>100%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2018	2017
Discount rate (for DBO)	-	2.60%
Future salary increases	-	1.80%
Future pension increases	-	3.00%
Discount rate (for interest)	-	2.20%
Consumer price inflation	-	1.80%
Retail price inflation	-	3.10%

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

**19. EMPLOYEE BENEFIT OBLIGATIONS - continued**

Principal actuarial assumptions at the balance sheet date (expressed as years):

	2018	2017
Life expectancy of male/female aged 65 at accounting date	-	20.9/23.1
Life expectancy of male/female aged 65 in 20 years after the accounting date	-	22.0/24.3
Weighted average duration	-	18.4

Sensitivity of obligations to alternative assumptions:

	Increase 2018 £	Decrease 2018 £	Increase 2017 £	Decrease 2017 £
Discount rate:				
Effect on defined benefit obligation of a 0.5% change	-	-	(27,872,000)	30,636,000
Inflation:				
Effect on defined benefit obligation of a 0.5% change	-	-	14,626,000	(14,055,000)
Life expectancy				
Effect on defined benefit obligation of a 1 year change	-	-	9,772,000	(9,772,000)

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

**20. OTHER FINANCIAL COMMITMENTS**

Lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018 £	2017 £
Plant and equipment		
Within one year	201,298	174,749
Within two to five years	4,944	-
	<u>206,242</u>	<u>174,749</u>
	2018 £	2017 £
Property		
Within one year	17,716,780	17,249,270
Within two to five years	70,867,120	68,997,080
After five years	177,167,799	189,741,970
	<u>265,751,699</u>	<u>275,988,320</u>

Certain property operating leases include a contingent rent clause. Contingent rent is determined with reference to the turnover or profit of the hotel. Contingent rent and options for renewal are not included in the commitments shown in the table above but to the extent contingent rent has been incurred in the year it is shown in the Statement of Profit or Loss and Other Comprehensive Income disclosure.

**21. SHARE-BASED PAYMENT TRANSACTIONS**

Under a long term incentive scheme Hilton Worldwide Holdings Inc. grants restricted stock units (RSU) to the general managers and hotel managers that entitle them to a compulsory cash payment. These annual grants vest within a one year period from the grant date and participants are required to be employed with the company on the vesting date. The amount of the cash payment is determined based on the share price of Hilton Worldwide Holdings Inc..

**22. PARENT UNDERTAKING, CONTROLLING PARTY AND CONSOLIDATING ENTITY**

The company's immediate parent undertaking is Hilton International IP Holding Ltd, 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 .



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

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**23. CAPITAL COMMITMENTS**

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

**24. 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 (2017: £6.7m) at 31 December 2018.