BELMOND

Belmond Ltd. 2017 Annual Report

President and Chief Executive Officer's Message

April 20, 2018

Dear Fellow Shareholders,

The last twelve months were bittersweet for Belmond. As a Company, we made considerable progress on the execution of our strategic growth plan. But, concurrently, geopolitical developments and natural disasters in certain markets impeded our financial performance overall.

The specifics of these global events, such as in the case of Brazil and the Caribbean, have been well-documented by the media and through our own financial updates each quarter. We have previously shared details of the swift action undertaken by our teams to mitigate the impact of these external factors on our own operations. But, it is fair to say that for Belmond, 2017 was a year defined by tough and testing external events.

Nonetheless, I believe the cumulative force of the headwinds that Belmond faced have served to highlight the fundamental resilience of our business. Last year, we did more than simply withstand adverse operating environments; we demonstrated the underlying strength of our portfolio and the talent of our people. We maintained our financial discipline. We fulfilled the strategic investments to which we committed, and that will position the Company for future expansion. We pushed hard to capitalize on peak periods, driving average daily rates ("ADR") and occupancy so that, despite the significant challenges in Brazil and also Myanmar, we still finished the year with a slight increase in revenue per available room ("RevPAR"). All the while, we worked closely with those businesses that were impacted by disruptive events. I am extremely proud of the team for pulling together under such challenging operating conditions.

Throughout, our focus on executing our five-year plan has been unwavering and, consequently, we finished 2017 armed with the building blocks that we expect will support our anticipated accelerated growth in 2018 and beyond. I am disappointed that the financial results we recorded in 2017 do not reflect the great progress that we made as an organization. But, today, I am confident that our business is better positioned than it has ever been; that we have the tools and the talent to bring our financial performance back in line with the growth projections that we set out under our strategic plan, and which we achieved during our first year of execution in 2016. Moreover, I am confident that if we can realize our 2018 growth targets, we will have put our Company on the path towards delivering our '2020 strategic growth plan' and, in turn, substantial long-term shareholder value.

As we turn to the year ahead, we are seeing increasing momentum across our business. As all three of our strategic growth pillars evolve and advance, they form the foundation for the confidence with which we approach 2018.

2020 STRATEGIC GROWTH PLAN – *DRIVING ORGANIC GROWTH*

To **drive our organic growth**, last year we retained our focus on those operating initiatives that would enhance our **structure, resources, systems and product,** building upon the solid foundations that were laid in 2016.

The **structure** of our global operations has presented the clearest opportunity for continual improvement. Previously, we revised reporting lines across our sales functions. Having broken down silos, our commercial operation was able to build up its revenue-driving capabilities in 2017, and we expect to see the positive results reflected in our topline in the coming year. We also turned our attention to the re-organization of each Belmond business by market, creating five clearly defined divisions, with an appointed divisional leader to drive our performance in: Europe, Middle East & Africa; North and Central America, Caribbean; South America; Asia Pacific; and Trains & Cruises.
We recognize that operational efficiency and accountability will be key if we are to meet our growth targets this year, and in the years that follow. To this end, each divisional lead now has clearly defined responsibilities that are tightly synchronized to our global business priorities, and these five solely report to Dan Ruff in the newly created role of senior vice president, head of operations.

Dan joined the Company in January and is one of several major talents we have brought on board to ensure our Company has the appropriate **resources** to support our growth ambitions, and as we accelerate faster in the weeks and months ahead.

In May 2017, we appointed a senior vice president to lead our sales, reservations and revenue management teams. Less than one year on and we have a greatly enhanced performance dashboard, providing frequent and far improved insight into our pacing against budget broken down by individual property, by sales period and by individual sales-person. We can identify areas of risk and opportunity further in advance and we have streamlined our teams so they can be deployed more effectively in response. We have a more dynamic pricing strategy in place and a firmer focus on driving occupancy, group sales and ADR.

Looking ahead in 2018, we are seeing the early signs that these initiatives are having a positive effect on our topline performance. As our revenues rise, so too does our confidence in our ability to hit our growth targets this year.

Elsewhere, we continued to invest in the **systems** to support our people in the delivery of our plan and help improve the end-to-end experience for our guests.

The launch of a new, cloud-hosted website in September has brought the Belmond brand to life online and equips our business with the technology to compete in an increasingly digital world. Consistent branding and rich online content has been combined with a booking system that is more intuitive, straightforward and will allow our customers to add and update their personalized preferences at different stages of the booking process. Attention to such individual details are the backbone of our service offering on-property. In fact, we implemented a global 'service culture' training program this year to encourage consistency, without conformity, in our pursuit of operational excellence. In mirroring this standard of experience online, we hope to secure an increasing proportion of our total revenues through this commission-free channel.

Our sales-force has been connected to a centralized Customer Relationship Management system, giving a single view of our customer and a growing database of information. As we move through 2018, we expect the roll-out of our new Business Intelligence system will allow us to further tailor our sales tactics and services to suit individual guest preferences and drive repeat custom across our products.

At the same time, we have continued to re-invest in our portfolio, employing a disciplined approach to allocate capital to enhance our distinctive assets. We have an increasing number of case studies that demonstrate how these strategic investments are driving incrementally higher returns at our key **products**. From the updates made to the iconic Krysha ballroom at our Grand Hotel Europe, to the balconies added to rooms at Belmond Hotel Splendido. In 2018, the launch of grand ensuite cabins on board the Venice Simplon-Orient-Express and the reopening of the renovated Belmond Savute Elephant Lodge are among those products powering the performance of our existing business.

In his role as Chief Operating Officer, Philippe Cassis has been instrumental in guiding our Company as we transitioned from a matrix of individual and disconnected product teams, to the streamlined and coherent collective that today has access to a first-class suite of tools, industry-leading talent and a single, shared ambition: to deliver Belmond's financial goals.

On this front, Philippe's brief has always been to ensure that our business is set up for success. Having completed the re-organization, and with Dan now in place to drive our operational performance, Philippe will handover fully at the end of June 2018, in accordance with the announcement made earlier this year. I want to extend my personal thanks to Philippe for all that he has achieved in the course of his near three years.

2020 STRATEGIC GROWTH PLAN – *BUILDING BRAND AWARENESS*

At the same time, brand momentum has been building. **Increasing awareness of the Belmond brand** was the primary objective of our brand and marketing team in 2017.

Our global brand campaign, 'The Art of Belmond', is the story that threads through our long history and unites our individual properties together. It is the story of what defines us, and what sets us apart. The campaign creatives launched across print, social and digital channels in October and since then have been driving our message at scale. Last year, we increased our social following on all digital channels four-fold, and global media coverage of our brand reached an audience of 35 million worldwide.

In the months that followed the campaign launch, two of our iconic rail products were featured in successive Hollywood blockbuster movies: 'Murder on the Orient Express' and 'Paddington 2.' We fostered exciting new brand partnerships with Leica Sport Optic and the London Philharmonic Orchestra. Each has enabled the expansion of our guest experience programs at select properties, further cementing Belmond's position as the brand that creates authentic escape.

In 2018, as we turn the full focus of our brand and marketing teams to increasing online revenues, we have given ourselves a strong foundation on which to build. In the first full quarter since our new website went live, there were over 2.7 million unique visitors and our strategic marketing activity led to a rise in online revenues of around 30 percent versus the prior year quarter.

Today, backed by a new marketing strategy and a clearly defined brand, we have developed our digital ecosystem and invested in the digital marketing capabilities that will inform our ability to drive sales, recognize customers and reward loyalty.

In supporting the performance of our existing portfolio, the brand must be recognized as an increasingly valuable tool. This is equally true as we pursue further footprint expansion.

2020 STRATEGIC GROWTH PLAN – *EXPANDING OUR GLOBAL FOOTPRINT*

In terms of our development pipeline, 2017 was a year in which the essential building blocks were put in place and we have seen momentum gather.

We started the year with the launch of South America's first luxury sleeper train, an asset that is emblematic of Belmond's unique luxury travel offering. We enhanced our Peruvian portfolio with the addition of Belmond Hotel Las Casitas, before succeeding in the complex and high-calibre acquisition of Belmond Cap Juluca. This property, as we know, was damaged in the wake of hurricane Irma last September. Following significant – albeit necessary – investment and extensive renovation, and as our marquee asset in the Caribbean, we can look forward to the property re-opening in time for the all-important peak season, in the fourth quarter of 2018.

Still, overall, we did not close the total number of deals that we had targeted last year. It is fair to admit that it took us approximately one year longer than anticipated to develop the necessary processes and secure the required resources to jump start our development machine. We needed to find the right talent and we needed to build a brand that would help us to win in a competitive marketplace.

We have started 2018 with all of these component parts in place, including, for the first time, a fully-staffed development team. The acquisition of the stunning Tuscan resort, Castello di Casole, followed in February this year, marking the fifth new product for our portfolio since the commencement of our plan.

As a reminder, the adjusted EBITDA goal we targeted in 2016 was between $226 and $256 million by 2020, with roughly half of this amount coming from organic growth and half from footprint expansion. While we appreciate there is a lot of time and work to do before we reach the end of our five year plan, as of today we expect our existing business to outperform our organic growth target for 2020, and that this will offset the one-year lag in adjusted EBITDA contribution from the slower-than-expected execution of our development plan.

Looking ahead, we are confident in our ability to ramp up our development activity. We have a development pipeline that is generating more quality opportunities than we, as a company, have seen before. Having already closed complicated deals in South America, Europe and the Caribbean and supported by our planned strategic capital recycling activity we are optimistic about delivering on our development goals in 2018.

CONCLUSION

Meeting the challenges of 2017 has helped us to define who we are today and inspired confidence in what we can become. In an increasingly competitive marketplace, Belmond has established an authentic and clear brand identity, built a team of inspired employees dedicated to serving our guests at the highest levels, and put in place a management team focused on driving robust financial performance.

2018 will be a pivotal year as we work to achieve the growth projections we set out under our strategic plan. I firmly believe that we have all the required building blocks in place to deliver on our RevPAR and other performance targets this year, and that this will put our ambitious 2020 goals well within our reach.

We will maintain a consistent and focused approach to our strategic goals, internal values and our brand. We will build and extend our competitive advantages and capitalize on the many opportunities that lie ahead of us. We are armed today with a team that has never been more ready, more able or better equipped for the challenge. We start 2018 without complacency and with absolute conviction in our ability to deliver our plan and, thereby, long-term shareholder value.

On behalf of the management team and my fellow directors, I would like to express my appreciation for your continued support.

H. Roeland Vos
President and Chief Executive Officer

Use of Non-GAAP Financial Measures

To supplement the Company's consolidated financial statements presented in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which are filed with the Securities and Exchange Commission ("SEC") as part of the Company's annual report on Form 10-K and interim reports on Form 10-Q, management analyzes the operating performance of the Company on the basis of adjusted EBITDA. Adjusted EBITDA is the measure used by the Company's management team to assess the operating performance of the Company's businesses and, as disclosed in Note 24 to the financial statements and in Management's Discussion and Analysis of the Company's periodic report beginning with the Form 10-Q for the period ended March 31, 2017. Adjusted EBITDA is also presented on a consolidated basis because management believes it helps our investors evaluate the Company's profitability on a basis consistent with that of its operating segments. Adjusted EBITDA is also a financial performance measure commonly used in the hotel and leisure industry, although the Company's adjusted EBITDA may not be comparable in all instances to that disclosed by other companies. Adjusted EBITDA should not be considered as an alternative to earnings from operations or net earnings under U.S. GAAP for purposes of evaluating the Company's operating performance as presented in the Company's consolidated financial statements filed with the SEC.

Adjusted EBITDA, when presented on a consolidated basis, including the items set forth in the Company's reconciliations tables, and adjusted net earnings / (losses) of the Company are non-GAAP financial measures and do not have any standardized meanings prescribed by U.S. GAAP. Adjusted EBITDA provides useful information to investors about the Company because it is not affected by non-operating factors such as leverage (affecting interest expense), tax positions (affecting income tax expense), the historical cost of assets (affecting depreciation expense) and the extent to which intangible assets are identifiable (affecting amortization expense). Adjusted EBITDA and adjusted net earnings / (losses) are unlikely to be comparable to similar measures presented by other companies, which may be calculated differently, and should not be considered as an alternative to net earnings or any other measure of performance prescribed by U.S. GAAP. Management considers adjusted EBITDA and adjusted net earnings / (losses) to be meaningful indicators of operations and uses them as measures to assess operating performance. Adjusted EBITDA and adjusted net earnings / (losses) are also used by investors, analysts and lenders as measures of financial performance because, as adjusted in the described manner, the measures provide a consistent basis on which the performance of the Company can be assessed from period to period. However, these measures are not intended to substitute for U.S. GAAP measures of Company performance as reflected in the Company's consolidated financial statements filed with the SEC.

EBITDA, adjusted EBITDA and adjusted net earnings / (losses) have limitations as analytical tools. Some of these limitations are: they do not reflect the Company's cash expenditures or future requirements for capital expenditure or contractual commitments; they do not reflect changes in, or cash requirements for, the Company's working capital needs; they do not reflect interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debt; although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and adjusted EBITDA do not reflect any cash requirements for such replacements; and they are not adjusted for all non-cash income or expense items that are reflected in the Company's statements of cash flows.

Definitions

All references to constant currency, which is a non-GAAP measure, represent a comparison between periods excluding the impact of foreign exchange movements. The Company calculates these amounts by translating prior-year results at current-year exchange rates. The Company analyzes certain key financial measures on a constant currency basis to better understand the underlying results and trends of the business without distortion from the effects of currency movements.

Revenue per available room ("RevPAR") is calculated by dividing room revenue by room nights available for the period. Same store RevPAR is a comparison of RevPAR based on the operations of the same units in each period, by excluding the effect of any hotel acquisitions in the period or major refurbishment where a property is closed for a full quarter or longer. The comparison also excludes the effect of dispositions (including discontinued operations) or closures. Management uses RevPAR and same store RevPAR to identify trend information with respect to room revenue and to evaluate the performance of a specific hotel or group of hotels in a given period.

Average daily rate ("ADR") is calculated by dividing room revenue by rooms sold for the period. Management uses ADR to measure the level of pricing achieved by a specific hotel or group of hotels in a given period.

Occupancy is calculated by dividing total rooms sold by total rooms available for the period. Occupancy measures the utilization of a hotel's available capacity. Management uses occupancy to measure demand at a specific hotel or group of hotels in a given period.

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), reflects earnings / (losses) from continuing operations excluding interest, foreign exchange (a non-cash item), tax (including tax on unconsolidated companies), depreciation and amortization.

Adjusted EBITDA is calculated by adjusting EBITDA for items such as restructuring and other special items such as leases and sales, acquisition-related costs, disposals of assets and investments, impairments, and certain other items (some of which may be recurring) that management does not consider indicative of ongoing operations or that could otherwise have a material effect on the comparability of the Company's operations.

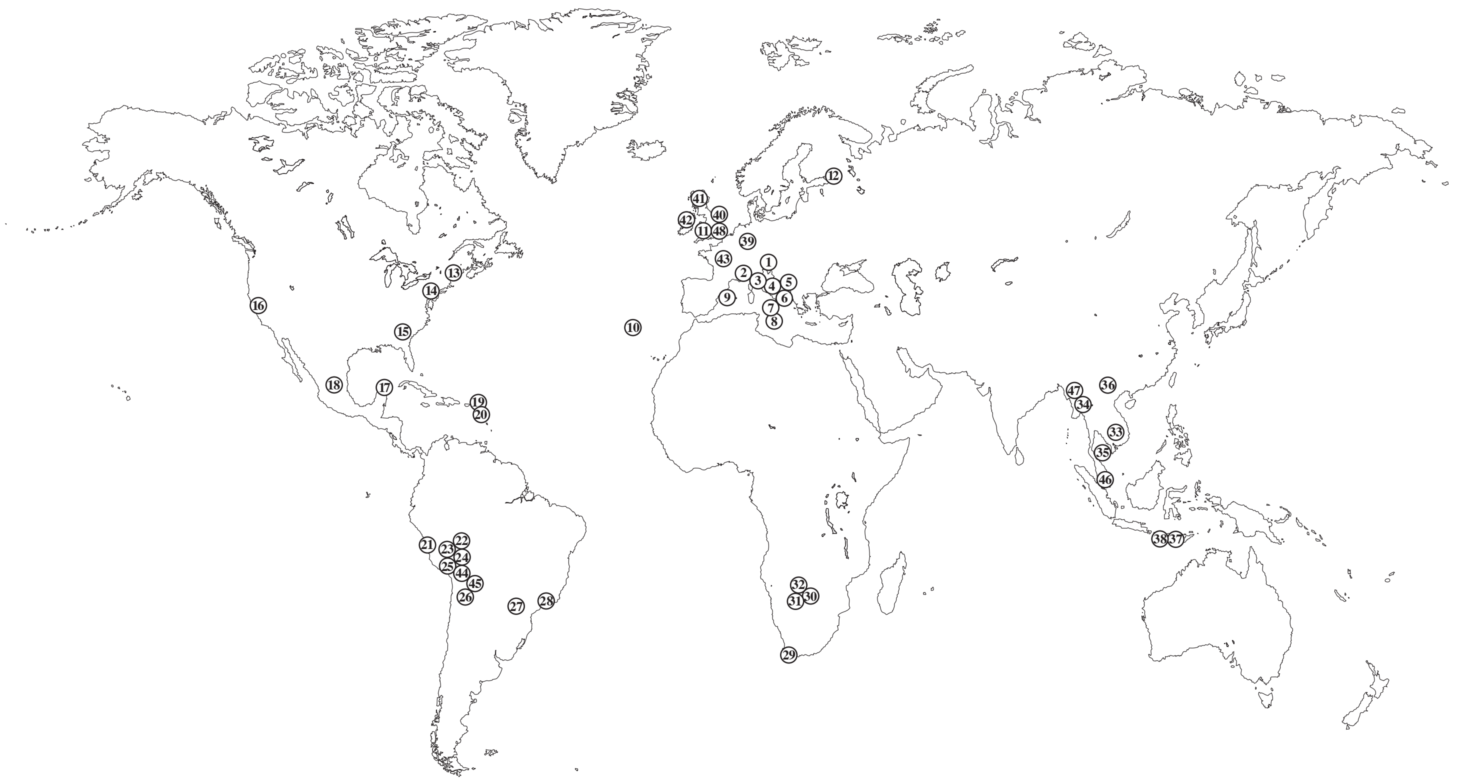
Adjusted net earnings / (losses) is calculated by adjusting earnings / (losses) from continuing operations for items such as foreign exchange (a non-cash item), asset acquisitions, leases and sales, disposals of assets and investments, and certain other items (some of which may be recurring) that management does not consider indicative of ongoing operations or that could otherwise have a material effect on the comparability of the Company's operations.

Net debt is the sum of the Company's current portion of long-term debt and capital leases and long-term debt and obligations under capital leases minus the sum of the Company's cash, cash equivalents and restricted cash. The Company measures long-term debt after deducting unamortized debt issuance costs and discount on secured term loans.

Cautionary Statements

This news release and related oral presentations by management contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements regarding the Company's three-point growth strategy, future revenue, earnings, RevPAR, EBITDA and adjusted EBITDA, statement of operations and cash flow outlook, investment plans, debt refinancings, asset acquisitions, leases and sales, entry into third-party management contracts, operating synergies and revenue opportunities, operating systems, and benefits of the Company's brand and similar matters that are not historical facts and therefore involve risks and uncertainties. These statements are based on management's current expectations and beliefs regarding future developments, are not guarantees of performance and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Factors that may cause actual results, performance and achievements to differ from those express or implied in the forward-looking statements include, but are not limited to, those mentioned in the news release and oral presentations, our ability to execute and achieve our three-point growth strategy, future effects, if any, on the travel and leisure markets of terrorist activity and any police or military response, varying customer demand and competitive considerations, failure to realize expected hotel bookings and reservations and planned real estate sales as actual revenue, inability to sustain price increases or to reduce costs, rising fuel costs adversely impacting customer travel and the Company's operating costs, fluctuations in interest rates and currency values, uncertainty of negotiating and completing any future asset acquisitions, leases, sales and third-party management contracts, debt refinancings, capital expenditures and acquisitions, inability to reduce funded debt as planned or to obtain bank agreement to any future requested loan agreement waivers or amendments, adequate sources of capital and acceptability of finance terms, possible loss or amendment of planning permits and delays in construction schedules for expansion projects, delays in reopening properties closed for repair or refurbishment and possible cost overruns, shifting patterns of tourism and business travel and seasonality of demand, adverse local weather conditions, possible challenges to the Company's ownership of its brands, the Company's reliance on technology systems and its development of new technology systems, changing global or regional economic conditions and weakness in financial markets which may adversely affect demand, legislative, regulatory and political developments (including the evolving political situation in Ukraine, Brazil, and Peru, and regional events in Myanmar, in the United Kingdom in respect of its withdrawal from the European Union and in the United States in respect of its evolving immigration and trade policies and the Tax Cuts and Jobs Act of 2017, and the resulting impact of these situations on local and global economies, exchange rates and on current and future demand), the threat or current transmission of epidemics, infectious diseases, and viruses, such as the Zika virus which may affect demand in Latin America, including the Caribbean, and elsewhere, and possible challenges to the Company's corporate governance structure. Further information regarding these and other factors that could cause management's current expectations and beliefs not to be realized is included in the filings by the Company with the U.S. Securities and Exchange Commission. Except as otherwise required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statement, whether due to new information, future events or otherwise.

Belmond properties and their locations



Hotels

1. Belmond Hotel Cipriani, Venice
2. Belmond Hotel Splendido, Portofino
3. Belmond Splendido Mare, Portofino
4. Belmond Villa San Michele, Florence
5. Belmond Castello di Casole, Tuscany
6. Belmond Hotel Caruso, Amalfi Coast
7. Belmond Grand Hotel Timeo, Taormina
8. Belmond Villa Sant' Andrea, Taormina Mare
9. Belmond La Residencia, Mallorca
10. Belmond Reid's Palace, Madeira
11. Belmond Le Manoir aux Quat'Saisons, Oxfordshire
12. Belmond Grand Hotel Europe, St. Petersburg
13. '21' Club, New York (restaurant)
14. Inn at Perry Cabin by Belmond, Maryland
15. Belmond Charleston Place, Charleston
16. Belmond El Encanto, Santa Barbara
17. Belmond Maroma Resort and Spa, Riviera Maya
18. Belmond Casa de Sierra Nevada, San Miguel de Allende
19. Belmond Cap Juluca, Anguilla
20. Belmond La Samanna, St Martin
21. Belmond Miraflores Park, Lima
22. Belmond Sanctuary Lodge, Machu Picchu
23. Belmond Hotel Monasterio, Cusco
24. Belmond Palacio Nazarenas, Cusco
25. Belmond Hotel Rio Sagrado, Sacred Valley
26. Belmond Las Casitas, Colca Canyon
27. Belmond Hotel das Cataratas, Iguassu Falls
28. Belmond Copacabana Palace, Rio de Janeiro
29. Belmond Mount Nelson Hotel, Cape Town
30. Belmond Khwai River Lodge, Moremi Reserve
31. Belmond Eagle Island Lodge, Okavango Delta
32. Belmond Savute Elephant Lodge, Chobe Reserve
33. Belmond La Résidence d'Angkor, Siem Reap
34. Belmond Governor's Residence, Yangon
35. Belmond Napasai, Koh Samui
36. Belmond La Résidence Phou Vao, Luang Prabang
37. Belmond Jimbaran Puri, Bali
38. Ubud Hanging Gardens, Bali

Trains & Cruises

39. Venice Simplon-Orient-Express, Europe
40. Belmond British Pullman, London
41. Belmond Royal Scotsman, Edinburgh
42. Belmond Grand Hibernian, Ireland
43. Belmond Afloat in France, Burgundy
44. Peru Rail, Peru
45. Belmond Andean Explorer, Peru
46. Eastern & Oriental Express, Southeast Asia
47. Belmond Road to Mandalay, Ayeyarwady River

Future Hotel Opening

48. Belmond Cadogan Hotel, London

Directors

The current directors of the Company are as follows:

Name, Age	Principal Occupation and Other Major Affiliations	Year First Became Director
Harsha V. Agadi, 55	Chief Executive Officer and President of Crawford & Company (international insurance services firm) and Chairman and Chief Executive Officer of GHS Holdings, LLC (investing and restaurant consulting business)	2011
Roland A. Hernandez, 60	Chairman of the Board of the Company, and Founding Principal and Chief Executive Officer of Hernandez Media Ventures (acquisition and management of media assets)	2013
Mitchell C. Hochberg, 65	President of Lightstone Group LLC (real estate investment and development firm)	2009
Ruth A. Kennedy, 53	Founder and Consultant of Kennedy Dundas Ltd. (brand and business consultancy)	2012
Ian Livingston, 53	Member of the U.K. House of Lords, Chairman, Dixons Carphone plc, Chairman, Man Group plc	2015
Demetra Pinsent, 43	Chief Executive of Charlotte Tilbury Beauty Ltd. (beauty and cosmetics company)	2017
Gail Rebuck, 66	Member of the U.K. House of Lords, Chair of Penguin Random House UK	2015
H. Roeland Vos, 60	President and Chief Executive Officer of the Company	2014

The principal occupation of each director is set forth in the table above supplemented by the following information.

Mr. Agadi was appointed Chief Executive Officer and President of Crawford & Company, an international insurance services firm listed on the New York Stock Exchange, in June 2016, after serving as its Interim Chief Executive Officer and Interim President since August 2015. Mr. Agadi is also Chairman and Chief Executive Officer of GHS Holdings, LLC, an investing and restaurant consulting business, a position he has held since 2000. From 2012 to 2014, Mr. Agadi was Executive Chairman of Quizno's Global LLC, a privately-owned group of mainly franchised restaurants in 40 countries. Previously in 2010 to early 2012, he was Chairman and Chief Executive Officer of Friendly Ice Cream Corporation, a private company operating restaurants principally in the eastern United States. From 2004 to 2009, Mr. Agadi was President and Chief Executive of Church's Chicken Inc., another branded restaurant group in over 20 countries. From 2000 to 2004, he was an Industrial Partner of Ripplewood Holdings LLC, a private equity investment firm, and in the 1990s held executive positions with other branded restaurant groups. Mr. Agadi is on the Board of Visitors of the Fuqua Business School at Duke University.

Mr. Hernandez has been the Founding Principal and Chief Executive Officer of Hernandez Media Ventures since 2001. He previously served as Chief Executive Officer of Telemundo Group, Inc. from 1995 to 2000, and also Chairman from 1998 to 2000. He founded Interspan Communications and served as President from 1986 to 1994. He currently is a non-executive director of MGM Resorts International, Vail Resorts Inc., and U.S. Bancorp, all listed on the NYSE. At MGM Resorts and Vail Resorts, he is Lead Director on each board. He previously served on the board of Sony Corporation for five years to 2013, The Ryland Group Inc. for 12 years to 2012, and Wal-Mart Stores Inc. for ten years to 2008, all NYSE-listed companies. Mr. Hernandez has gained significant board committee experience at all of these listed companies. In addition, he is currently a member of the Board of Advisors of Harvard Law School and a member of the President's Council on International Activities at Yale University. He was appointed Chairman of the Board of Belmond Ltd. in June 2013.

Mr. Hochberg was appointed President of Lightstone Group LLC in 2012, a privately-owned U.S.-based real estate company owning, developing and managing a diversified portfolio of commercial, industrial, multi-family residential, and hospitality properties. He has been the Managing Principal of Madden Real Estate Ventures since 2007. He was President and Chief

Operating Officer of Ian Schrager Company, a developer and manager of innovative luxury hotels and residential projects in the United States from 2006 through early 2007. Mr. Hochberg founded, and for 20 years through 2005, was the President and Chief Executive Officer of Spectrum Communities and its successor, developers of luxury home communities in the northeastern United States. Mr. Hochberg was the non-executive Chairman of Orleans Homebuilders Inc., a developer of single-family residences in seven U.S. states from 2011 to 2014. He is Chairman of the Board of Directors of WMC Health, a $2.2 billion, ten-hospital, regional healthcare network. He is a lawyer and a certified public accountant.

Ms. Kennedy founded Kennedy Dundas in 2009, a brand and business consultancy advising clients in the luxury goods and services sectors to meet their business development objectives. From 2006 to 2009, she served as head of Quinlan Private UK, a Dublin-based real estate and private equity group managing commercial and residential properties in Europe including luxury hotels. Ms. Kennedy was responsible for opening offices in the United Kingdom and establishing the firm's private client business in Europe. For sixteen years prior to that position, Ms. Kennedy served as Managing Director responsible for business development as well as day-to-day operations with David Linley and Co., the bespoke furniture and design business in the U.K. Ms. Kennedy began her career at S.G. Warburg as an investment banker. Ms. Kennedy is a non-executive director of Bholdings Ltd, a private company providing various business services, David Linley Holdings and Value Retail plc, a private company specializing in the creation and operation of luxury shopping outlet destinations, and an executive director of Kennedy Dundas.

Lord Livingston is a member of the U.K. House of Lords after being made a life peer in 2013 and served as U.K. Minister of State for Trade and Investment from December 2013 to May 2015. Prior to this appointment, Lord Livingston held a number of executive positions with BT Group plc, one of the world's leading communications companies and a member of the FTSE 100, including Group Chief Executive Officer from 2008 to 2013, and served on the company's board of directors throughout his eleven-year tenure with the company. Prior to his time with BT Group, Lord Livingston held various leadership positions from 1991 to 2002, including Chief Financial Officer and executive director, with Dixons Group plc (now Dixons Carphone plc), one of the largest consumer electronics retailers in Europe. Lord Livingston currently serves as the non-executive Chairman of Dixons Carphone plc and as the non-executive Chairman of Man Group plc. Lord Livingston is a member of the Institute of Chartered Accountants in England and Wales.

Lady Pinsent is Chief Executive of Charlotte Tilbury Beauty Ltd., a privately-owned beauty and cosmetics company based in the U.K., a position she has held since 2012. Lady Pinsent worked at McKinsey & Co. from 1999 to 2012, and was elected partner in 2006. She led its retail and consumer practice with a focus primarily across the luxury goods, fashion, apparel, food and health, and beauty sectors. Lady Pinsent was a non-executive director of Capital & Counties Properties plc, a UK-based property investment and development company listed on the London and Johannesburg Stock Exchanges, from 2012 until September 2017. In January 2017, Lady Pinsent was appointed as a Trustee of The Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry.

Baroness Rebuck has served as Chair of Penguin Random House UK from 2013 to date. From 1991 until 2013, she served as Chair and Chief Executive of Random House UK and its overseas subsidiaries. Baroness Rebuck was the co-founder and director of Century Publishing, which was launched in 1982 and which was acquired by Random House Inc. in 1989, at which time Baroness Rebuck became Chair of the Random House division. Baroness Rebuck is currently a member of the Global Board of Representatives of Penguin Random House, a member of the General Management Committee of Bertelsmann SE & Co. KGaA, and a non-executive director of Koovs plc and Guardian Media Group. Baroness Rebuck was a non-executive director of British Sky Broadcasting Group plc from 2002 until 2012. Baroness Rebuck chairs the Council of the Royal College of Art. Baroness Rebuck was awarded a DBE in 2009 and was appointed a life peer to the House of Lords in 2014.

Mr. Vos was appointed President and Chief Executive Officer of Belmond in September 2015. He was elected to the Belmond board of directors in June 2014. From 2001 to 2013, Mr. Vos served as President of the Europe, Africa and Middle East division of Starwood Hotels and Resorts Worldwide, Inc., and until mid-2015, he acted as an independent director on the board of Starwood EAME bvba. Mr. Vos served as the Vice Chairman of the Supervisory Board of Design Hotels AG, a hotel marketing company majority-owned by Starwood and listed on the Munich stock exchange, until July 2014. Mr. Vos joined ITT Sheraton, a predecessor of Starwood, in 1982 and held progressively senior hotel operating and management positions throughout his career, including President, Europe and Senior Vice President and Area Director, Italy and Malta, during which period he was an integral part of the introduction and expansion of the Luxury Collection. During his 12 years as President of Europe, Africa and Middle East, the division grew from 127 owned and managed properties in the region to 243 spread over 60 countries, with another 64 hotels and resorts in the development pipeline. In addition to serving on the board of Belmond, Mr. Vos is on the board of Albron B.V., a Dutch foundation that operates catering and restaurants in the Netherlands and Belgium and until December 2015, he was on the board of Joa Group Holding, a private company that operates 21 casinos in France.

Executive Officers

The current executive officers of the Company are as follows:

Name, Age	Position
H. Roeland Vos, 60	President and Chief Executive Officer
Ingrid Eras-Magdalena, 52	Executive Vice President, Chief Human Resources Officer
Richard M. Levine, 57	Executive Vice President, Chief Legal Officer
Martin O'Grady, 54	Executive Vice President, Chief Financial Officer
Philippe Cassis, 55	Senior Vice President, Organizational Transformation
Daniel Ruff, 39	Senior Vice President, Head of Global Operations

The principal occupation of the current executive officers of the Company is shown in the table above supplemented by the following information, except with respect to Mr. Vos whose previous experience is described above regarding the Company's directors.

Ms. Eras-Magdalena joined the Company in 2014 from Starwood Hotels & Resorts Worldwide, Inc., where she served as Vice President, People Development and Staffing for the Europe, Africa and Middle East division since 2006. Ms. Eras-Magdalena previously held various positions in the human resources department of Starwood's Europe, Africa and Middle East division starting in 2000 and several years in operations with Starwood, Le Meridien and Forte Hotels in Europe.

Mr. Levine joined the Company in February 2012 after eight years with Kerzner International Holdings, Ltd., a global resort development and management business operating primarily under the One&Only and Atlantis brands, where he served as Executive Vice President and General Counsel working in business development and restructuring while leading the legal, regulatory and compliance department. Previously he worked in the private equity investment business as General Counsel at Hellman & Friedman LLC (1998-2003) and General Counsel for the Private Equity Division of Credit Suisse First Boston (1996-1998). Mr. Levine is a New York-licensed lawyer.

Mr. O'Grady joined the Company in February 2008 from Orion Capital Managers LP, a European private equity real estate investment firm including hotels, where he served as Chief Financial Officer. From 1999 until 2005, he worked for Security Capital European Realty, where he served as Chief Financial Officer of Access Self Storage, a retail self-storage operator in the United Kingdom, France and Australia. From 1992 until 1998, Mr. O'Grady held a number of senior finance positions with Jardine Matheson Group, an Asian-based conglomerate, including Group Financial Controller of Mandarin Oriental Hotel Group from 1992 to 1995. Mr. O'Grady began his career with PricewaterhouseCoopers and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Cassis joined the Company in October 2015 from Sun Resorts Ltd. where he served as Chief Executive Officer and a member of the company's board of directors from 2013. Mr. Cassis previously held senior leadership positions over a period of 28 years at Starwood Hotels & Resorts Worldwide, Inc. where, from 2012 to 2013, he served as Senior Vice President, Operations South America and Global Initiatives Latin America; from 2006 to 2012, he served as Senior Vice President and Regional Director Spain and Portugal; and from 2001 to 2006, he served as Senior Vice President and Regional Director Middle East & Africa.

Mr. Ruff joined the Company in January 2018 from Wyndham Hotel Group where he served as President and Managing Director of Europe, the Middle East, Africa and India from November 2014 through 2017. Prior to joining Wyndham Hotel Group, Mr. Ruff held various roles in corporate investments and development, brand integration and operations and special projects during his eleven-year tenure at Starwood Hotels & Resorts Worldwide, Inc., including as Vice President, Asset Management and Vice President, Owner Relations & Portfolio Management. Mr. Ruff began his career as an investment banking analyst with Credit Suisse First Boston.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Belmond Ltd.
Hamilton, Bermuda

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Belmond Ltd. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, cash flows, and total equity, for each of the three years in the period ended December 31, 2017, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte LLP

London, England
March 1, 2018

We have served as the Company's auditor since 2005.

Financial Statements and Supplementary Data

Belmond Ltd. and Subsidiaries
Consolidated Balance Sheet

December 31,	2017 $'000	2016 $'000
Assets		
Cash and cash equivalents	180,153	153,425
Restricted cash	3,121	1,830
Accounts receivable, net of allowances of $544 and $420	34,373	25,775
Due from unconsolidated companies	12,762	12,165
Prepaid expenses and other	13,327	12,262
Inventories	23,092	23,931
Total current assets	266,828	229,388
Property, plant and equipment, net of accumulated depreciation of $417,738 and $368,939	1,168,044	1,074,676
Investments in unconsolidated companies	64,644	79,327
Goodwill	120,220	113,343
Other intangible assets	19,778	13,877
Other assets	14,123	13,457
Total assets (1)	1,653,637	1,524,068
Liabilities and Equity		
Accounts payable	15,815	16,366
Accrued liabilities	79,455	69,046
Deferred revenue	32,786	31,350
Current portion of long-term debt and obligations under capital leases	6,407	5,284
Total current liabilities	134,463	122,046
Long-term debt and obligations under capital leases	700,752	585,768
Liability for pension benefit	650	1,447
Other liabilities	3,023	5,366
Deferred income taxes	115,381	122,291
Liability for uncertain tax positions	532	318
Total liabilities (1)	954,801	837,236
Commitments and contingencies (Note 20)		
Equity:		
Shareholders' equity:		
Preferred shares $0.01 par value (30,000,000 shares authorized, issued Nil)	—	—
Class A common shares $0.01 par value (240,000,000 shares authorized):		
Issued — 102,365,933 (2016 - 101,793,829)	1,024	1,018
Class B common shares $0.01 par value (120,000,000 shares authorized):		
Issued — 18,044,478 (2016 - 18,044,478)	181	181
Additional paid-in capital	985,566	979,458
Retained earnings	13,278	52,751
Accumulated other comprehensive loss	(301,322)	(346,777)
Less: Reduction due to class B common shares owned by a subsidiary — 18,044,478 (2016 - 18,044,478)	(181)	(181)
Total shareholders' equity	698,546	686,450
Non-controlling interests	290	382
Total equity	698,836	686,832
Total liabilities and equity	1,653,637	1,524,068

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries

Consolidated Balance Sheets (continued)

(1) Included in Belmond Ltd.'s consolidated assets and liabilities are assets of consolidated variable interest entities ("consolidated VIEs") that can only be used to settle obligations of the consolidated VIEs and liabilities of consolidated VIEs whose creditors have no recourse to Belmond Ltd. The Company's only consolidated VIE at December 31, 2017 and December 31, 2016 is Charleston Center LLC. These assets and liabilities at December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
	$'000	$'000
Assets		
Cash and cash equivalents	1,530	2,233
Accounts receivable, net of allowances of $Nil and $Nil	3,623	3,066
Prepaid expenses and other	935	365
Inventories	1,360	1,296
Total current assets	7,448	6,960
Property, plant and equipment, net of accumulated depreciation of $42,676 and $35,902	197,369	201,861
Other assets	1,450	1,455
Total assets	206,267	210,276
Liabilities		
Accounts payable	4,518	4,558
Accrued liabilities	3,291	3,099
Deferred revenue	2,835	1,714
Current portion of long-term debt and obligations under capital leases	255	242
Total current liabilities	10,899	9,613
Long-term debt and obligations under capital leases	112,069	111,968
Other liabilities	—	40
Total liabilities	122,968	121,621

See further description in Note 6, *Variable interest entities*.

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries
Statements of Consolidated Operations

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Revenue [(1)]	560,999	549,824	551,385
Expenses:			
Cost of services	239,850	240,097	243,609
Selling, general and administrative	238,300	198,590	206,197
Depreciation and amortization	62,852	52,396	50,513
Impairment of goodwill	5,500	—	9,796
Impairment of property, plant and equipment	8,216	1,007	—
Total operating costs and expenses	554,718	492,090	510,115
(Loss)/gain on disposal of property, plant and equipment and equity method investments	(153)	938	20,275
Earnings from operations	6,128	58,672	61,545
Gain on extinguishment of debt	—	1,200	—
Interest income [(2)]	1,058	853	926
Interest expense	(32,455)	(29,155)	(32,101)
Foreign currency, net	(3,034)	9,186	(5,016)
(Losses)/earnings before income taxes and earnings from unconsolidated companies, net of tax	(28,303)	40,756	25,354
Provision for income taxes	(6,554)	(16,368)	(17,041)
(Losses)/earnings before earnings from unconsolidated companies, net of tax	(34,857)	24,388	8,313
(Losses)/earnings from unconsolidated companies, net of tax (benefit)/provision of $(4,451), $5,650 and $1,466	(10,213)	11,013	9,075
(Losses)/earnings from continuing operations	(45,070)	35,401	17,388
Net earnings/(losses) from discontinued operations, net of tax provision of $Nil, $Nil and $Nil	122	1,032	(1,534)
Net (losses)/earnings	(44,948)	36,433	15,854
Net (earnings)/losses attributable to non-controlling interests	(87)	(109)	411
Net (losses)/earnings attributable to Belmond Ltd.	(45,035)	36,324	16,265

(1) Includes revenue from related parties of $15,449,000, $15,458,000 and $13,123,000, respectively

(2) Includes interest income from related parties of $Nil, $Nil and $301,000, respectively

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries
Statements of Consolidated Operations (continued)

Year ended December 31,	2017 $	2016 $	2015 $
Basic earnings per share			
Net earnings/(losses) from continuing operations	(0.44)	0.35	0.17
Net earnings/(losses) from discontinued operations	—	0.01	(0.01)
Basic net earnings/(losses) per share attributable to Belmond Ltd.	(0.44)	0.36	0.16
Diluted earnings per share			
Net earnings/(losses) from continuing operations	(0.44)	0.34	0.17
Net earnings/(losses) from discontinued operations	—	0.01	(0.01)
Diluted net earnings/(losses) per share attributable to Belmond Ltd.	(0.44)	0.35	0.16

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries
Statements of Consolidated Comprehensive Income

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Net (losses)/earnings	(44,948)	36,433	15,854
Other comprehensive income/(losses), net of tax:			
Foreign currency translation adjustments, net of tax (benefit)/provision of $Nil, $(809) and $Nil	48,754	(10,848)	(88,457)
Change in fair value of derivatives, net of tax provision/(benefit) of $810, $222 and $(352)	1,920	867	(522)
Change in pension liability, net of tax provision/(benefit) of $73, $(530) and $147	310	(2,119)	580
Total other comprehensive losses, net of tax	50,984	(12,100)	(88,399)
Total comprehensive income/(losses)	6,036	24,333	(72,545)
Comprehensive (income)/losses attributable to non-controlling interests	(54)	(244)	688
Comprehensive income/(losses) attributable to Belmond Ltd.	5,982	24,089	(71,857)

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries
Statements of Consolidated Cash Flows

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Cash flows from operating activities:			
Net (losses)/earnings	(44,948)	36,433	15,854
Less: Net earnings/(losses) from discontinued operations, net of tax	122	1,032	(1,534)
Net (losses)/earnings from continuing operations	(45,070)	35,401	17,388
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	62,852	52,396	50,513
Impairment of goodwill	5,500	—	9,796
Impairment of property, plant and equipment	8,216	1,007	—
(Loss)/gain on disposal of property, plant and equipment and equity method investments	153	(938)	(20,275)
(Gain) on extinguishment of debt	—	(1,200)	—
Losses/(earnings) from unconsolidated companies, net of tax	10,213	(11,013)	(9,075)
Amortization of debt issuance costs and discount on secured term loan	3,682	3,044	2,903
Share-based compensation	5,809	6,272	6,707
Change in provisions for uncertain tax positions	160	(3,350)	279
Benefit from deferred income tax	(13,641)	(305)	(124)
Other non-cash movements	1,596	567	(1,076)
Effect of exchange rates on net (losses)/earnings	2,215	(12,258)	896
Change in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(633)	1,961	(536)
Due from unconsolidated companies	(419)	(788)	1,167
Prepaid expense and other	(349)	668	(725)
Inventories	2,539	(504)	1,962
Escrow and prepaid customer deposits	(1,082)	379	(1,284)
Accounts payable	(2,488)	877	(5,703)
Accrued liabilities	12,805	245	10,127
Deferred revenue	(489)	(1,434)	5,877
Other liabilities	(5,633)	(14,121)	—
Other, net	927	148	(3,008)
Other cash movements:			
Dividends from equity method investees	4,440	4,449	3,649
Proceeds from insurance settlements	1,462	—	—
Payment of swap termination costs	(2,145)	—	—
Net cash provided by operating activities from continuing operations	50,620	61,503	69,458
Net cash provided by/(used in) operating activities from discontinued operations	87	38	(1,534)
Net cash provided by operating activities	50,707	61,541	67,924

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries
Statements of Consolidated Cash Flows (continued)

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Cash flows from investing activities:			
Capital expenditure to acquire property, plant and equipment	(67,830)	(55,104)	(56,395)
Capital expenditure to acquire intangible assets	—	—	(714)
Acquisitions, net of cash acquired	(68,632)	—	—
Investments in unconsolidated companies	—	—	(4,061)
Increase in restricted cash	(46)	(6)	—
Release of restricted cash	—	—	519
Change in deferred revenue for asset sale deposits	—	—	(500)
Proceeds from sale of business	2,070	—	—
Proceeds from insurance settlements	13,588	—	—
Proceeds from sale of property, plant and equipment and equity method investments	—	2,746	43,742
Net cash used in investing activities from continuing operations	(120,850)	(52,364)	(17,409)
Net cash provided by investing activities from discontinued operations	—	—	—
Net cash used in investing activities	(120,850)	(52,364)	(17,409)
Cash flows from financing activities:			
Repurchase of shares	—	(1,992)	(37,565)
Exercised stock options and vested share awards	305	17	35
Dividend to non-controlling interest	—	(15)	(20)
Issuance of long-term debt	104,739	26,000	—
Debt issuance costs	(9,639)	(465)	(856)
Principal payments under long-term debt	(5,654)	(13,904)	(5,432)
Net cash provided by/(used in) financing activities from continuing operations	89,751	9,641	(43,838)
Net cash provided by financing activities from discontinued operations	—	—	—
Net cash provided by/(used in) financing activities	89,751	9,641	(43,838)
Effect of exchange rate changes on cash and cash equivalents	7,120	(992)	(6,196)
Net increase in cash and cash equivalents	26,728	17,826	481
Cash and cash equivalents at beginning of period (includes $Nil, $Nil and $Nil of cash presented within assets held for sale)	153,425	135,599	135,118
Cash and cash equivalents at end of period (includes $Nil, $Nil, $Nil of cash presented within assets held for sale)	180,153	153,425	135,599

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries
Statements of Consolidated Total Equity

	Preferred shares at par value $'000	Class A common shares at par value $'000	Class B common shares at par value $'000	Additional paid-in capital $'000	Retained earnings $'000	Accumulated other comprehensive loss $'000	Class B common shares held by a subsidiary $'000	Non-controlling interests $'000	Total $'000
Balance, January 1, 2015	—	1,040	181	1,000,803	5,763	(246,420)	(181)	1,075	762,261
Correction of prior period misstatement	—	—	—	—	5,562	(5,562)	—	—	—
Restated balance at January 1, 2015	—	1,040	181	1,000,803	11,325	(251,982)	(181)	1,075	762,261
Share-based compensation	—	—	—	6,707	—	—	—	—	6,707
Exercised stock options and vested share awards	—	8	—	27	—	—	—	—	35
Repurchase of shares	—	(33)		(32,118)	(5,856)	—	—	—	(38,007)
Dividend to non-controlling interest	—	—	—	—	—	—	—	(26)	(26)
Comprehensive loss:									
Net earnings attributable to common shares	—	—	—	—	16,265	—	—	(411)	15,854
Other comprehensive loss	—	—	—	—	—	(88,122)	—	(277)	(88,399)
Balance, December 31, 2015	—	1,015	181	975,419	21,734	(340,104)	(181)	361	658,425
Share-based compensation	—	—	—	6,272	—	—	—	—	6,272
Exercised stock options and vested share awards	—	5	—	12	—	—	—	—	17
Repurchase of shares	—	(2)	—	(2,245)	255	—	—	—	(1,992)
Dividend to non-controlling interest	—	—	—	—	—	—	—	(223)	(223)
Comprehensive income:									
Net earnings attributable to common shares	—	—	—	—	36,324	—	—	109	36,433
Other comprehensive loss	—	—	—	—	—	(12,235)	—	135	(12,100)
Balance at December 31, 2016	—	1,018	181	979,458	58,313	(352,339)	(181)	382	686,832
Share-based compensation	—	—	—	5,809	—	—	—	—	5,809
Exercised stock options and vested share awards	—	6	—	299	—	—	—	—	305
Repurchase of shares	—	—	—	—	—	—	—	—	—
Dividend to non-controlling interest	—	—	—	—	—	—	—	(146)	(146)
Comprehensive income:									

See notes to consolidated financial statements.

Net losses attributable to common shares	—	—	—	—	(45,035)	—	—	87	(44,948)
Other comprehensive income	—	—	—	—	—	51,017	—	(33)	50,984
Balance at December 31, 2017	—	1,024	181	985,566	13,278	(301,322)	(181)	290	698,836

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of financial statement presentation

Business

In this report Belmond Ltd. is referred to as the "Company", and the Company and its consolidated subsidiaries are referred to collectively as "Belmond".

At December 31, 2017, Belmond owned, invested in or managed 36 deluxe hotels and resort properties operating in the United States, Mexico, Caribbean, Europe, Southern Africa, South America, and Southeast Asia, one stand-alone restaurant in New York, seven tourist trains in Europe, Southeast Asia and Peru, one river cruise business in Myanmar (Burma) and one canal boat business in France. In addition, there is one hotel scheduled for a future opening, the Belmond Cadogan Hotel in London, England. Subsequent to the balance sheet date, the Company announced that through indirect subsidiaries it had acquired the Castello di Casole resort and estate in Tuscany, Italy, in February 2018. See Note 26.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and reflect the results of operations, financial position and cash flows of the Company and all its majority-owned subsidiaries and variable interest entities in which Belmond is the primary beneficiary. The consolidated financial statements have been prepared using the historical basis in the assets and liabilities and the historical results of operations directly attributable to Belmond, and all intercompany accounts and transactions between the Company and its subsidiaries have been eliminated. For entities where the Company does not have a controlling financial interest, the investments in those entities are accounted for using the equity or cost method, as appropriate.

Reclassifications

During the year ended December 31, 2017 the Company corrected a prior period misstatement to reclassify an immaterial deferred tax entry related to a change of functional currency at the Company's Brazilian subsidiaries in 2014. As a result, opening Retained Earnings increased by $5,562,000 and opening Accumulated and Other Comprehensive Income decreased by $5,562,000, with no net change in Total Equity. There is no impact on net earnings, EPS or cash flows in any period presented.

Discontinued operations and assets and liabilities held for sale were reclassified in the consolidated financial statements for all periods presented. See Note 5 for a summary of the results of discontinued operations and assets and liabilities held for sale.

2. Summary of significant accounting policies

"FASB" means Financial Accounting Standards Board. "ASC" means the Accounting Standards Codification of the FASB and "ASU" means an Accounting Standards Update of the FASB.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly-liquid investments having original maturities of three months or less.

Restricted cash

Restricted cash is the carrying amount of cash and cash equivalents which are bindingly restricted as to withdrawal or usage. These include deposits held as compensating balances against borrowing arrangements or under contracts entered into with others, but exclude compensating balance arrangements that do not legally restrict the use of cash amounts shown on the balance sheet.

Concentration of credit risk

Due to the nature of the leisure industry, concentration of credit risk with respect to trade receivables is limited. Belmond's customer base consists of numerous customers across different geographic areas.

Inventories

Inventories include food, beverages, certain operating stocks and retail goods. Inventories are valued at the lower of cost or market value under the weighted average method.

Assets held for sale and discontinued operations

Assets held for sale represent assets of an operating entity that are to be disposed of, together as a group in a single transaction, and liabilities directly associated with the assets that will be transferred in the transaction. Belmond considers properties to be assets held for sale when management approves and commits to a formal plan actively to market a property for sale and Belmond has a signed sales contract and received a significant non-refundable deposit. Upon designation as an asset held for sale, Belmond records the carrying value of each property at the lower of its carrying value which includes allocable segment goodwill or its estimated fair value, less estimated costs to sell, and Belmond stops recording depreciation expense. Where there is no significant ongoing involvement, the gain from the sale is recorded at the date of sale.

The results of operations of an entity that either has been disposed of or is classified as held for sale are reported in discontinued operations where the sale represents a strategic shift that has or will have a major effect on our operations and financial results following the adoption of new guidance as of January 1, 2015.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. The cost of significant renewals and betterments is capitalized and depreciated, while expenditures for normal maintenance and repairs are expensed as incurred.

Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Description	**Useful lives**
Buildings	Up to 60 years and 10% residual value
Trains	Up to 75 years
River cruise ship and canal boats	25 years
Furniture, fixtures and equipment	3 to 25 years
Equipment under capital lease and leasehold improvements	Lesser of initial lease term or economic life

Land and certain art and antiques are not depreciated.

Impairment of long-lived assets

Belmond management evaluates the carrying value of long-lived assets for impairment by comparing the expected undiscounted future cash flows of the assets to the net book value of the assets if certain trigger events occur. If the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value is charged to current earnings. Fair value is based upon discounted cash flows of the assets at a rate deemed reasonable for the type of asset and prevailing market conditions, sales of similar assets, appraisals and, if appropriate, current estimated net sales proceeds from pending offers. Belmond evaluates the carrying value of long-lived assets based on its plans, at the time, for those assets and such qualitative factors as future development in the surrounding area, status of expected local competition and projected incremental income from renovations. Changes to Belmond's plans, including a decision to dispose of or change the intended use of an asset, can have a material impact on the carrying value of the asset.

Investments

Investments include equity interests in and advances to unconsolidated companies and are accounted for under the equity method of accounting when Belmond has a 20% to 50% ownership interest or exercises significant influence over the investee. Under the equity method, the investment in the equity method investee or joint venture is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize Belmond's share of net earnings or losses and other comprehensive income or loss of the investee. Belmond continues to report losses up to its investment carrying amount, including any additional financial support made or committed to by Belmond. Belmond's share of earnings or losses is included in the determination of net earnings, and net investment in investees and joint ventures is included within investments in unconsolidated companies in the consolidated balance sheets.

Investments accounted for using the equity method are considered impaired when a loss in the value of the equity method investment is other than temporary. Evidence of a loss in value might include, but would not necessarily be limited to, absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain its earnings capacity that would justify the carrying amount of the investment. If Belmond determines that the decline in value of its investment is other than temporary, the carrying amount of the investment is written down to its fair value through earnings.

Goodwill

Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value. Belmond's annual goodwill impairment testing date is October 1. To test goodwill for impairment, Belmond first compares the carrying value of each reporting unit to its fair value to determine if an impairment is indicated. The fair value of reporting units is determined using internally developed discounted future cash flow models, which incorporate third party appraisals and industry/market data (to the extent available). Prior to January 1, 2017, if an impairment was indicated, Belmond compared the implied fair value of the reporting unit's goodwill to its carrying amount. An impairment loss was measured as the excess of the carrying value of a reporting unit's goodwill over its implied fair value. On January 1, 2017 Belmond early adopted the new guidance to simplify the accounting for goodwill impairment by removing the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. A goodwill impairment charge is now measured as the amount by which a reporting unit's carrying value exceeds its fair value, however the impairment charge is not to exceed the carrying amount of goodwill allocated to that reporting unit.

When determining the fair value of a reporting unit, Belmond is required to make significant judgments that Belmond believes are reasonable and supportable considering all available internal and external evidence at the time. However, these estimates and assumptions are, by their nature, highly judgmental. Fair value determinations are sensitive to changes in the underlying assumptions and factors including those relating to estimating future operating cash flows to be generated from the reporting unit which are dependent upon internal forecasts and projections developed as part of Belmond's routine, long-term planning process, available industry/market data (to the extent available), Belmond's strategic plans, estimates of long-term growth rates taking into account Belmond's assessment of the current economic environment and the timing and degree of any economic recovery, estimation of the useful life over which the cash flows will occur, and market participant assumptions. The assumptions with the most significant impact to the fair value of the reporting unit are those related to future operating cash flows which are forecast for a five-year period from management's budget and planning process, the terminal value which is included for the period beyond five years from the balance sheet date based on the estimated cash flow in the fifth year and a terminal growth rate ranging from 2.2% to 6.5% (December 31, 2016 - 1.2% to 4.9%), and pre-tax discount rates which for the year ended December 31, 2017 range from 9.9% to 19.3% (December 31, 2016 - 7.5% to 16.7%).

Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair values of Belmond's reporting units may include such items as (i) a prolonged weakness in the general economic conditions in which the reporting units operate and therefore negatively impacting occupancy and room rates, (ii) an economic recovery that significantly differs from Belmond's assumptions in timing and/or degree, (iii) volatility in the equity and debt markets which could result in a higher discount rate, (iv) shifts or changes in future travel patterns from Belmond's significant demographic markets that have not been anticipated, (v) changes in competitive supply, (vi) political and security instability in countries where Belmond operates and (vii) deterioration of local economies due to the uncertainty over currencies or currency unions and other factors which could lead to changes in projected cash flows of Belmond's properties as customers reduce their discretionary spending. If the assumptions used in the impairment analysis are not met or materially change, Belmond may be required to recognize additional goodwill impairment losses which may be material to the financial statements.

Other intangible assets

Trade names have an indefinite life and therefore are not amortized, but are assessed for impairment annually or when events indicate that impairment may have occurred. Other intangible assets with definite useful lives are tested for impairment if events or changes in circumstances indicate that the asset may be impaired. Belmond uses internally developed discounted future cash flow models in determining the fair value of indefinite-lived intangible assets.

Favorable lease intangible assets are amortized over the terms of the leases, which are between 19 and 60 years. Internet sites are amortized over a period of five to ten years.

Variable interest entities

Belmond analyzes its variable interests, including loans, guarantees and equity investments, to determine if an entity is a variable interest entity ("VIE"). In that assessment, Belmond's analysis includes both quantitative and qualitative considerations. Belmond bases its quantitative analysis on the forecast cash flows of the entity, and its qualitative analysis on a review of the design of the entity, organizational structure including decision-making ability, and relevant financial agreements. Belmond also uses its quantitative and qualitative analysis to determine if Belmond is the primary beneficiary and would therefore be required to consolidate the VIE.

Fair value measurements

Assets and liabilities carried at fair value are required to be classified and disclosed in one of three categories: Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date, Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and Level 3 — unobservable inputs for the asset or liability. Belmond reviews its fair value hierarchy classifications quarterly. Changes in significant observable valuation inputs identified during these reviews may trigger reclassification of fair value hierarchy levels of financial assets and liabilities. These reclassifications are reported as transfers at their fair values at the beginning of the period in which the change occurs and as transfers out at their fair values at the end of the period.

Derivatives are recorded in the consolidated balance sheets at fair value. The fair value of Belmond's derivative financial instruments is computed based on an income approach using appropriate valuation techniques including discounting future cash flows and other methods that are consistent with accepted economic methodologies for pricing financial instruments. The valuation process for the derivatives uses observable market data provided by third-party sources. Interest rate swaps are valued by using yield curves derived from observable interest rates to project future swap cash flows and then these cash flows are discounted back to present values. Interest rate caps are valued using a model that projects the probability of various levels of interest rates occurring in the future using observable volatilities.

In the determination of fair value of derivative instruments, a credit valuation adjustment is applied to Belmond's derivative exposures to take into account the risk of the counterparty defaulting with the derivative in an asset position and, when the derivative is in a liability position, the risk that Belmond may default. The credit valuation adjustment is calculated by determining the total expected exposure of the derivatives (incorporating both the current and potential future exposure) and then applying each counterparty's credit spread to the applicable exposure. For interest rate swaps, Belmond's own credit spread is applied to the counterparty's exposure to Belmond and the counterparties credit spread is applied to Belmond's exposure to the counterparty, and then the net credit valuation adjustment is reflected in the determination of the fair value of the derivative instrument. The credit spreads used as inputs in the fair value calculations represent implied credit default swaps obtained from a third-party credit data provider. Some of the inputs into the credit valuation adjustment are not observable and, therefore, they are considered to be Level 3 inputs. Where the credit valuation adjustment exceeds 10% of the fair value of the derivatives, Level 3 inputs are assumed to have a significant impact on the fair value of the derivatives in their entirety and the derivative is classified as Level 3.

Derivative financial instruments

Derivative instruments are recorded on the consolidated balance sheets at fair value. The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in other comprehensive income/(loss) and is subsequently reclassified into earnings in the period that the hedged forecast transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. If a derivative instrument is not designated as a hedge for accounting purposes, the fluctuations in the fair value of the derivative are recorded in earnings.

Belmond management formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. Belmond links all hedges that are designated as fair value hedges to specific assets or liabilities on the consolidated balance sheets or to specific firm commitments. Belmond links all hedges that are designated as cash flow hedges to forecasted transactions or to floating rate liabilities on the balance sheets. Belmond management also assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are designated in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items. Belmond discontinues hedge accounting prospectively when the derivative is not highly effective as a hedge, the underlying hedged transaction is no longer probable, or the hedging instrument expires, is terminated, or exercised.

Belmond is exposed to interest rate risk on its floating rate debt and management uses derivatives to manage the impact of interest rate changes on earnings and cash flows. Belmond's objective in using interest rate derivatives is to add certainty and stability to its interest expense. To accomplish this objective, Belmond primarily uses interest rate swaps as part of its interest rate risk management strategy. These swaps effectively convert the floating rate interest payments on a portion of the outstanding debt into fixed payments.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recorded in other comprehensive income/(loss) within foreign currency translation adjustment. The gain or loss relating to the ineffective portion will be recognized immediately in earnings within foreign currency, net. Gains and losses deferred in accumulated other comprehensive income/(loss) are recognized in earnings upon disposal of the foreign operation. Belmond links all hedges that are designated as net investment hedges to specifically identified net investments in foreign subsidiaries.

Belmond has net assets denominated in a variety of currencies. It hedges the U.S. dollar value of euro net assets by using net investment hedges.

Pensions

Belmond's primary defined benefit pension plan is accounted for using actuarial valuations. Net funded status is recognized on the consolidated balance sheets and any unrecognized prior service costs or actuarial gains and losses are reported as a component of other comprehensive income/(loss) in shareholders' equity.

In determining the expected long-term rate of return on assets, management has reviewed anticipated future long-term performance of individual asset classes and the appropriate asset allocation strategy given the anticipated requirements of the plan to determine the average rate of earnings expected on the funds invested. The projected returns are based on broad equity and bond indices, including fixed interest rate gilts (United Kingdom Government issued securities) of long-term duration since the plan operates in the U.K.

Management continues to monitor and evaluate the level of pension contributions based on various factors that include investment performance, actuarial valuation and tax deductibility.

Share-based compensation

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which equity instruments are granted and is recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Estimates of the grant date fair value of share options and the fair value of deferred shares and restricted shares without performance criteria on the grant date were made using the Black-Scholes option pricing model, and estimates of the grant date fair value of deferred shares with performance criteria and market conditions were made using the Monte Carlo valuation model.

For awards with market conditions, the conditions are incorporated into the fair value measurement and the compensation value is not adjusted if the conditions are not met. For awards with performance conditions, compensation expense is recognized when it becomes probable that the performance criteria specified in the awards will be achieved and, accordingly, the compensation value is adjusted following the changes in the estimates of shares likely to vest based on the performance criteria.

Expected volatilities are based on historical volatility of the Company's class A common share price and other factors. The risk-free rate for periods within the expected life is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life represents the period that share-based awards are expected to be outstanding and was determined using historical experience, giving consideration to the contractual terms of the share-based awards and vesting schedules.

At each balance sheet date before the share-based award vests, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognized in the consolidated statements of operations, with a corresponding entry in equity.

Previously recognized compensation cost is not reversed if an employee share option for which the requisite service has been rendered expires unexercised (or unconverted). If stock options are forfeited, then the compensation expense accrued is reversed. Prior to December 31, 2016, Belmond did not estimate a future forfeitures rate and did not incorporate it into the grant value on issue of the awards on the grounds of materiality. As of December 31, 2016 Belmond adopted new guidance and made an accounting policy election to allow the recognition of the effects of forfeitures in compensation cost when they occur.

Estimates

Belmond bases its estimates on historical experience and also on assumptions that Belmond believes are reasonable based on the relevant facts and circumstances of the estimate. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates include, among others, the allowance for doubtful accounts, fair value of derivative instruments, estimates for determining the fair value of goodwill, long-lived and other intangible asset impairment, share-based compensation, depreciation and amortization, carrying value of assets including intangible assets, employee benefits, taxes, and contingencies. Actual results may differ from those estimates.

Revenue recognition

Hotel and restaurant revenue is recognized when the rooms are occupied and the services are performed. Train and cruise revenue is recognized upon commencement of the journey. Revenue under management contracts is recognized based upon on an agreed base fee and additional revenue is recognized on the attainment of certain financial results, primarily revenue and operating earnings, in each contract as defined.

Deferred revenue consisting of deposits paid in advance is recognized as revenue when the services are performed for hotels and restaurants and upon commencement of train and cruise journeys.

Marketing costs

Marketing costs are expensed as incurred, and are reported in selling, general and administrative expenses. Marketing costs include costs of advertising and other marketing activities. These costs were $41,590,000 in 2017 (2016 - $38,361,000; 2015 - $40,381,000).

Interest expense

Capitalized interest during the construction of qualifying assets is capitalized and included in the cost of the asset. Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are deferred and amortized to interest expense over the term of the related debt.

Foreign currency

The functional currency for each of Belmond’s operating subsidiaries is the applicable local currency, except for properties in French West Indies, British West Indies, Peru, Cambodia, Myanmar and one property in Mexico, where the functional currency is U.S. dollars.

For foreign subsidiaries with a functional currency other than the U.S. dollar, income and expenses are translated into U.S. dollars, the reporting currency of Belmond, at the average rates of exchange prevailing during the year. The assets and liabilities are translated into U.S. dollars at the rates of exchange on the balance sheet date and the related translation adjustments are included in other comprehensive income/(loss). Translation adjustments arising from intercompany financing of a subsidiary that is considered to be long-term in nature are also recorded in other comprehensive income/(loss) as they are considered part of the net investment in the subsidiary.

Transactions in currencies other than an entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction. Exchange differences arising from changes in exchange rates are recognized in earnings as they occur.

Income taxes

Belmond accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of transactions and events that have been recognized in the financial statements but have not yet been reflected in Belmond's income tax returns, or vice versa.

Deferred income taxes result from temporary differences between the carrying value of assets and liabilities recognized for financial reporting purposes and their respective tax bases. Deferred taxes are measured at enacted statutory rates and are adjusted in the period enacted rates change. All deferred tax assets and liabilities are classified as non-current and are netted according to tax-paying component and jurisdiction.

In evaluating Belmond's ability to recover deferred tax assets within the jurisdiction in which they arise, management considers all available evidence, both positive and negative, which includes reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. Management reassesses the need for valuation allowances at each reporting date. Any increase or decrease in a valuation allowance will increase or reduce respectively the income tax expense in the period in which there has been a change in judgment.

Income tax positions must meet a more-likely-than-not threshold to be recognized in the financial statements. Management recognizes tax liabilities in accordance with ASC 740 applicable to uncertain tax positions, and adjusts these liabilities when judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from Belmond's estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which the new information becomes available, actual tax liabilities are determined or the statute of limitations has expired. Belmond recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the consolidated statements of operations. Liabilities for uncertain tax benefits are included in the consolidated balance sheets and classified as current or non-current liabilities depending on the expected timing of payment.

Earnings from unconsolidated companies

Earnings from unconsolidated companies include Belmond's share of the net earnings of its equity investments.

Earnings per share

Basic earnings per share are based upon net earnings/(losses) attributable to Belmond divided by the weighted average number of class A and B common shares outstanding for the period. Diluted earnings/(losses) per share reflect the increase in shares using the treasury stock method to reflect the impact of an equivalent number of shares as if share options were exercised and share-based awards were converted into common shares. Potentially dilutive shares are excluded when the effect would be to increase diluted earnings per share or reduce diluted losses per share.

Accounting pronouncements adopted during the year

In January 2017, the FASB issued new guidance to simplify the accounting for goodwill impairment by removing the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. A goodwill impairment will now be measured as the amount by which a reporting unit's carrying value exceeds its fair value, however the loss is not to exceed the carrying amount of goodwill allocated to that reporting unit. The guidance is effective for annual and interim impairment tests for periods beginning after December 15, 2019, with early adoption permitted for any impairment tests performed after January 1, 2017. The new guidance will be applied on a prospective basis. Belmond early adopted the new guidance from January 1, 2017. The adoption of this guidance simplified how Belmond tests the recoverability of goodwill. The new test requires only a single-step quantitative test for all reporting units and reduces the need for independent valuation resources and increases efficiency. The qualitative assessment remains unchanged. See Note 9 for details of the goodwill impairment recorded in the year ended December 31, 2017.

Accounting pronouncements to be adopted

In May 2014, the FASB issued new guidance which is intended to improve the comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The guidance supersedes existing revenue recognition guidance and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities will have the option of using either a full retrospective approach or a modified approach to adopt the new guidance. In March 2016, the FASB issued additional guidance which amends the principal-versus-agent implementation guidance and illustrations in the original accounting pronouncement. In May 2016, the FASB issued an update that clarified guidance in certain narrow aspects of the topic. The guidance was originally effective for annual and interim periods beginning after December 15, 2016, however in July 2015 the FASB confirmed that the effective date would be deferred by one year, to annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is permitted as of the original effective date in ASU 2014-09 (i.e., annual reporting periods beginning after December 15, 2016, including interim reporting periods within the annual periods).

The Company intends to adopt the standard in the annual period beginning January 1, 2018 under the modified retrospective approach with a cumulative effect recognized in equity and no prior period restatement. Belmond's unconsolidated companies intend to adopt the standard in the annual period beginning January 1, 2019, as permitted by the SEC.

The analysis identifying areas that will be impacted by the new guidance is complete and has been conducted predominantly through a review of contracts with customers under the new five step model: (1) identify the contract with a customer(s); (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company completed its assessment and does not expect the standard to materially affect the amount or timing of revenue recognition for rooms, food and beverage and other hotel level sales, which form the majority of the Company’s revenue, nor on management and incentive fees and real estate sales. We are currently evaluating the impact of the adoption of this guidance in the financial statements of our unconsolidated companies. For Ferrocarril Transandino S.A. ("FTSA"), the Company's rail joint venture in Peru which is part of the Company's PeruRail business and that has a concession from the Government of Peru to operate the track network in southern and southeastern Peru, we expect that the new standard will impact the accounting treatment of payments made to the government under the concession.

In February 2016, the FASB issued its new standard on accounting for leases, which introduces a lessee model that brings most leases on the balance sheet. Under the new standard, a lessee will recognize on its balance sheet a lease liability and a right-of-use asset for most leases, including operating leases. The new standard will also distinguish leases as either finance leases or operating leases. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein, with early adoption permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company intends to adopt the standard in the annual period beginning January 1, 2019. Belmond is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements, but we expect that this standard may have a material effect on our consolidated balance sheet.

In August 2016, the FASB issued new guidance which clarifies the classification of certain cash receipts and payments in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The new guidance will be applied on a retrospective basis where applicable. The Company intends to adopt the standard in the annual period beginning January 1, 2018. Belmond is assessing the impact of the classification rules under the eight types of cash flow identified by the new guidance, in particular those related to debt prepayments or extinguishment, proceeds from insurance settlements, distributions from equity method investees and separately identifiable cash flows. We do not expect the adoption of this guidance to have a material effect on Belmond's consolidated financial statements.

In October 2016, the FASB issued new guidance which is intended to simplify the tax consequences of certain types of intra-entity asset transfers. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods, with early adoption permitted. The new guidance will be applied on a modified retrospective basis, recognizing the effects in retained earnings as of the beginning of the year of adoption. Belmond is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements. The Company intends to adopt the standard in the annual period beginning January 1, 2018. We do not expect the adoption of this guidance to have a material effect on Belmond's consolidated financial statements.

In November 2016, the FASB issued new guidance which clarifies the classification and presentation of restricted cash in the statement of cash flows, including disclosing the nature of restricted cash and restricted cash equivalent balances. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods therein, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2018. Belmond is currently assessing what impact the adoption of this guidance will have on its consolidated financial statements. As cash, cash equivalents and restricted cash are presented in more than one line item on the balance sheet, a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet will need to be performed. Belmond is already disclosing the nature of their restricted cash and restricted cash equivalent balances in Note 17. We do not expect the adoption of this guidance to have a material effect on Belmond's consolidated financial statements.

In February 2017, the FASB issued new guidance to clarify the scope of the Board's guidance on nonfinancial asset derecognition (ASU 610-20) as well as the accounting for partial sales of nonfinancial assets. The guidance is effective on the same date as the new revenue guidance is adopted, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2018. We do not expect the adoption of this guidance to have a material effect on Belmond's consolidated financial statements.

In May 2017, the FASB issued new guidance on service concession arrangements. The guidance is effective on the same date the new revenue guidance is adopted, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2018. We do not expect the adoption of this guidance to have a material effect on Belmond's consolidated financial statements. We expect that the main impact is a reclassification of certain revenue and expenses in our unconsolidated companies, with no material effect on Belmond's share of earnings from unconsolidated companies.

In August 2017, the FASB issued new guidance to make improvements to hedge accounting requirements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods therein, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2019. Belmond is currently assessing what impact the adoption of this guidance will have on its consolidated financial statements.

3. Earnings per share

The calculation of basic and diluted earnings per share including a reconciliation of the numerator and denominator is as follows:

Year ended December 31,	2017	2016	2015
Numerator ($'000)			
Net earnings/(losses) from continuing operations	(45,070)	35,401	17,388
Net earnings/(losses) from discontinued operations	122	1,032	(1,534)
Net losses/(earnings) attributable to non-controlling interests	(87)	(109)	411
Net earnings/(losses) attributable to Belmond Ltd.	(45,035)	36,324	16,265
Denominator (shares '000)			
Basic weighted average shares outstanding	102,169	101,586	103,163
Effect of dilution	—	1,369	1,193
Diluted weighted average shares outstanding	102,169	102,955	104,356
	$	$	$
Basic earnings per share			
Net earnings/(losses) from continuing operations	(0.441)	0.348	0.169
Net earnings/(losses) from discontinued operations	0.001	0.010	(0.015)
Net losses/(earnings) attributable to non-controlling interests	(0.001)	(0.001)	0.004
Net earnings/(losses) attributable to Belmond Ltd.	(0.441)	0.357	0.158
Diluted earnings per share			
Net earnings/(losses) from continuing operations	(0.441)	0.344	0.167
Net earnings/(losses) from discontinued operations	0.001	0.010	(0.015)
Net losses/(earnings) attributable to non-controlling interests	(0.001)	(0.001)	0.004
Net earnings/(losses) attributable to Belmond Ltd.	(0.441)	0.353	0.156

The total number of share options and share-based awards excluded from computing diluted earnings per share were as follows:

Year ended December 31,	2017	2016	2015
Share options	2,704,707	1,679,817	1,441,972
Share-based awards	1,271,738	—	—
Total	3,976,445	1,679,817	1,441,972

The number of share options and share-based awards unexercised at December 31, 2017 was 3,976,445 (2016 - 3,904,614; 2015 - 3,950,794).

4. Significant acquisitions

2017 Acquisitions

Cap Juluca

On May 26, 2017, Belmond acquired 100% ownership of Cap Juluca, 96-key luxury resort on the Caribbean island of Anguilla, British West Indies for a total transaction value of $84,791,000, including an aggregate cash purchase price of $68,652,000, acquisition-related costs of $14,032,000 and excluding a working capital credit of $2,107,000. On the same date, the Company assumed management of the resort, which had been independently managed, and began marketing the property under the name Belmond Cap Juluca. As one of the most recognized resorts in the Caribbean, Cap Juluca is a natural fit for the Belmond portfolio and enhances Belmond's positioning in the global luxury resort market.

The following table summarizes the consideration paid for the hotel and the allocation of the purchase price to the estimated fair value of assets acquired and liabilities assumed at the acquisition date. The acquisition has been accounted for in accordance with Accounting Standards Codification ("ASC") 805, *Business Combination*s, using the acquisition method of accounting whereby the total purchase price has been allocated to the acquired assets and liabilities as at May 26, 2017. The estimated fair values are final and no further adjustments will be made to the identified assets and liabilities.

	Fair value on May 26, 2017
	$'000
Consideration:	
Agreed cash consideration	70,759
Less: Working capital adjustment	(2,107)
Total purchase price	68,652
Assets acquired and liabilities assumed:	
Cash and cash equivalents	20
Accounts receivable	112
Prepaid expenses and other	45
Inventories	108
Property, plant and equipment	59,159
Other intangible assets	6,100
Accounts payable	(595)
Accrued liabilities	(360)
Deferred revenue	(1,437)
Goodwill	5,500
Net assets acquired	68,652

The purchase price of $68,652,000 was funded from existing cash reserves and $45,000,000 of borrowings under the Company's prior revolving credit facility, which was repaid following the amendment and restatement to the credit agreement on July 3, 2017. See Note 11.

Acquisition-related costs which are included within selling, general and administrative expenses in the statements of condensed consolidated operations for the year ended December 31, 2017 were $14,032,000, related to professional fees incurred in preliminary design and planning, structuring, assessment of financing opportunities, legal, tax, accounting and engineering due diligence and the negotiation of the purchase and sale agreements, and other ancillary documents, with the principal owner and leaseholder, together with three owners of villas and separate subleases, as well as a memorandum of understanding and ground lease with the Government of Anguilla.

Other intangible assets of $6,100,000 was assigned to trade names that are not subject to amortization. No other intangible assets were identified and recognized.

Goodwill arising on acquisition of $5,500,000 was assigned to the Owned hotels in North America segment and consists largely of profit growth opportunities the hotel is expected to generate. None of the goodwill recognized is expected to be deductible for income tax purposes. See Note 8 for details of the fixed assets recoverability test and Note 9 for details of goodwill impairment at Belmond Cap Juluca following the impact of Hurricanes Irma and Jose in September 2017.

At the same time, the Company entered into a 125-year ground lease for the property with the Government of Anguilla. The lease has been accounted for as an operating lease in accordance with ASC 840, *Leases,* with the annual rental expense recognized in selling, general and administrative expenses in the statements of condensed consolidated operations, and future rental payments committed as at December 31, 2017 disclosed in Note 20.

The results of operations of the hotel has been included in the consolidated financial results since the date of acquisition. The following table presents information for Belmond Cap Juluca included in the Company’s statements of condensed consolidated operations from the acquisition date to the period ending December 31, 2017:

	2017
	$'000
Revenue	2,435
Losses from continuing operations	(16,681)

Belmond is unable to provide pro forma results of operations for the year ended December 31, 2017 and 2016 as if the acquisition had occurred on January 1, 2016 due to the lack of reliable historical financial information.

5. Assets held for sale and discontinued operations

At December 31, 2017, 2016 and 2015, no assets and liabilities were classified as held for sale.

For the years ended December 31, 2017, 2016 and 2015, the results of operations of Ubud Hanging Gardens, Bali, Indonesia and the Porto Cupecoy development on the Dutch side of St Martin, French West Indies have been presented as discontinued operations.

During the year ended December 31, 2017, a sale was completed on the shares in Northern Belle Limited, a wholly owned subsidiary that owns the Northern Belle rolling stock. During the year ended December 31, 2016, a sale was completed on the property, plant and equipment relating to the trains and carriages that were formerly operated as the Great South Pacific Express in Queensland, Australia.

(a) Properties sold: Northern Belle and Great South Pacific Express

On November 2, 2017, Belmond completed the sale of the shares in Northern Belle Limited, the wholly owned subsidiary that owns the rolling stock, for a sales price of £2,500,000 (equivalent to $3,300,000 as at date of sale). A loss of $753,000 arose on disposal.

The following is a summary of net assets sold and the loss recorded on sale for Belmond Northern Belle:

Year ended December 31,	**2017**
	Northern Belle
	November 2, 2017
	$'000
Property, plant & equipment	3,518
Deferred income taxes	(379)
Net working capital	110
Net assets	3,249
Transfer of foreign currency translation loss	690
	3,939
Consideration:	
Cash	3,300
Less: Working capital adjustment	(94)
Less: Costs to sell	(20)
	3,186
Loss on sale	(753)

On April 19, 2016, Belmond completed the sale of the property, plant and equipment relating to the trains and carriages that were formerly operated as the Great South Pacific Express in Queensland, Australia for consideration of $2,362,000 to the Company’s PeruRail joint venture. The carriages were sold at their carrying value and no gain or loss arose on disposal.

(b) Results of discontinued operations

Belmond had been operating the hotel Ubud Hanging Gardens under a long-term lease arrangement with a third-party owner. The existing lease arrangement continues to 2030. Following the owner's unannounced dispossession of Belmond from the hotel in November 2013, however, Belmond was unable to continue to operate the hotel. Belmond believed that the owner's actions were unlawful and constituted a wrongful dispossession and has pursued its legal remedies under the lease. See Note 20. As Belmond is unable to operate Ubud Hanging Gardens for the foreseeable future, the hotel has been presented as a discontinued operation for all periods shown. The assets and liabilities of the hotel have not been classified as held for sale, as the hotel has not been disposed of through a sale transaction.

The Porto Cupecoy development was sold in January 2013, with the final unit disposed of in September 2014. Residual costs relating to the sale of Porto Cupecoy are presented within discontinued operations for all periods shown.

Summarized results of the properties classified as discontinued operations for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Year ended December 31, 2017		
	Ubud Hanging Gardens $'000	Porto Cupecoy $'000	Total $'000
Revenue	—	—	—
Earnings before tax, gain on sale and impairment	100	22	122
Earnings before tax	100	22	122
Net earnings from discontinued operations	100	22	122

	Year ended December 31, 2016		
	Ubud Hanging Gardens $'000	Porto Cupecoy $'000	Total $'000
Revenue	—	—	—
Earnings before tax, gain on sale and impairment	69	963	1,032
Earnings before tax	69	963	1,032
Net earnings from discontinued operations	69	963	1,032

	Year ended December 31, 2015		
	Ubud Hanging Gardens $'000	Porto Cupecoy $'000	Total $'000
Revenue	—	—	—
Losses before tax, gain on sale and impairment	(636)	(898)	(1,534)
Losses before tax	(636)	(898)	(1,534)
Net losses from discontinued operations	(636)	(898)	(1,534)

The results of discontinued operations for the years ended December 31, 2017 and 2016 included earnings of $100,000 and $69,000, respectively, due to the partial release of legal fee accruals in relation to Ubud Hanging Gardens, where Belmond is pursuing legal remedies following its dispossession by the owner in November 2013. In addition, the results of discontinued operations for the years ended December 31, 2017 and 2016 included earnings of $22,000 and $963,000, respectively, at Porto Cupecoy due to the release of a provision in respect of tax claims from which Belmond believes it is now effectively discharged. See Note 20.

The results of discontinued operations for the year ended December 31, 2015 comprised legal fees of $636,000 in relation to Ubud Hanging Gardens.

6. Variable interest entities

(a) VIEs of which Belmond is the primary beneficiary

Belmond holds a 19.9% equity investment in Charleston Center LLC, owner of Belmond Charleston Place, Charleston, South Carolina. Belmond has also made a number of loans to the hotel. Belmond concluded that Charleston Center LLC is a VIE because the total equity at risk is insufficient for the entity to fund its operations without additional subordinated financial support, the majority of which has been provided by Belmond. Belmond is the primary beneficiary of this VIE because it is expected to absorb a majority of the VIE's expected losses and residual gains through the subordinated financial support it has provided, and has the power to direct the activities that impact the VIE's performance, based on the current organizational structure.

Assets of Charleston Center LLC that can only be used to settle obligations of the consolidated VIEs and liabilities of Charleston Center LLC whose creditors have no recourse to Belmond Ltd are presented as a footnote to the consolidated balance sheets. The third-party debt of Charleston Center LLC is secured by its net assets and is non-recourse to its members, including Belmond. The hotel's separate assets are not available to pay the debts of Belmond and the hotel's separate liabilities do not constitute obligations of Belmond. The assets of Charleston Center LLC that can only be used to settle obligations of Charleston Center LLC totaled $206,267,000 at December 31, 2017 (December 31, 2016 - $210,276,000) and exclude goodwill of $40,395,000 (December 31, 2016 - $40,395,000). The liabilities of Charleston Center LLC for which creditors do not have recourse to the general credit of Belmond totaled $122,968,000 (December 31, 2016 - $121,621,000).

All deferred taxes attributable to Belmond's investment in the LLC arise at the investor level and are therefore not included in the footnote to the consolidated balance sheets.

(b) VIEs of which Belmond is not the primary beneficiary

Belmond holds a 25% equity investment in Eastern and Oriental Express Ltd., which operates the Eastern & Oriental Express luxury tourist train in Southeast Asia. Belmond concluded that the Eastern & Oriental Express joint venture is a variable interest entity because the total equity at risk is insufficient for it to fund its operations without additional subordinated financial support. The joint venture does not have a primary beneficiary because no one party has the power to direct the activities that most significantly impact the economic performance of the entity. The joint venture is accounted for under the equity method of accounting and included in earnings/(losses) before income taxes and earnings from unconsolidated companies in the statements of consolidated operations.

The carrying amounts and maximum exposure to loss as a result of Belmond's involvement with its Eastern & Oriental Express joint venture are as follows:

December 31,	Carrying amounts 2017 $'000	Carrying amounts 2016 $'000	Maximum exposure 2017 $'000	Maximum exposure 2016 $'000
Investment	2,642	2,818	2,642	2,818
Due from unconsolidated company	6,302	4,771	6,302	4,771
Guarantees	—	—	—	—
Contingent guarantees	—	—	—	—
Total	8,944	7,589	8,944	7,589

(c) Former VIEs

Belmond holds a 50% equity investment in its rail joint venture in Peru, FTSA, part of its Peru Rail business that has a concession from the Government of Peru to operate the track network in southern and southeastern Peru. Belmond previously concluded that the FTSA joint venture was a variable interest entity because the total equity at risk was insufficient for it to fund its operations without additional subordinated financial support. The joint venture is under joint control as all significant budgetary and capital decisions require a majority of approval of the joint venture's board of directors, on which board Belmond holds two of four seats with the other two seats representing unaffiliated local Peruvian investors.

Previously, Belmond had guaranteed certain debt obligations of the joint venture. The guaranteed debt was repaid with non-guaranteed debt in the year ended December 31, 2015. Belmond concluded that this constituted a change in the design of the entity and reconsidered its initial determination of the entity's VIE status. Following this, Belmond concluded that the joint venture qualified for the scope exceptions contained within U.S. GAAP to be excluded from consideration under the VIE guidance.

The joint venture is accounted for under the equity method of accounting and included in earnings/(losses) before income taxes and earnings from unconsolidated companies in the statements of consolidated operations.

7. Investments in unconsolidated companies

Investments in unconsolidated companies represent equity interests of 50% or less and in which Belmond exerts significant influence, but does not have effective control of these unconsolidated companies and, therefore, accounts for these investments using the equity method. As at December 31, 2017, these investments include the 50% ownership in rail and hotel joint venture operations in Peru, the 25% ownership in Eastern and Oriental Express Ltd, and the Buzios land joint venture which is 50% owned and further described below.

In June 2007, a joint venture in which Belmond holds a 50% equity interest acquired real estate in Buzios, a beach resort area in Brazil, for a cash consideration of $5,000,000. Belmond planned to build a hotel and villas on the acquired land and to purchase the remaining share of the joint venture company when the building permits were obtained from the local authorities. In February 2009, the Municipality of Buzios commenced a process for the expropriation of the land in exchange for a payment of fair compensation to the joint venture. In April 2011, the State of Rio de Janeiro took over the expropriation process as part of a broader State plan to develop a coastal environmental park. Under applicable law, the State had five years to carry out the expropriation in exchange for fair value, which it has failed to do by the April 18, 2016 deadline. As a result, the land returned unencumbered to the joint venture, although it can be subject to expropriation again. The Company and its joint venture partner are assessing their options, including negotiation with or litigation against the State to seek a permanent resolution of the status of the land, but in any case, the Company expects to recover its investment in the project.

On May 21, 2015, Belmond sold its 50% ownership in Hotel Ritz by Belmond, Madrid, Spain. Belmond and its joint venture partner sold the shares in the entity that owns the hotel for gross proceeds of €130,000,000 ($144,529,000 at date of sale). As a condition of the sale, Belmond's management contract with Hotel Ritz by Belmond was terminated, resulting in the receipt of a termination fee of $2,292,000.

The following table shows the net proceeds to Belmond and a summary of net assets sold, resulting in a gain of $19,676,000 that is reported within gain on disposal of property, plant and equipment and equity method investments in the statements of consolidated operations:

	Hotel Ritz by Belmond
	May 21, 2015 $'000
Receivables due from unconsolidated companies	29,679
Investments in unconsolidated companies	—
Net assets sold	29,679
Transfer of foreign currency translation gain	(5,613)
	24,066
Consideration:	
Cash	42,197
Less: Costs to sell	(747)
Plus: Management contract termination fee	2,292
	43,742
Gain on sale	19,676

Summarized financial data for Belmond's unconsolidated companies are as follows:

December 31,	2017 $'000	2016 $'000
Current assets	88,119	96,247
Property, plant and equipment, net of accumulated depreciation	228,970	213,958
Other non-current assets	55,605	111,146
Non-current assets	284,575	325,104
Total assets	372,694	421,351
Current liabilities, including $24,793 and $21,021 current portion of third-party debt	101,668	89,785
Long-term debt	143,187	153,876
Other non-current liabilities	7,892	27,545
Non-current liabilities	151,079	181,421
Total shareholders' equity	119,947	150,145
Total liabilities and shareholders' equity	372,694	421,351

One of Belmond's unconsolidated companies reclassified a balance between property, plant and equipment and other non-current assets, following the adoption of ASC 853, *Service Concession Arrangements* in 2015. As a result, as at December 31, 2016, the property, plant and equipment balance decreased by $81,704,000 and other non-current assets increased by $81,704,000, with no net change to total assets, which is reflected in the table above. There is no impact on net earnings, EPS or cash flows in any period presented in Belmond's consolidated financial statements.

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Revenue	207,659	191,551	160,614
Gross profit (1)	141,708	135,000	104,708
Net earnings (2)	(20,778)	21,720	17,723

(1) Gross profit is defined as revenues less cost of services of the unconsolidated companies.

(2) There were no discontinued operations, extraordinary items or cumulative effects of a change in an accounting principle in the unconsolidated companies.

Included in unconsolidated companies are Belmond's hotel and rail joint ventures in Peru, under which Belmond and the other 50% participant must contribute equally additional equity needed for the businesses. If the other participant does not meet this obligation, Belmond has the right to dilute the other participant and obtain a majority equity interest in the affected joint venture company. Belmond also has rights to purchase the other participant's interests, which rights are exercisable in limited circumstances such as the other participant's bankruptcy.

An impairment charge of $58,531,000 was recorded in FTSA, the joint venture in which the Company has a 50% interest and that has a concession from the Government of Peru to operate the track network in southern and southeastern Peru. Belmond's equity share of this impairment is $29,266,000 which is recorded in share of earnings from unconsolidated companies. The concession had an initial term of 30 years from 1999 with the option to apply for six 5-year extensions. In December 2017 the joint venture received a denial of its third extension request. As a result, the joint venture can no longer conclude that the remaining three extensions are probable and has therefore reduced its expectation of the total expected life of the concession to the contracted term of 35 years of which 17 years are remaining as of December 31, 2017. This triggered an impairment test of the assets within the joint venture and the shorter time period over which to recover the carrying value of the assets has led to an impairment charge being recorded in the year ended December 31, 2017. The life of the concession is now expected to expire in 2034. The Company is also a 50% owner of the PeruRail joint venture, which operates and manages rolling stock, including the Belmond Andean Explorer and Belmond Hiram Bingham, and is not anticipated to be impacted by the shortening of the expected FTSA concession life as it can continue to run trains on the track after the conclusion of FTSA's concession.

There are contingent guarantees to unconsolidated companies which are not recognized in the consolidated financial statements. The contingent guarantees for each Peruvian joint venture may only be enforced in the event there is a change in control of the relevant joint venture, which would occur only if Belmond's ownership of the economic and voting interests in the joint venture falls below 50%, an event which has not occurred and is not expected to occur. As at December 31, 2017, Belmond does not expect that it will be required to fund these guarantees relating to these joint venture companies.

Belmond has contingently guaranteed, through 2021, $15,868,000 of debt obligations of the joint venture in Peru that operates five hotels and has contingently guaranteed the Peru rail joint venture's obligations relating to the performance of its governmental rail concessions, currently in the amount of $9,899,000, through May 2018.

At December 31, 2014, Belmond guaranteed $4,124,000 of the debt obligations of the rail joint venture in Peru. The guaranteed debt was repaid by the joint venture in the year ended December 31, 2015. See Note 6.

8. Property, plant and equipment

The major classes of property, plant and equipment are as follows:

December 31,	2017 $'000	2016 $'000
Land and buildings	1,126,496	1,010,362
Machinery and equipment	181,670	179,537
Furniture, fixtures and equipment	263,716	235,098
River cruise ship and canal boats	13,900	18,618
	1,585,782	1,443,615
Less: Accumulated depreciation	(417,738)	(368,939)
Total property, plant and equipment, net of accumulated depreciation	1,168,044	1,074,676

The depreciation charge on property, plant and equipment of continuing operations for the year ended December 31, 2017 was $62,252,000 (2016 - $51,835,000; 2015 - $49,982,000).

The table above includes the property, plant and equipment of Charleston Center LLC, a consolidated VIE, of $197,369,000 (2016 - $201,861,000). See Note 6.

There was $624,000 capitalized interest in the year ended December 31, 2017 (2016 - $Nil; 2015 - $Nil).

In September 2017 the islands of Anguilla and St Martin were hit by Hurricanes Irma and Jose when both Belmond La Samanna on St Martin and Belmond Cap Juluca on Anguilla were closed for the season.

Both properties are included in Belmond's global insurance program which provides a combined property damage and twelve month business interruption cover of $30,000,000 for the Caribbean as well as separate flood insurance cover, subject to a deductible. In addition, Belmond La Samanna has a separate property damage insurance policy of €4,900,000 (equivalent to $5,870,000 as at December 31, 2017) covering the eight villas at the resort.

Both properties remain closed for refurbishment and we have made assessments regarding the nature and extent of the damage sustained and have prepared and submitted the insurance claims.

Based on estimates of the level of property damage, the Company recorded a write-off to property, plant and equipment of $5,645,000 and $16,294,000 at Belmond La Samanna and Belmond Cap Juluca, respectively, during the year ended December 31, 2017. Belmond expects that the recovery of property damage is probable; therefore it has recorded an insurance receivable for the same amount as the property damage that has been recognized during the year ended December 31, 2017, reduced by the deductible of $1,548,000. In addition, certain fixed costs incurred and site clean-up costs incurred during the interruption period may be analogous to losses from property damage. As Belmond expects the recovery of these amounts to be probable, an insurance receivable of $1,622,000 has also been recorded.

We are in discussion with the loss adjusters and insurance companies regarding the finalization of the claim and we expect to recover the full limit of our property insurance coverage.

Initial insurance proceeds of $15,000,000 have been received in November 2017. No gain contingencies have been recorded to date as those amounts have not yet been realized.

Additionally, Belmond considered whether the significant adverse change in use and physical condition following Hurricanes Irma and Jose indicated that the carrying amount of both businesses' fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and a recoverability test was required as a result of significant increases in the estimated costs of repair to the hotels. Our current expectation at the two properties is that the total project costs at Belmond La Samanna will be approximately in the range of $25,000,000 to $30,000,000 and at Belmond Cap Juluca will be in the range of $80,000,000 to $90,000,000, before the recovery of insurance proceeds. Under the fixed assets recoverability test, the sum of the undiscounted cash flows expected to result from the operations of Belmond Cap Juluca and Belmond La Samanna were in excess of their carrying value. As at December 31, 2017, Belmond La Samanna and Belmond Cap Juluca had a property, plant and equipment balance of $29,983,000 and $48,581,000, respectively. See Note 9 for details of goodwill impairment at Belmond Cap Juluca.

Factors that could reasonably be expected to impact Belmond's estimates of property damage and the sum of undiscounted cash flows of the asset groups include the outcome of negotiations of the Company's insurance claims with the Company's insurers, the speed of recovery of island infrastructure, particularly the airport at St Martin, and the attractiveness of the Caribbean islands as a tourist destination and other uncertainties around the impact of the hurricanes on fuel, transportation and labor prices.

During the year ended December 31, 2017, Belmond considered whether the decline in performance of Belmond Road to Mandalay caused by increased competition in Myanmar indicated that the carrying amount of the business' fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. The carrying value of assets was written down to management's best estimate of the fair value based on an internally developed discounted cash flow analysis. The impairment charge of $7,124,000 is included within impairment of property, plant and equipment in the statements of consolidated operations.

During the year ended December 31, 2017, Belmond considered whether the decline in performance of Belmond Northern Belle caused by a reduction in passenger numbers sourced mainly from regional markets in the U.K. indicated that the carrying amount of the business' fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. The carrying value of assets was written down to fair value based on assumptions of potential market value. The impairment charge of $1,092,000 is included within impairment of property, plant and equipment in the statements of consolidated operations.

During the year ended December 31, 2017, Belmond considered whether the decline in performance at Belmond Governor's Residence as a result of the fall in tourist arrivals in Myanmar due to negative perceptions of the country indicated that the carrying amount of the business' fixed assets may not be recoverable. Under the first step of the fixed assets impairment test, the sum of the undiscounted cash flows expected to result from operations of Belmond Governor's Residence was in excess of its carrying value. Belmond Governor's Residence had a property, plant and equipment balance of $2,614,000 at December 31, 2017. The impairment test remains sensitive to changes in assumptions; factors that could reasonably be expected to potentially have an adverse effect on the fair value of the reporting unit include the future operating projections of the hotel, volatility in debt or equity markets that could result in changes to the discount rate, political instability, changes in future travel patterns or local competitive supply.

As part of Belmond's strategic plan to expand its global footprint, the Company intends to partially finance larger acquisitions through the sale of selected assets while generally seeking to retain long-term management of any disposed asset. The Company is currently considering selling Belmond El Encanto and while there can be no assurance that the Company will sell this property, if we do proceed with a sale or such a sale becomes probable within one year, Belmond will record the carrying value of the property at the lower of its carrying amount or its then estimated fair value. In the event that the estimated fair value is lower than its carrying amount an impairment charge will be recorded equal to the difference between the two figures. If the property is sold for a value that is different from its carrying amount, a gain or loss on disposal will then arise on sale. As at December 31, 2017, Belmond El Encanto had a property, plant and equipment balance of $118,414,000.

During the year ended December 31, 2016, Belmond considered whether the decline in performance of Belmond Orcaella, a cruise ship in Myanmar under long-term charter, caused by increased competition in Myanmar indicated that the carrying amount of the business' fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. The carrying value of assets was written down to fair value based on management's best estimate of the recoverable value. The impairment charge of $1,007,000 is included within impairment of property, plant and equipment in the statements of consolidated operations.

There were no impairments of property, plant and equipment in the year ended December 31, 2015.

9. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016 are as follows:

	Beginning balance at January 1, 2017						Ending balance at December 31, 2017		
	Gross goodwill amount	Accumulated impairment	Net goodwill amount	Goodwill on acquisition	Impairment	Foreign currency translation adjustment	Gross goodwill amount	Accumulated impairment	Net goodwill amount
Year ended December 31, 2017	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Owned hotels:									
Europe	64,459	(14,202)	50,257	—	—	6,201	70,660	(14,202)	56,458
North America	66,101	(16,110)	49,991	5,500	(5,500)	—	71,601	(21,610)	49,991
Rest of world	20,581	(13,149)	7,432	—	—	(51)	20,530	(13,149)	7,381
Owned trains and cruises	6,325	(662)	5,663	—	—	727	7,052	(662)	6,390
Total	157,466	(44,123)	113,343	5,500	(5,500)	6,877	169,843	(49,623)	120,220

Year ended December 31, 2016	Beginning balance at January 1, 2016 Gross goodwill amount	Accumulated impairment	Net goodwill amount	Goodwill on acquisition	Impairment	Foreign currency translation adjustment	Ending balance at December 31, 2016 Gross goodwill amount	Accumulated impairment	Net goodwill amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Owned hotels:									
Europe	64,263	(14,202)	50,061	—	—	196	64,459	(14,202)	50,257
North America	66,101	(16,110)	49,991	—	—	—	66,101	(16,110)	49,991
Rest of world	19,975	(13,149)	6,826	—	—	606	20,581	(13,149)	7,432
Owned trains and cruises	7,780	(662)	7,118	—	—	(1,455)	6,325	(662)	5,663
Total	158,119	(44,123)	113,996	—	—	(653)	157,466	(44,123)	113,343

In the year ended December 31, 2017, goodwill of $5,500,000 was recognized on the acquisition of Cap Juluca. See Note 4.

Belmond's annual impairment test date is October 1, when all reporting units with goodwill balances are reviewed for impairment. The impairment test compares the carrying value of each reporting unit to its fair value to determine if an impairment is indicated. The fair value of a reporting unit is determined using internally developed discounted future cash flow models, which include input from external valuation experts to provide discount and long term growth rates. A goodwill impairment charge is measured as the amount by which a reporting unit's carrying value exceeds its fair value, however the impairment charge not to exceed the carrying amount of goodwill allocated to that reporting unit.

During the year ended December 31, 2017, Belmond identified a non-cash goodwill impairment of $5,500,000 at Belmond Cap Juluca. Belmond determined that this impairment was triggered by the significant adverse change in use and physical condition of the hotel following Hurricanes Irma and Jose in September 2017. Significant increases in the estimated costs of repair to the hotel, estimated to be approximately in the range of $80,000,000 to $90,000,000, before recovery of insurance proceeds, negatively impacted the discounted cash flows, resulting in the full impairment of the goodwill balance.

In the three months ended December 31, 2017, Belmond considered whether the fall in tourist arrivals in Myanmar due to negative perceptions of the country indicated that it was more likely than not that the fair value of Belmond Governor’s Residence was less than its carrying value. Under the goodwill impairment test, the fair value of Belmond Governor’s Residence was approximately 14% in excess of its carrying value. Belmond Governor’s Residence had a goodwill balance of $2,195,000 at December 31, 2017. The impairment test remains sensitive to changes in assumptions. Factors that could reasonably be expected to potentially have an adverse effect on the fair value of the reporting unit include the future operating projections of the hotel, volatility in debt or equity markets that could result in changes to the discount rate, political instability, changes in future travel patterns or local competitive supply. Any failure to meet these assumptions may result in a future impairment of goodwill.

There were no impairments to goodwill in the year ended December 31, 2016.

During the year ended December 31, 2015, the following non-cash goodwill impairment charges were identified and recorded:

- An impairment charge of $4,098,000 at Belmond Grand Hotel Europe. Belmond determined that this impairment was triggered by the deterioration of the Russian economic environment which commenced in the second half of 2014 and failed to improve significantly in 2015 under economic sanctions. The continued sanctions and lack of economic recovery led management to reconsider its estimates for future profitability of the business, including future growth in ADR and occupancy rates and the related discount rates.

- An impairment charge of $3,581,000 at Belmond Jimbaran Puri. Belmond determined that this impairment was triggered by declining performance over a number of periods, caused in part by the stronger U.S. dollar and increased relative expense of the region for European travelers in particular. Further weakness in performance that continued into the peak season in the second quarter led management to reconsider its estimates for future profitability of the business, including future growth in ADR and occupancy rates and the related discount rates.

- An impairment charge of $1,455,000 at Belmond La Résidence Phou Vao. Belmond determined that this impairment was triggered by the declining popularity of the destination, increased relative expense of the region for European travelers as well as increased competition from smaller independent operators. After a weak winter period, the improvement in performance in 2015 was not as strong as expected, leading management to reconsider its estimates for future profitability of the business, including future growth in ADR and occupancy rates and the related discount rates.

- An impairment charge of $662,000 at Belmond Northern Belle. Belmond determined that this impairment was triggered by declining performance caused by a reduction in passenger numbers sourced mainly from regional markets in the U.K. Continued softness in passenger numbers over the key summer period led management to reconsider its estimates for future profitability of the business, including future growth in ticket prices and passenger numbers and the related discount rates.

10. Other intangible assets

Other intangible assets consist of the following as of December 31, 2017 and 2016:

	Favorable lease assets $'000	Internet sites $'000	Trade names $'000	Total $'000
Carrying amount:				
Balance at January 1, 2016	8,493	1,791	7,100	17,384
Additions	—	177	—	177
Foreign currency translation adjustment	8	(310)	479	177
Balance at December 31, 2016	8,501	1,658	7,579	17,738
Additions	—	—	6,100	6,100
Disposals	—	(247)	—	(247)
Foreign currency translation adjustment	59	168	322	549
Balance at December 31, 2017	8,560	1,579	14,001	24,140
Accumulated amortization:				
Balance at January 1, 2016	2,273	1,260		3,533
Charge for the year	373	188		561
Foreign currency translation adjustment	(10)	(223)		(233)
Balance at December 31, 2016	2,636	1,225		3,861
Charge for the year	434	166		600
Disposals	—	(247)		(247)
Foreign currency translation adjustment	22	126		148
Balance at December 31, 2017	3,092	1,270		4,362
Net book value:				
December 31, 2015	6,220	531	7,100	13,851
December 31, 2016	5,865	433	7,579	13,877
December 31, 2017	5,468	309	14,001	19,778

Favorable lease intangible assets are amortized over the terms of the leases, which are between 19 and 60 years. Internet sites are amortized over a period of five to ten years. Trade names have an indefinite life and therefore are not amortized, but are assessed for impairment annually or when events indicate that impairment may have occurred.

In the year ended December 31, 2017, trade name additions of $6,100,000 were recognized on the acquisition of Cap Juluca. See Note 4.

In the year ended December 31, 2015, favorable lease asset additions of $714,000 were recorded and relate to a concession obtained by Belmond Villa Sant'Andrea in Sicily, Italy to operate a portion of beach adjacent to the hotel.

In the year ended December 31, 2017, 2016 and 2015, no impairments of other intangible assets were recognized.

The trade names of Belmond Cap Juluca and Belmond Grand Hotel Europe were tested for impairment as of October 1, 2017. Under the first step of the impairment test, the fair value of the Belmond Cap Juluca trade name was approximately 29% in excess of its carrying value and the fair value of the Belmond Grand Hotel Europe trade name was approximately 32% in excess of its carrying value. Belmond Cap Juluca and Belmond Grand Hotel Europe had a trade name balance of $6,100,000 and $7,901,000, respectively, at December 31, 2017. See Note 9 for discussion of factors that could reasonably be expected to potentially have an adverse effect on the fair value of the Belmond Cap Juluca trade name.

Amortization expense from continuing operations for the year ended December 31, 2017 was $600,000 (2016 - $561,000; 2015 - $531,000). Estimated amortization expense for each of the years ending December 31, 2018 to December 31, 2022 is approximately $600,000.

11. Debt and obligations under capital lease

(a) Long-term debt and obligations under capital lease

Long-term debt and obligations under capital lease consists of the following:

December 31,	2017 $'000	2016 $'000
Loans from banks and other parties collateralized by tangible and intangible personal property and real estate with a maturity of 20 months to seven years (2016 - two to five years), with a weighted average interest rate of 4.11% (2016 - 4.27%)	724,208	602,083
Obligations under capital lease	22	19
Total long-term debt and obligations under capital leases	724,230	602,102
Less: Current portion	6,407	5,284
Less: Discount on secured term loan	3,092	1,515
Less: Debt issuance costs	13,979	9,535
Non-current portion of long-term debt and obligations under capital lease	700,752	585,768

On July 3, 2017, Belmond entered into an amended and restated credit agreement (defined below), which had previously consisted of (a) a seven-year $551,955,000 term loan facility consisting of a $345,000,000 U.S. dollar tranche and a €150,000,000 euro-denominated tranche (equivalent to $206,955,000 at drawdown), scheduled to mature on March 21, 2021; and (b) a $105,000,000 revolving credit facility scheduled to mature on March 21, 2019.

In April 2017, Belmond made a drawdown of $45,000,000 on its prior revolving credit facility in connection with the acquisition of Cap Juluca, which was repaid following the amendment and restatement of the credit agreement on July 3, 2017 (the "Amended and Restated Credit Agreement"). See Note 4.

The Amended and Restated Credit Agreement provides the Company with (i) a seven-year $603,434,000 secured term loan (the "Term Loan Facility") that matures on July 3, 2024 and (ii) a $100,000,000 revolving credit facility (the "Revolving Credit Facility") that matures on July 3, 2022 (together the "Secured Credit Facilities").

As at December 31, 2017, Belmond was financed with a $609,955,000 Term Loan Facility and a $100,000,000 Revolving Credit Facility which is undrawn.

The Term Loan Facility has two tranches, a U.S. dollar tranche ($398,000,000 currently outstanding) and a euro-denominated tranche (€178,105,000 currently outstanding, equivalent to $213,352,000 as at December 31, 2017). The dollar tranche bears interest at a rate of LIBOR plus 2.75% per annum, and the euro tranche bears interest at a rate of EURIBOR plus 3.00% per annum. Both tranches are subject to a 0% interest rate floor. The annual mandatory amortization is 1% of the principal amount.

The Revolving Credit Facility has a maturity of five years and bears interest at a rate of LIBOR plus 2.50% per annum, with a commitment fee of 0.4% paid on the undrawn amount. The Revolving Credit Facility is undrawn at December 31, 2017.

The Secured Credit Facilities are secured by pledges of shares in certain Company subsidiaries and by security interests in tangible and intangible personal property. There are no mortgages over real estate.

In June 2016, Charleston Center LLC amended its secured loan of $86,000,000 increasing the amount of the loan to $112,000,000 but retaining the 2019 maturity. The interest rate on the new loan is LIBOR plus 2.35% per annum, has no amortization and is non-recourse to Belmond. The additional proceeds were used to repay a 1984 development loan from a municipal agency in the principal amount of $10,000,000 and accrued interest of $16,819,000. In connection with the early repayment of the loan, Belmond negotiated a discount that resulted in a net gain, reported in the statements of consolidated operations during the year ended December 31, 2016, of $1,200,000 upon extinguishment of debt, including the payment of a tax indemnity to its partners in respect of their allocation of income from the discount arising on the cancellation of indebtedness.

The following is a summary of the aggregate maturities of long-term debt, including obligations under capital lease, at December 31, 2017:

Year ended December 31,	**$'000**
2018	6,407
2019	118,428
2020	6,428
2021	6,193
2022	6,144
2023	6,144
2024 and thereafter	574,486
Total long-term debt and obligations under capital lease	724,230

The Company has guaranteed $611,351,000 of the long-term debt of its subsidiary companies as at December 31, 2017 (2016 - $488,985,000).

The tables above include the debt of Charleston Center LLC of $112,857,000 at December 31, 2017 (2016 - $113,098,000). The debt is non-recourse to Belmond and includes $112,000,000 which was refinanced in June 2016.

A loss on modification of debt of $682,000 (2016 - $Nil) was recognized in the year ended December 31, 2017. The loss consisted of unamortized debt issuance costs relating to the Amended and Restated Credit Agreement.

Debt issuance costs related to the above outstanding long-term debt were $13,979,000 at December 31, 2017 (2016 - $9,535,000), including $533,000 at December 31, 2017 (2016 - $888,000) related to the debt of Charleston Center LLC, a consolidated VIE, and are amortized to interest expense over the term of the corresponding long-term debt.

(b) Revolving credit and working capital facilities

Belmond had approximately $100,598,000 of revolving credit and working capital facilities at December 31, 2017 (2016 - $105,525,000) of which $100,598,000 was available (2016 - $105,525,000).

12. Other liabilities

The major balances in other liabilities are as follows:

December 31,	2017 $'000	2016 $'000
Interest rate swaps (see Note 22)	—	1,054
Long-term income tax liability	2,143	—
Deferred gain on sale of Inn at Perry Cabin by Belmond	750	1,350
Deferred lease incentive	130	162
Tax indemnity provision on extinguishment of debt (see Note 11)	—	2,800
Total other liabilities	3,023	5,366

The tax indemnity provision on extinguishment of debt, included within other liabilities at December 31, 2016, is classified within accrued liabilities for an amount totaling $2,644,000 at December 31, 2017.

13. Pensions

From January 1, 2003, a number of non-U.S. Belmond employees participated in a funded defined benefit pension plan in the United Kingdom called the Belmond (UK) Ltd. 2003 Pension Scheme. On May 31, 2006, the plan was closed for future benefit accruals.

The significant weighted-average assumptions used to determine net periodic costs of the plan during the year were as follows:

Year ended December 31,	2017 %	2016 %	2015 %
Discount rate	2.70	3.85	3.70
Expected long-term rate of return on plan assets	3.87	4.90	4.10

The significant weighted-average assumptions used to determine benefit obligations of the plan at year end were as follows:

December 31,	2017 %	2016 %
Discount rate	2.50	2.70

The discount rate effectively represents the average rate of return on high quality corporate bonds at the end of the year in the country in which the benefit obligations arise.

The expected rate of return on the pension fund assets, net of expenses has been determined by considering the actual asset classes held by the plan at December 31, 2017 and the yields available on U.K. government bonds at that date.

For equities and corporate bonds, management has assumed that long-term returns will exceed those expected on U.K. government bonds by a risk premium. This is based on historical equity and bond returns over the long term. As these returns are long-term expected returns, the total returns on equities and corporate bonds only vary in line with the U.K. government bond yields and are not further adjusted for current market trends.

The expected returns on annuities are set equal to the end of year discount rate as the value of annuities is tied to that rate.

The fair value of Belmond's pension plan assets at December 31, 2017 and 2016 by asset category is as follows:

December 31, 2017	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Cash	1,908	1,908	—	—
Equity securities:				
U.K. managed funds	4,529	4,529	—	—
Overseas managed funds	8,486	8,486	—	—
Fixed income securities:				
U.K. government bonds	3,058	3,058	—	—
Corporate bonds	3,437	3,437	—	—
Other types of investments:				
Quoted hedge funds	4,635	4,635	—	—
Annuities	2,179	—	—	2,179
	28,232	26,053	—	2,179

December 31, 2016	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Cash	2,840	2,840	—	—
Equity securities:				
U.K. managed funds	4,461	4,461	—	—
Overseas managed funds	5,667	5,667	—	—
Fixed income securities:				
U.K. government bonds	2,774	2,774	—	—
Corporate bonds	2,004	2,004	—	—
Other types of investments:				
Quoted hedge funds	4,330	4,330	—	—
Annuities	1,942	—	—	1,942
	24,018	22,076	—	1,942

The value of the annuities is the present value at the measurement date of the expected future cashflows under the annuity policy in which significant unobservable inputs were used. Therefore, we have classified the annuities as Level 3 assets.

All other assets are valued using quoted market prices in active markets or other observable inputs.

Reconciliations of fair value measurements using significant unobservable inputs (Level 3) at December 31, 2017 and 2016 are as follows:

Year ended December 31, 2017	**Annuities $'000**
Beginning balance at January 1, 2017	1,942
Foreign exchange	190
Actual return on plan assets:	
Assets still held at the reporting date	120
Purchases, sales and settlements, net	(73)
Ending balance at December 31, 2017	2,179

Year ended December 31, 2016	**Annuities $'000**
Beginning balance at January 1, 2016	2,026
Foreign exchange	(342)
Actual return on plan assets:	
Assets still held at the reporting date	321
Purchases, sales and settlements, net	(63)
Ending balance at December 31, 2016	1,942

The allocation of the assets was in compliance with the target allocation set out in the plan investment policy, the principal objectives of which are to deliver returns above those of government and corporate bonds and to minimize the cost of providing pension benefits.

The changes in the benefit obligation, the plan assets and the funded status for the plan were as follows:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Change in benefit obligation:			
Benefit obligation at beginning of year	25,465	24,556	27,353
Interest cost	713	861	984
Actuarial loss/(gain)	663	5,259	(702)
Benefits paid	(485)	(529)	(1,723)
Foreign currency translation	2,526	(4,682)	(1,356)
Benefit obligation at end of year	28,882	25,465	24,556
Change in plan assets:			
Fair value of plan assets at beginning of year	24,018	24,202	24,968
Actual return on plan assets	1,264	3,116	309
Employer contributions	1,009	1,730	1,946
Benefits paid	(485)	(529)	(1,723)
Foreign currency translation	2,426	(4,501)	(1,298)
Fair value of plan assets at end of year	28,232	24,018	24,202
Funded status at end of year	(650)	(1,447)	(354)
Net actuarial (gain)/loss recognized in other comprehensive loss	(383)	2,649	(727)

Amounts recognized in the consolidated balance sheets consist of the following:

December 31,	2017 $'000	2016 $'000
Non-current liabilities	650	1,447

Amounts recognized in accumulated other comprehensive loss gross of tax consist of the following:

December 31,	2017 $'000	2016 $'000
Net loss	(12,200)	(12,583)
Prior service cost	—	—
Net transitional obligation	—	—
Total amount recognized in accumulated other comprehensive loss	(12,200)	(12,583)

The following table details certain information with respect to Belmond's U.K. defined benefit pension plan:

Year ended December 31,	2017 $'000	2016 $'000
Projected benefit obligation	28,882	25,465
Accumulated benefit obligation	28,882	25,465
Fair value of plan assets	28,232	24,018

Components of net periodic benefit cost are as follows:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Service cost	—	—	—
Interest cost on projected benefit obligation	713	861	984
Expected return on assets	(997)	(1,121)	(1,034)
Net amortization and deferrals	780	615	750
Net periodic benefit cost	496	355	700

Belmond (UK) Ltd., the plan sponsor and a wholly owned subsidiary of the Company ("Belmond UK"), was previously obligated to pay £1,272,000 (equivalent to $1,717,000 at December 31, 2017) annually to the plan under the U.K. statutorily-mandated triennial negotiation with the plan's trustees. With a new triennial arrangement that came into effect in June 2017, the funding obligation was reduced from £106,000 to £24,000 (equivalent to $143,000 and $33,000 as at December 31, 2017) per month. Under the prior contribution level, the plan's funding deficit was projected to be fully funded by the end of 2017. With the current funding level, Belmond UK is obligated to continue funding until the audited financials of the plan for the year ended December 31, 2018 are available. If no unfunded balance remains, Belmond UK shall be able to suspend further payments, but otherwise it will be expected to continue paying its monthly contribution, subject to any subsequent triennial negotiation with the plan's trustees. However, once the plan is fully funded, Belmond UK will remain obliged to restore the plan to a fully funded balance over the remainder of the period through December 31, 2021 should its position deteriorate.

In May 2014, Belmond Ltd. guaranteed the payment obligations of Belmond UK through 2023, subject to a cap of £8,200,000 (equivalent to $11,070,000 at December 31, 2017), which reduces commensurately with every payment made to the plan since December 31, 2012. As part of the recent triennial negotiation referred to above, Belmond has reinstated this guarantee effective July 1, 2017, for the period through 2026 and reset the cap from December 31, 2015 at £8,200,000, which as before will reduce with each payment made to the plan over the period.

The following benefit payments, which reflect assumed future service, are expected to be paid:

Year ended December 31,	$'000
2018	483
2019	668
2020	536
2021	689
2022	583
Next five years	5,112

The estimated net loss amortized from accumulated other comprehensive income/(loss) into net periodic pension cost in the next fiscal year is $768,000.

Certain employees of Belmond were members of defined contribution pension plans. Total contributions to the plans were as follows:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Employers' contributions	2,030	2,052	2,199

14. Income taxes

The Company is incorporated in Bermuda and migrated its tax residence to the United Kingdom on April 1, 2015. Belmond's effective tax rate is significantly affected by its mix of income and loss in various jurisdictions as there is significant variation in the income tax rate imposed and also by the effect of losses in jurisdictions where the tax benefit is not recognized.

Accordingly, the income tax provision is attributable to income tax charges incurred by subsidiaries operating in jurisdictions that impose an income tax, and is impacted by the effect of valuation allowances and uncertain tax positions. The income tax provision is also affected by certain items that may occur in any given year, but are not consistent from year to year. The most significant item which impacts the tax charge for the year ended December 31, 2017 is the deferred tax benefit of $19,807,000 arising as a result of the reduction in corporate tax rate in the U.S., as explained below.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The Tax Act makes complex changes to U.S. tax code that impacts U.S. subsidiaries of Belmond Ltd. at December 31, 2017.

The Act reduces the corporate tax rate from 35 to 21 percent, effective January 1, 2018. Consequently, Belmond has recorded a decrease related to deferred tax liabilities of $19,807,000, with a corresponding adjustment to deferred income tax benefit of $19,807,000 for the year ended December 31, 2017.

The Deemed Repatriation Tax ("Transition Tax") is a tax on previously untaxed accumulated and current earnings and profits ("E&P") of certain foreign subsidiaries owned directly or indirectly by Belmond's U.S. entities. To determine the amount of the Transition Tax, the Company must determine, in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. Belmond believes it is able to make a reasonable estimate of the Transition Tax and recorded a provisional Transition Tax obligation of $2,330,000. However, the analysis is incomplete, and Belmond is continuing to gather additional information to more precisely compute the amount of the Transition Tax. Our analysis in respect of the tax rate is complete.

The provision for income taxes consists of the following:

Year ended December 31, 2017	Pre-tax (loss)/ income $'000	Provision for income taxes Current $'000	Deferred $'000	Total $'000
UK	(18,518)	1,671	(372)	1,299
Bermuda	(34,873)	—	—	—
United States	(1,850)	3,332	(12,987)	(9,655)
Brazil	2,193	2,322	(804)	1,518
Italy	20,265	5,359	972	6,331
Peru	14,367	4,712	248	4,960
Rest of the world	(9,887)	2,800	(699)	2,101
	(28,303)	20,196	(13,642)	6,554

Year ended December 31, 2016	Pre-tax (loss)/ income $'000	Provision for income taxes Current $'000	Deferred $'000	Total $'000
UK	(6,702)	949	(444)	505
Bermuda	160	—	—	—
United States	2,681	(1,510)	(1,978)	(3,488)
Brazil	15,303	5,498	(121)	5,377
Italy	19,971	4,468	1,998	6,466
Peru	13,965	4,261	1,625	5,886
Rest of the world	(4,622)	3,007	(1,385)	1,622
	40,756	16,673	(305)	16,368

Year ended December 31, 2015	Pre-tax (loss)/ income $'000	Provision for income taxes Current $'000	Deferred $'000	Total $'000
UK	(18,965)	1,585	(2,262)	(677)
Bermuda	(4,315)	—	—	—
United States	1,439	1,310	1,698	3,008
Brazil	10,380	2,768	760	3,528
Italy	17,351	4,006	(824)	3,182
Peru	12,078	3,154	(677)	2,477
Rest of the world	7,386	4,341	1,182	5,523
	25,354	17,164	(123)	17,041

The reconciliation of (losses)/earnings before provision for income taxes and earnings from unconsolidated companies, net of tax at the statutory tax rate to the provision for income taxes is shown in the table below:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
(Losses)/earnings before provision for income taxes and earnings from unconsolidated companies, net of tax	(28,303)	40,756	25,354
Tax (benefit)/charge at statutory tax rate of 19.25%, 20% and 15% [(1)]	(5,448)	8,151	3,803
Exchange rate movements on deferred tax	2,400	(1,785)	(1,912)
Notional interest deductions	(960)	(1,812)	(1,867)
Imputed cross border charges	763	995	716
Disallowable goodwill impairment charges	—	—	2,198
Other permanent disallowable expenditure	3,664	483	5,762
Unrecognized tax loss generated on disposal of Hotel Ritz by Belmond	—	—	(16,029)
Change in valuation allowance	2,215	4,876	16,320
Difference in taxation rates	13,874	9,509	12,948
Adjustment to deferred tax for VIE	7,263	—	—
Change in provisions for uncertain tax positions	160	(3,350)	279
Change in tax rates	(19,807)	(643)	(5,121)
Transition tax in U.S.	2,330	—	—
Other	100	(56)	(56)
Provision for income taxes	6,554	16,368	17,041

[(1)] The Company migrated its tax residence to the United Kingdom on April 1, 2015, which has a statutory tax rate of 19.25% for the year ended December 31, 2017 (2016: 20%). Prior to that date, the Company was tax resident in Bermuda, which does not impose an income tax. The statutory tax rate of 15% represents the average statutory tax rate for the year ended December 31 2015

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following summarizes Belmond's net deferred tax assets and liabilities:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Operating loss carry-forwards	58,185	82,292	89,513
Pensions	95	255	63
Share-based compensation	703	3,617	2,978
Other	8,184	8,283	8,952
Less: Valuation allowance	(49,337)	(70,241)	(69,928)
Net deferred tax assets	17,830	24,206	31,578
Other	(4,817)	(5,032)	(7,427)
Property, plant and equipment	(128,206)	(141,231)	(147,265)
Deferred tax liabilities	(133,023)	(146,263)	(154,692)
Net deferred tax liabilities	(115,193)	(122,057)	(123,114)

Non-current deferred income tax liabilities are presented separately on the face of the consolidated balance sheets for all periods and non-current deferred tax assets are included within Other assets.

The gross amount of tax loss carry-forwards is $316,418,000 at December 31, 2017 (2016 - $369,523,000). Of this amount, $11,037,000 will expire in the five years ending December 31, 2022 and a further $11,272,000 will expire in the five years ending December 31, 2027. The remaining losses of $294,109,000 will expire after December 31, 2027 or have no expiry date. After weighing all positive and negative evidence, a valuation allowance has been provided against deferred tax assets where management believes it is more likely than not that the benefits associated with these assets will not be realized.

A deferred tax liability of $1,611,000 (2016 - $1,669,000) has been recognized in respect of income taxes and foreign withholding taxes on the excess of the amount for financial reporting purposes over the tax basis of the investments in foreign joint ventures. Except for earnings that are currently distributed, income taxes and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting purposes over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. The cumulative amount of such unremitted earnings is approximately $1,406,000,000 at December 31, 2017 (2016 - $1,355,000,000). The determination of the additional deferred taxes that have not been provided is not practical.

Belmond's 2017 tax charge of $6,554,000 (2016 - tax charge of $16,368,000; 2015 - tax charge of $17,041,000) included a charge of $160,000 (2016 - credit of $3,350,000; 2015 - charge of $279,000) in respect of the provision for uncertain tax positions, of which a charge of $15,000 (2016 - charge of $639,000; 2015 - charge of $247,000) related to the potential interest and penalty costs associated with the uncertain tax positions.

The 2017 provision for income taxes included a deferred tax provision of $2,215,000 in respect of valuation allowances due to a change in judgment concerning Belmond's ability to realize loss carryforwards and other deferred tax assets in certain jurisdictions compared to a $4,876,000 provision in 2016.

At December 31, 2017, the total amounts of unrecognized tax benefits included the following:

Year ended December 31, 2017	Total $'000	Principal $'000	Interest $'000	Penalties $'000
Balance, January 1, 2017	318	249	21	48
Additional uncertain tax provision identified during the year	215	197	1	17
Increase to uncertain tax provision on prior year positions	27	17	7	3
Uncertain tax provisions settled during the year	—	—	—	—
Decreases as a result of expiration of the statute of limitations	(82)	(69)	(3)	(10)
Foreign exchange	54	44	—	10
Balance at December 31, 2017	532	438	26	68

At December 31, 2017, Belmond recognized a $532,000 liability in respect of its uncertain tax positions. The entire balance of unrecognized tax benefit at December 31, 2017, if recognized, would affect the effective tax rate.

At December 31, 2016, the total amounts of unrecognized tax benefits included the following:

Year ended December 31, 2016	Total $'000	Principal $'000	Interest $'000	Penalties $'000
Balance at January 1, 2016	3,678	2,967	656	55
Additional uncertain tax provision identified during the year	78	61	4	13
Increase to uncertain tax provision on prior year positions	4	—	4	—
Uncertain tax provisions settled during the year	(3,308)	(2,668)	(640)	—
Decreases as a result of expiration of the statute of limitations	(124)	(104)	(2)	(18)
Foreign exchange	(10)	(7)	(1)	(2)
Balance at December 31, 2016	318	249	21	48

At December 31, 2016, Belmond recognized a $318,000 liability in respect of its uncertain tax positions. The entire balance of unrecognized tax benefit at December 31, 2016, if recognized, would affect the effective tax rate.

At December 31, 2015, the total amounts of unrecognized tax benefits included the following:

Year ended December 31, 2015	Total $'000	Principal $'000	Interest $'000	Penalties $'000
Balance, January 1, 2015	3,437	2,966	416	55
Additional uncertain tax provision identified during the year	78	62	7	9
Increase to uncertain tax provision on prior year positions	236	—	236	—
Decreases as a result of expiration of the statute of limitations	(35)	(30)	(2)	(3)
Foreign exchange	(38)	(31)	(1)	(6)
Balance, December 31, 2015	3,678	2,967	656	55

At December 31, 2015, Belmond recognized a $3,678,000 liability in respect of its uncertain tax positions. The entire balance of unrecognized tax benefit at December 31, 2015, if recognized, would affect the effective tax rate.

Certain subsidiaries of the Company are subject to taxation in the United States and various states and other non-U.S. jurisdictions. As of December 31, 2017, the earliest year in any jurisdiction which is open to examination by the tax authorities is 2003.

Belmond believes that it is reasonably possible that within the next 12 months the uncertain tax provision will decrease by approximately $100,000 as a result of expiration of uncertain tax positions in certain jurisdictions in which Belmond operates. These amounts relate primarily to transfer pricing inquiries with the tax authorities.

15. Interest expense

The balances in interest expense are as follows:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Interest expense on long-term debt and obligations under capital lease	29,425	27,090	27,380
Withholding tax provision classified as interest	—	—	(1,476)
Interest on legal settlements	(28)	(979)	3,294
Amortization of debt issuance costs and discount on secured term loan	3,682	3,044	2,903
Interest capitalized	(624)	—	—
Total interest expense	32,455	29,155	32,101

16. Supplemental cash flow information

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Cash paid during the period for:			
Interest	30,329	40,930	27,828
Income taxes, net of refunds	19,838	19,804	18,306

To reflect the actual cash paid for capital expenditure to acquire property, plant and equipment, increases in accounts payable for capital expenditure are non-cash and excluded from capital expenditure, while decreases are cash payments and included. The changes in accounts payable were an increase of $661,000 and a decrease of $223,000 for the years ended December 31, 2017 and 2016, respectively.

During the year ended December 31, 2016, cash paid during the period for interest of $30,329,000 (December 31, 2016 $40,930,000) included the payment of accrued interest on a 1984 development loan from a municipal agency that was fully repaid by Charleston Center LLC in June 2016. See Note 11.

17. Restricted cash

The major balances in restricted cash are as follows:

December 31,	2017 $'000	2016 $'000
Cash deposits required to be held with lending banks as collateral	801	755
Prepaid customer deposits which will be released to Belmond under its revenue recognition policy	2,488	1,341
Bonds and guarantees	633	489
Total restricted cash	3,922	2,585

Restricted cash classified as long-term and included in other assets on the consolidated balance sheet at December 31, 2017 was $801,000 (December 31, 2016 - $755,000).

18. Shareholders' equity

(a) Dual common share capitalization

The Company has been capitalized with class A common shares, of which there are 240,000,000 authorized, and class B common shares, of which there are 120,000,000 authorized, each convertible at any time into one class A common share. In general, holders of class A and class B common shares vote together as a single class, with holders of class B shares having one vote per share and holders of class A shares having one tenth of one vote per share. In all other substantial respects, the class A and class B common shares are the same.

(b) Shareholder rights agreement

The Company has in place a shareholder rights agreement which will be implemented not earlier than the tenth day following the first to occur of (i) the public announcement of the acquisition by a person (other than a subsidiary of the Company) of 15% or more of the outstanding class A common shares or 15% or more of the outstanding class B common shares, and (ii) the commencement or announcement of a tender offer or exchange offer by a person for 30% or more of the outstanding class A common shares or 30% or more of the outstanding class B common shares. At that time, the rights will detach from the class A and class B common shares, and the holders of the rights will be entitled to purchase, for each right held, one one hundredth of a series A junior participating preferred share of the Company at an exercise price of $70 (the "Purchase Price") for each one one hundredth of such junior preferred share, subject to adjustment in certain events. From and after the date on which any person acquires beneficial ownership of 15% or more of the outstanding class A common shares or 15% or more of the outstanding class B common shares, each holder of a right (other than the acquiring person) will be entitled upon exercise to receive, at the then current Purchase Price and in lieu of the junior preferred shares, that number of class A or class B common shares (depending on whether the right was previously attached to a class A or B share) having a market value of twice the Purchase Price. If the Company is acquired or 50% or more of its consolidated assets or earning power is sold, each holder of a right will be entitled to receive, upon exercise at the then current Purchase Price, that amount of common equity of the acquiring company which at the time of such transaction would have a market value of two times the Purchase Price. Also, the Company's board of directors may exchange all or some of the rights for class A and class B common shares (depending on whether the right was previously attached to a class A or B share) if any person acquires 15% beneficial ownership as described above, but less than 50% beneficial ownership. The rights will expire on June 1, 2020 but may be redeemed at a price of $0.05 per right at any time prior to the tenth day following the date on which a person acquires beneficial ownership of 15% or more of the outstanding class A common shares or 15% or more of the outstanding class B common shares.

(c) Acquired shares

Included in shareholders' equity is a reduction for 18,044,478 class B common shares of the Company that a subsidiary of the Company acquired in 2002. Under applicable Bermuda law, these shares are outstanding and may be voted, although in computing earnings per share these shares are treated as a reduction to outstanding shares.

(d) Preferred shares

The Company has 30,000,000 authorized preferred shares, par value $0.01 each, 500,000 of which have been reserved for issuance as series A junior participating preferred shares upon exercise of preferred share purchase rights held by class A and B common shareholders in connection with the shareholder rights agreement.

19. Share-based compensation plans

At December 31, 2017, Belmond had two share-based compensation plans, the 2004 stock option plan and the 2009 share award and incentive plan. The compensation cost that has been charged to selling, general and administrative expense for these plans was $5,809,000 for the year ended December 31, 2017 (2016 - $6,272,000; 2015 - $6,707,000). Cash received from exercised options and vested awards was $305,000 for the year ended December 31, 2017 (2016 - $17,000; 2015 - $35,000). The total compensation cost related to unexercised options and unvested share awards at December 31, 2017 to be recognized over the period January 1, 2018 to December 31, 2022, was $6,531,000 and the weighted average period over which it is expected to be recognized is 30 months. Measured from the grant date, substantially all awards of deferred shares and restricted shares have a maximum term of four years, and substantially all awards of share options have a maximum term of ten years. There were no grants under the 2004 stock option plan during the year ended December 31, 2017.

(a) 2004 stock option plans

Under the Company's 2004 stock option plan, options to purchase up to 1,000,000 class A common shares could be awarded to employees of Belmond at fair market value at the date of grant. Options are exercisable three years after award and must be exercised ten years from the date of grant. At December 31, 2017, 15,300 class A common shares were reserved under the 2004 plan. At December 31, 2017, no shares remain available for future grants under the 2004 plan as these have been transferred to the 2009 plan described below which became effective in 2009.

Details of share option transactions under the 2004 stock option plan are as follows:

	Number of shares subject to options	Weighted average exercise price $	Weighted average remaining contractual life in years	Aggregate intrinsic value $'000
Outstanding — January 1, 2016	85,650	36.30		
Exercised	(2,548)	5.89		
Forfeited, canceled or expired	(16,752)	27.75		
Outstanding — December 31, 2016	66,350	39.63		
Exercised	(3,907)	5.89		
Forfeited, canceled or expired	(47,143)	47.90		
Outstanding — December 31, 2017	15,300	15.99	0.7	54
Exercisable — December 31, 2017	15,300	15.99	0.7	54

The options outstanding under the 2004 plans at December 31, 2017 were as follows:

Exercise prices $	Outstanding at 12/31/2017	Exercisable at 12/31/2017	Remaining contractual lives in years	Exercise prices for outstanding options $	Exercise prices for exercisable options $
5.89	8,500	8,500	0.9	5.89	5.89
35.85	2,600	2,600	0.7	35.85	35.85
46.08	2,200	2,200	0.4	46.08	46.08
51.90	2,000	2,000	0.2	51.90	51.90
	15,300	15,300			

The fair value of options which were exercised in the year to December 31, 2017 was $8,000. No options vested and no options were granted under the plans during the year ended December 31, 2017.

(b) 2009 share award and incentive plan

The Company's 2009 share award and incentive plan became effective in June 2009 and replaced the 2000 stock option plan, 2004 stock option plan and 2007 performance share plan (the "Pre-existing Plans"). A total of 1,084,500 class A common shares plus the number of class A common shares subject to outstanding awards under the Pre-existing Plans which become available after June 2009 as a result of expirations, cancellations, forfeitures or terminations, were reserved for issuance for awards under the 2009 share award and incentive plan. In 2010, the 2009 plan was amended to increase by 4,000,000 the number of class A shares authorized for issuance under the plan, and in 2012 by another 5,000,000 class A shares.

The 2009 plan permits awards of stock options, stock appreciation rights, restricted shares, deferred shares, bonus shares and awards in lieu of obligations, dividend equivalents, other share-based awards, performance-based awards, or any combination of the foregoing. Each type of award is granted and vests based on its own terms, as determined by the Compensation Committee of the Company's board of directors.

During 2017, the following awards were made under the 2009 share award and incentive plan on the following dates. Estimates of fair values of share options and deferred shares with and without performance criteria were made using the Black-Scholes options pricing model.

2009 share award and incentive plan	Class A common shares	Date granted	Vesting date	Exercise price	Expected share price volatility	Risk-free interest rate	Expected dividends per share	Expected life of awards
Share options	104,425	December 9, 2017	December 9, 2018	$12.25	27%	1.92%	$—	2.5 years
Share options	104,425	December 9, 2017	December 9, 2019	$12.25	27%	1.92%	$—	3.5 years
Share options	104,425	December 9, 2017	December 9, 2020	$12.25	28%	2.14%	$—	4.5 years
Share options	104,425	December 9, 2017	December 9, 2021	$12.25	31%	2.14%	$—	5.5 years
Share options	40,900	June 11, 2017	June 11, 2018	$13.45	29%	1.50%	$—	2.5 years
Share options	40,900	June 11, 2017	June 11, 2019	$13.45	29%	1.50%	$—	3.5 years
Share options	40,900	June 11, 2017	June 11, 2020	$13.45	30%	1.77%	$—	4.5 years
Share options	40,900	June 11, 2017	June 11, 2021	$13.45	34%	1.77%	$—	5.5 years

During the year ended December 31, 2017, the following deferred and restricted share awards were made under the 2009 share award and incentive plan on the following dates:

2009 share award and incentive plan	Class A common shares	Date granted	Vesting date	Purchase price
Restricted shares without performance criteria	56,390	June 11, 2017	June 11, 2018	$0.01
Restricted shares without performance criteria	48,872	June 11, 2017	June 11, 2020	$0.01
Restricted shares without performance criteria	11,278	June 11, 2017	On retirement	$0.01
Restricted shares without performance criteria	34,450	March 17, 2017	March 17, 2018	$0.01
Restricted shares without performance criteria	34,450	March 17, 2017	March 17, 2019	$0.01
Restricted shares without performance criteria	117,231	March 17, 2017	March 17, 2020	$0.01
Restricted shares without performance criteria	34,450	March 17, 2017	March 17, 2021	$0.01
Restricted shares with performance criteria	228,500	March 17, 2017	March 17, 2020	$0.01

Transactions relating to share options under the 2009 plan have been as follows:

	Number of shares subject to options	Weighted average exercise price $	Weighted average remaining contractual life in years	Aggregate intrinsic value $'000
Outstanding — January 1, 2016	2,702,957	10.97		
Granted	518,300	11.61		
Exercised	(59,833)	9.35		
Forfeited, canceled or expired	(516,935)	10.77		
Outstanding — December 31, 2016	2,644,489	11.17		
Granted	581,300	12.59		
Exercised	(107,552)	8.76		
Forfeited, canceled or expired	(428,830)	11.22		
Outstanding — December 31, 2017	2,689,407	10.75	7.3	2,940
Exercisable — December 31, 2017	1,516,388	11.34	6.0	2,087

The options outstanding under the 2009 plan at December 31, 2017 were as follows:

Exercise prices $	Outstanding at 12/31/2017	Exercisable at 12/31/2017	Remaining contractual lives in years	Exercise prices for outstanding options $	Exercise prices for exercisable options $
8.91	24,800	24,800	1.9	8.91	8.91
8.37	13,600	13,600	2.4	8.37	8.37
11.44	54,650	54,650	2.9	11.44	11.44
11.69	44,600	44,600	3.4	11.69	11.69
8.06	132,250	132,250	3.9	8.06	8.06
9.95	31,700	31,700	4.2	9.95	9.95
8.42	50,600	50,600	4.4	8.42	8.42
11.32	152,050	152,050	4.9	11.32	11.32
9.95	31,700	31,700	5.1	9.95	9.95
11.74	82,800	82,800	5.4	11.74	11.74
14.51	184,450	184,450	6.0	14.51	14.51
14.08	97,100	97,100	6.5	14.08	14.08
11.57	251,083	251,083	7.0	11.57	11.57
12.50	79,000	39,650	7.5	12.50	12.50
13.75	96,165	48,083	7.7	13.75	13.75
8.98	332,709	163,493	7.9	8.98	8.98
9.64	152,900	38,225	8.5	9.64	9.64
12.75	301,450	75,554	8.9	12.75	12.75
13.45	159,100	—	9.5	13.45	—
12.25	416,700	—	10.0	12.25	—
	2,689,407	1,516,388			

The fair value of option grants made in the year to December 31, 2017 was $1,887,000. The fair value of options which became exercisable in the year to December 31, 2017 was $2,158,000. The fair value of options which were exercised in the year was $505,000. The number of options which vested during the year was 588,739.

Transactions relating to deferred shares and restricted shares under the 2009 plan have been as follows:

	Number of shares subject to awards	Weighted average exercise price $	Aggregate intrinsic value $'000
Outstanding — January 1, 2016	1,162,187	0.01	
Granted	624,261	0.01	
Vested and issued	(331,299)	0.01	
Forfeited, canceled or expired	(261,374)	0.01	
Outstanding — December 31, 2016	1,193,775	0.01	
Granted	565,621	0.01	
Vested and issued	(334,958)	0.01	
Forfeited, canceled or expired	(152,700)	0.01	
Outstanding — December 31, 2017	1,271,738	0.01	15,566

At December 31, 2017, awards of deferred shares and restricted shares on 1,271,738 class A common shares were reserved under the 2009 plan. Of these awards, 687,335 deferred shares and restricted shares do not specify any performance criteria and will vest up to March 2020. The remaining awards of up to 584,403 deferred shares are subject to performance criteria.

The fair value of deferred shares and restricted shares awarded in the year to December 31, 2017 was $4,923,000. The fair value of deferred shares vested in the year to December 31, 2017 was $3,925,000.

There were no vested and unissued deferred share or restricted shares awards as of December 31, 2017.

Estimates of the fair value of the share options on the grant date using the Black-Scholes options pricing model were based on the following assumptions:

Year ended December 31,	2017	2016	2015
Expected share price volatility	27% - 34%	29% - 40%	28% - 58%
Risk-free interest rate	1.50% - 2.14%	0.76% - 1.84%	0.65% - 1.83%
Expected annual dividends per share	$—	$—	$—
Expected life of share options	2.5 - 5.5 years	2.5 - 5.5 years	2.5 - 6.9 years

20. Commitments and contingencies

Belmond Copacabana Palace

In February 2013, the State of Rio de Janeiro Court of Justice affirmed a 2011 decision of a Rio state trial court against Sea Containers Ltd ("SCL") in lawsuits brought against SCL by minority shareholders in Companhia Hoteis Palace ("CHP"), the company that owns Belmond Copacabana Palace, relating to the recapitalization of CHP in 1995, but the Court reduced the total award against SCL to approximately $27,000,000. SCL further appealed the judgments during the second quarter of 2013 to the Superior Court of Justice in Brasilia. SCL sold its shares in CHP to the Company in 2000. Years later, in 2006, SCL entered insolvency proceedings in the U.S. and Bermuda that are continuing in Bermuda. Possible claims could be asserted against the Company or CHP in connection with this Brazilian litigation that has to date only involved SCL, although no claims have been asserted to date.

As a precautionary measure to defend the hotel, CHP commenced a declaratory lawsuit in the Rio state court in December 2013 seeking judicial declarations that no fraud was committed against the SCL plaintiffs when the shares in CHP were sold to the Company in 2000 and that the sale of the shares did not render SCL insolvent. Pending rulings on those declarations, the court granted CHP an injunction preventing the SCL plaintiffs from provisionally enforcing their 2011 judgments against CHP, which judgment was subsequently reversed on appeal in May 2014. In September 2014, CHP sought reconsideration from the appellate court of this decision, but the court dismissed its request, resulting in the return of the declaratory lawsuit proceedings to the Rio State Court.

Management cannot estimate the range of possible loss if the SCL plaintiffs assert claims against the Company or CHP, and Belmond has made no accruals in respect of this matter. If any such claims were brought, Belmond would continue to defend its interests vigorously.

Ubud Hanging Gardens

In November 2013, the third-party owner of Ubud Hanging Gardens in Bali, Indonesia dispossessed Belmond from the hotel under long-term lease without prior notice. As a result, Belmond was unable to continue operating the hotel and, accordingly, to prevent any confusion to its guests, Belmond ceased referring to the property in its sales and marketing materials, including all electronic marketing.

Belmond believed that the owner's actions were unlawful and in breach of the lease arrangement and constituted a wrongful dispossession. Belmond pursued its legal remedies through arbitration proceedings required under the lease. In June 2015, a Singapore arbitration panel issued its final award in favor of Belmond, holding that the owner had breached Indonesian law and the lease, and granting monetary damages and costs to the Company in an amount equal to approximately $8,500,000. Since its receipt of the arbitral award, Belmond has been engaged in the process of enforcing this arbitral award in the Indonesian courts. Starting in April 2014, the Indonesian trial courts have dismissed eight separate actions filed by the owner for lack of jurisdiction due to the arbitration clause in the parties' lease. The owner has appealed five of these decisions, all of which plead variations on the same facts, of which four have been affirmed by the Appellate Court with two of those affirmed by the Indonesian Supreme Court and the other two await a decision by the Indonesian Supreme Court. The fifth case was reversed in favor of the owner on appeal in October 2014 and affirmed by the Indonesian Supreme Court in December 2016. Belmond has sought review for reconsideration by the Supreme Court. In the meantime, Belmond filed with the Central Jakarta District Court in October 2017, as further support for the enforcement of Belmond's arbitral claim, the decisions of four Indonesian trial courts enforcing the arbitration provision under the lease and ruling that the Indonesian courts had no jurisdiction over the parties' 2013 dispute, along with four affirming decisions from the appellate courts and the two from the Indonesian Supreme Court.

Belmond does not believe there is any merit in the owner's outstanding Indonesian actions and is vigorously defending its rights while it seeks to enforce the Singapore arbitral award. While the Company can give no assurances, it believes that it should ultimately be able to enforce its arbitral award. Given the uncertainty involved in this litigation, Belmond recorded in the year ended December 31, 2013, a non-cash impairment charge in the amount of $7,031,000 relating to long-lived assets and goodwill of Ubud Hanging Gardens and has not booked a receivable in respect of the award.

As supplemental proceedings to its arbitration claim, Belmond commenced contempt proceedings in the High Court in London, England, where the owner resided, for pursuing the Indonesian proceedings contrary to an earlier High Court injunction, and obtained against the owner in July 2014 a contempt order, which subsequently resulted in the court issuing a committal order of imprisonment for 120 days. The owner left England before the court order was issued and has not yet served the sentence.

Belmond Hotel das Cataratas

In September 2014, the Brazilian Ministry of Planning, Budget and Management notified the Company that it was denying the Company's application to extend the term or reduce the rent under the lease for Belmond Hotel das Cataratas, which was entered into in 2007. Belmond had applied for the amendment in 2009 based on its claim that it suffered additional unanticipated and/or unforeseeable costs in performing the refurbishment of the hotel as required by the lease and related tender documentation in order to raise the standard of the property to a five star luxury standard.

Prior to August 2014, with the agreement of the Ministry, the Company had been paying the base annual rent without an annual adjustment for inflation as provided for in the lease, pending resolution of Belmond's application. Throughout this period, the Company had expensed the full rental amount and has fully accrued the difference between the rental charge and the amount actually paid. Based on the Ministry's decision denying any relief, the Ministry directed the Company that it would henceforth assess rent at the contractual rate, which has been included in the table of future rental payments as at December 31, 2017, and that it was required to pay the difference between the contractual rent and the rent that had been actually paid. On March 20, 2015, the Ministry provided notice to the hotel that an aggregate amount of approximately R$17,000,000 ($5,139,000) was due on March 31, 2015 as a result of its rejection of any relief sought by Belmond.

The Company appealed to the Ministry to reconsider its decision on both procedural and substantive grounds. Pending this requested reconsideration and exhaustion of administrative remedies, the Company did not pay to the Ministry the amount claimed. The Company filed a lawsuit in the Federal Court in Paraná State in August 2016 against the Government of Brazil regarding the Ministry's failure to properly consider and modify the lease concession for Belmond Hotel das Cataratas. The Federal Court granted the Company's request for an injunction against the Government enforcing its claim and granted the Company's request for a 25% preliminary reduction in rent, pending a decision on the merits, which the Superior Court upheld on appeal in a decision rendered in September 2016. The Government appealed to a three-judge panel of the Superior Court, which upheld the decision of the Federal Court in favor of the Company in a judgment rendered in January 2017.

On October 17, 2017, the Federal Court issued a decision on the merits denying in part the Company's claim for modification of the lease concession. The Court ruled although the lease is an administration agreement rather than a simple commercial lease, the Company had not overcome its burden of proof to show that a modification was justified. The Court further ordered that the Company must pay the stated rent in the lease rather than the reduced rent set by the Federal Court in September 2016. The Court also revoked the injunction issued in September 2016 that had been subsequently affirmed on appeal prohibiting the Federal Government from pursuing a claim against the Company to recover the difference between the stated lease rent and the amounts the Company actually paid during the period from 2009 to 2014. The Company appealed this decision and requested injunctive relief enjoining the Government from enforcing the decision of the Federal Court pending a hearing on the appeal. On December 22, 2017, the Federal Superior Court denied the Company's request for an injunction and affirmed the lower court's partial decision on the merits. As a result, the Federal Government could seek immediately to enforce its claim for allegedly unpaid lease obligations. The Company has reserved against this claim, and this accrual as at December 31, 2017 totaled R$25,174,000 ($7,610,000). The Company does not believe that any loss above the amounts accrued is likely. The Company intends to vigorously contest the remaining issues in front of the Federal Court, particularly the matter of proving that a modification of the lease concession is warranted under the circumstances.

Belmond Miraflores Park

The Company is contesting a claim against Belmond Miraflores Park Hotel ("BMP") by the municipality of Miraflores in Lima, Peru, where BMP is located. The municipality alleges that BMP has generated noise and vibrations in violation of municipal nuisance ordinances resulting in the disturbance of certain apartment owners in an adjoining residential building. The local administrative court ruled in favor of the municipality, and levied a nominal fine and issued an order for injunctive relief that included the potential closure of BMP pending the elimination of the noise and vibrations. In March 2016, after the administrative court's ruling was affirmed at the trial court and subsequently, the appellate court level, BMP appealed to the Supreme Court of Peru. Enforcement of the ruling of the appellate court has been stayed pending the Supreme Court appeal. On June 29, 2017, the Supreme Court issued a decision accepting BMP's appeal rather than, as BMP had expected, summarily affirming the appellate court decision. Consequently, BMP expects that the Supreme Court will issue its opinion on this matter in the latter half of 2018. Management believes that the risk of closure of BMP is remote because BMP will have completed its remediation by the time the Supreme Court issues its decision and expects to be in compliance with municipal nuisance ordinances at that time. BMP has other alternatives that it could pursue to resolve this matter if BMP is not compliant by the time of the Supreme Court decision. Accordingly, management does not believe that a material loss is probable and no accrual has been made in respect of this matter.

Cupecoy Village Development N.V.

In July 2015, Cupecoy Village Development N.V. ("Cupecoy") received notification from the tax authorities in Sint Maarten of an intention to issue tax assessments for periods 2007-2010 in respect of wages taxes, social security, turnover tax and penalties, which Belmond believed indicated a maximum possible loss of $16,500,000. Belmond believed that the report received from the tax authorities contains a number of material miscalculations and misinterpretations of fact and law. The Company had provided a written response to the tax authorities disputing their assessment and expected the resolution of this dispute to result in only an immaterial cost. However, the tax authorities consistently failed to respond or otherwise engage with Belmond or Cupecoy and therefore the Company gave the tax authorities notice that it intended to wind up Cupecoy, which the Company did after receiving no response from the authorities to this notice. In October 2016, following our application to the court, Cupecoy was declared technically insolvent in light of the 2015 tax claim, at which point the Company determined that any liability in respect of Cupecoy was effectively discharged. A final bankruptcy declaration was issued in the first quarter of 2017.

"Cipriani" Trademark

In May 2010, after prevailing in litigation at the trial and appellate court levels, Belmond settled litigation in the United Kingdom for infringement of its U.K. and Community (European wide) registrations for the “Cipriani” trademark. Defendants paid the amount of $3,947,000 to Belmond in March 2010 with the balance of $9,833,000 being payable in installments over five years with interest. Belmond received the final payment in the amount of $1,178,000 in June 2015.

Subsequent to Belmond’s success before the U.K. courts, there have arisen a number of European trademark opposition and infringement cases relating to Belmond "Cipriani" and "Hotel Cipriani" Community trademarks. These include an ongoing invalidity action filed by Arrigo Cipriani in the European Trade Mark Office against Belmond’s "Cipriani" Community trademark. To date, Belmond has successfully rebutted this challenge at every level of administrative appeal, including before the EU General Court in Luxembourg which issued a decision on June 29, 2017 dismissing the Arrigo Cipriani appeal and ordering that appellant pay the costs of the court and the Company. Belmond has recently been successful in securing the cancellation in Portugal of a trademark application filed by an affiliated company of the Cipriani family for “Cipriani”. Belmond has also been successful in obtaining cancellations of "Cipriani" trademark applications made by the Cipriani family's corporate entity in Russia.

In addition, there are a number of ongoing trademark disputes with the Cipriani family in Italy: in January 2015, the Cipriani family and affiliated entities commenced proceedings against Belmond in the Court of Venice, asserting that a 1967 agreement pursuant to which the family sold their interest in the Hotel Cipriani constituted a coexistence agreement allowing both the Company to use “Hotel Cipriani”, and the Cipriani family to use “Cipriani”. In November 2017, the Court rejected the family's complaint and awarded costs to the Company. This decision was not subsequently appealed. In August 2015, pursuant to a separate claim filed by the Cipriani family, the Court of Venice ruled in favor of the Cipriani family, determining that its use of the full name (rather than just an initial with the family's surname), would not constitute infringement of the Company’s registered trademark. This ruling was overturned on appeal in favor of the Company on November 30, 2017. The Cipriani family has appealed this decision before the Italian Supreme Court, and in a separate filing to the appellate court has requested the reconsideration of that court's decision. While Belmond believes it has a meritorious case, Belmond cannot estimate the range of possible additional loss if it should not prevail in this matter and Belmond has made no accruals in respect of the matter. Separate proceedings brought by Belmond in Spain to defend Belmond’s marks against a use by the Cipriani family and its affiliated entities of “Cipriani” to promote a restaurant have been stayed pending the outcome of the Venice appeal.

Belmond Sanctuary Lodge

On November 28, 2017, Peru Belmond Hotels S.A., the Peruvian hotel joint venture in which the Company holds a 50% interest ("PBH"), received notification of a complaint filed with the Court of Cusco by the Regional Government of Cusco seeking the annulment of the ten-year extension of the Belmond Sanctuary Lodge concession that commenced in May 2015. The Regional Government alleges that the President of the Region at the time of the execution of the extension did not have the sole authority to bind the Regional Government. This lawsuit is substantially similar to a complaint filed by the Regional Government against PBH in January 2015 that was dismissed by the Court of Cusco and, upon appeal by the Regional Government, was affirmed by the Superior Court of Cusco in favor of PBH in June 2016. The Company does not believe that there is any merit to the Regional Government's complaint.

The Company and certain of its subsidiaries are parties to various legal proceedings arising in the normal course of business. These proceedings generally include matters relating to labor disputes, tax claims, personal injury cases, lease negotiations and ownership disputes. The outcome of each of these matters cannot be determined with certainty, and the liability that the relevant parties may ultimately incur with respect to any one of these matters in the event of a negative outcome may be in excess of amounts currently accrued for with respect to these matters. Where a reasonable estimate can be made, the additional losses or range of loss that may be incurred in excess of the amount recognized from the various legal proceedings arising in the normal course of business are disclosed separately for each claim, including a reference to where it is disclosed. However, for certain of the legal proceedings, management is unable to estimate the loss or range of loss that may result from these claims due to the highly complex nature or early stage of the legal proceedings.

Belmond has granted to James Sherwood, a former director of the Company, a right of first refusal to purchase the Belmond Hotel Cipriani in Venice, Italy in the event Belmond proposes to sell it. The purchase price would be the offered sale price in the case of a cash sale or the fair market value of the hotel, as determined by an independent valuer, in the case of a non-cash sale. Mr. Sherwood has also been granted an option to purchase the hotel at fair market value if a change in control of the Company occurs. Mr. Sherwood may elect to pay 80% of the purchase price if he exercises his right of first refusal, or 100% of the purchase price if he exercises his purchase option, by a non-recourse promissory note secured by the hotel payable in ten equal annual installments with interest at LIBOR. This right of first refusal and purchase option are not assignable and expire one year after Mr. Sherwood's death. These agreements relating to Belmond Hotel Cipriani between Mr. Sherwood and Belmond and its predecessor companies have been in place since 1983 and were last amended and restated in 2005.

Capital commitments

Outstanding contracts to purchase property, plant and equipment were approximately $19,464,000 at December 31, 2017 (December 31, 2016 - $7,772,000).

Future rental payments and rental expense under operating leases

Future rental payments under operating leases in respect of equipment rentals and leased premises are payable as follows:

Year ended December 31,	$'000
2018	12,072
2019	10,879
2020	10,919
2021	11,422
2022	9,283
2023 and thereafter	141,832
	196,407

Rental expense under operating leases for the year ended December 31, 2017 amounted to $14,805,000 (2016 - $13,037,000; 2015 - $10,675,000).

21. Fair value measurements

(a) Financial instruments recorded at fair value

The following tables summarize the valuation of Belmond's assets and liabilities by the fair value hierarchy at December 31, 2017 and 2016:

December 31, 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets at fair value:				
Derivative financial instruments	—	1,348	—	1,348
Total assets	—	1,348	—	1,348
Liabilities at fair value:				
Derivative financial instruments	—	(430)	—	(430)
Total net assets	—	918	—	918

December 31, 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets at fair value:				
Derivative financial instruments	—	—	—	—
Total assets	—	—	—	—
Liabilities at fair value:				
Derivative financial instruments	—	(3,364)	—	(3,364)
Total net liabilities	—	(3,364)	—	(3,364)

During the years ended December 31, 2017 and 2016, there were no transfers between levels of the fair value hierarchy.

(b) Other financial instruments

Certain methods and assumptions are used to estimate the fair value of each class of financial instruments. The carrying amount of current assets and current liabilities as disclosed on the consolidated balance sheets approximate their fair value due to the short-term nature of those instruments.

The fair value of Belmond's long-term debt, excluding interest rate swaps and caps, is determined using the contractual cash flows and credit-adjusted discount curves. The fair value of the debt is the present value of those contractual cash flows which are discounted at the current market cost of debt and adjusted for the credit spreads. Credit spreads take into consideration general market conditions, maturity and collateral.

The estimated carrying values, fair values, and levels of the fair value hierarchy of Belmond's long-term debt as of December 31, 2017 and 2016 were as follows:

		December 31, 2017		December 31, 2016	
		Carrying amounts $'000	Fair value $'000	Carrying amounts $'000	Fair value $'000
Total long-term debt, before deduction of discount on secured term loan and debt issuance costs, excluding obligations under capital leases	Level 3	724,208	728,994	602,083	626,613

See Note 11.

(c) Non-financial assets measured at fair value on a non-recurring basis

The estimated fair values of Belmond's non-financial assets measured on a non-recurring basis for the years ended December 31, 2017, 2016 and 2015 were as follows:

		Fair value measurement inputs			
	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total losses in year ended December 31, 2017 $'000
Property, plant and equipment	5,955	—	—	5,955	(8,216)

		Fair value measurement inputs			
	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total losses in year ended December 31, 2016 $'000
Property, plant and equipment	—	—	—	—	(1,007)

		Fair value measurement inputs			
	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total losses in year ended December 31, 2017 $'000
Goodwill	—	—	—	—	(5,500)

		Fair value measurement inputs			
	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total losses in year ended December 31, 2015 $'000
Goodwill	10,050	—	—	10,050	(9,796)

Property, plant and equipment

For the year ended December 31, 2017, property, plant and equipment at Belmond Road to Mandalay and Belmond Northern Belle with a combined carrying value of $14,171,000 was written down to fair value of $5,955,000, resulting in a non-cash impairment charge of $8,216,000.

For the year ended December 31, 2016, property, plant and equipment at Belmond Orcaella with a carrying amount of $1,007,000 was written down to fair value of $Nil, resulting in a non-cash impairment charge of $1,007,000.

These impairments are included in earnings from continuing operations in the period incurred. See Note 8.

Goodwill

For the year ended December 31, 2017, goodwill of Belmond Cap Juluca with a carrying value of $5,500,000 was written down to fair value of $Nil, resulting in a non-cash impairment charge of $5,500,000.

For the year ended December 31, 2015, goodwill of Belmond Jimbaran Puri, Belmond La Résidence Phou Vao and Belmond Northern Belle with a combined carrying value of $5,698,000 was written down to fair value of $Nil, resulting in a non-cash impairment charge of $5,698,000. Also, in the year ended December 31, 2015, goodwill of Belmond Grand Hotel Europe with a carrying value of $14,148,000 was written down to fair value of $10,050,000, resulting in a non-cash impairment charge of $4,098,000.

These impairments are included in earnings from continuing operations in the period incurred. See Note 9.

22. Derivatives and hedging activities

Belmond hedges its interest rate risk, ensuring that an element of its floating rate interest is fixed by using interest rate derivatives. Belmond designates these derivatives as cashflow hedges. Additionally, Belmond designates its foreign currency borrowings and currency derivatives as net investment hedges of overseas operations.

In connection with the Term Loan Facility, the interest rate derivatives associated with the previous term loan facility were terminated. See Note 11. The termination costs incurred were $2,145,000 during the year ended December 31, 2017. All amounts in other comprehensive income/(loss) relating to these derivatives will be amortized to interest expense over the remaining original life of the interest rate derivative under ASC 815 *Derivatives and Hedging.* New interest rate derivatives were entered into to fix an element of the floating interest rate on the Term Loan Facility.

Cash flow hedges of interest rate risk

As of December 31, 2017 and 2016, Belmond had the following outstanding interest rate derivatives stated at their notional amounts in local currency that were designated as cash flow hedges of interest rate risk:

December 31,		2017 ’000		2016 ’000
Interest rate swaps	€	89,500	€	72,938
Interest rate swaps	$	243,000	$	210,756
Interest rate caps	$	17,200	$	17,200

Fair value

The table below presents the fair value of Belmond's derivative financial instruments and their classification as of December 31, 2017 and 2016:

	Balance sheet location	Fair value as of December 31, 2017 $'000	Fair value as of December 31, 2016 $'000
Derivatives designated in a cash flow hedging relationship:			
Interest rate derivatives	Other assets	1,776	—
Interest rate derivatives	Accrued liabilities	(858)	(2,310)
Interest rate derivatives	Other liabilities	—	(1,054)
Total		918	(3,364)

Offsetting

There was no offsetting within derivative assets or derivative liabilities at December 31, 2017 and 2016. However, derivatives are subject to master netting arrangements.

Other comprehensive income/(loss)

Information concerning the movements in other comprehensive income/(loss) for cash flow hedges of interest rate risk is shown in Note 23. At December 31, 2017, the amount accounted for in other comprehensive income/(loss) which is expected to be reclassified to interest expense in the next 12 months is $2,102,000. Movement in other comprehensive income/(loss) for net investment hedges recorded through foreign currency translation adjustments for the year ended December 31, 2017 was a $2,745,000 loss (2016 - $4,975,000 gain; 2015 - $18,221,000 gain).

Credit-risk-related contingent features

Belmond has agreements with some of its derivative counterparties that contain provisions under which, if Belmond defaults on the debt associated with the hedging instrument, Belmond could also be declared in default in respect of its derivative obligations.

As of December 31, 2017, the fair value of derivatives in a net asset position, which includes accrued interest and an adjustment for non-performance risk, related to these agreements was $918,000 (2016 - $3,364,000 net liability). If Belmond breached any of the provisions, the obligations under the agreements would be settled at termination value of $942,000 inflow (2016 - $3,370,000 outflow).

Non-derivative financial instruments — net investment hedges

Belmond uses certain of its debt denominated in foreign currency to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. Belmond's designates its euro-denominated indebtedness as a net investment hedge of long-term investments in its euro-functional subsidiaries. These contracts are included in non-derivative hedging instruments. The notional value of non-derivative hedging instruments was $213,350,000 at December 31, 2017 (2016 - $153,472,000), being a liability of Belmond.

23. Accumulated other comprehensive loss

Changes in accumulated other comprehensive income/(loss) ("AOCI") by component (net of tax) for the years ended December 31, 2017 and 2016 were as follows:

	Foreign currency translation adjustments $'000	Derivative financial instruments $'000	Pension liability $'000	Total $'000
Balance at January 1, 2016	(326,070)	(4,091)	(9,943)	(340,104)
Other comprehensive loss before reclassifications, net of tax benefit of $(809), $(889) and $(530)	(10,983)	(1,942)	(2,119)	(15,044)
Amounts reclassified from AOCI, net of tax provision of $Nil, $1,111 and $Nil	—	2,809	—	2,809
Net current period other comprehensive (loss)/income	(10,983)	867	(2,119)	(12,235)
Balance at December 31, 2016	(337,053)	(3,224)	(12,062)	(352,339)
Other comprehensive income/(loss) before reclassifications, net of tax benefit of $Nil, ($50) and $73	48,095	(121)	310	48,284
Amounts reclassified from AOCI, net of tax provision of $Nil, $860 and $Nil	692	2,041	—	2,733
Net current period other comprehensive income	48,787	1,920	310	51,017
Balance at December 31, 2017	(288,266)	(1,304)	(11,752)	(301,322)

Reclassifications out of AOCI (net of tax) were as follows:

	Amount reclassified from AOCI		
Details about AOCI components	December 31, 2017 $'000	December 31, 2016 $'000	Affected line item in the statement of operations
Foreign currency translation adjustments:			
Reclassification upon sale of operating unit	692	—	(Loss)/gain on disposal of property, plant and equipment and equity method investments
Derivative financial instruments:			
Cash flows from derivative financial instruments related to interest payments made for the hedged debt instrument	2,041	2,809	Interest expense
Total reclassifications for the period	2,733	2,809	

24. Segment information

Segment performance is evaluated by the chief operating decision maker based upon adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA").

For reporting periods prior to the quarter ended March 31, 2017, the Company disclosed certain disaggregated segment profitability information in its periodic reports in accordance with applicable U.S. GAAP accounting principles, ASC 280 Segment Reporting, in the form of earnings before gains/(losses) on disposal, impairments, central costs, interest income, interest expense, foreign currency, tax (including tax on earnings from unconsolidated companies), depreciation and amortization, share-based compensation and gains/(losses) on extinguishment of debt ("segment profit/(loss)"). This is a measure of unadjusted EBITDA and, consistent with ASC 280, has represented the way management traditionally have evaluated the operating performance of each of the Company's reportable segments. The format of the segment performance information provided to the chief operating decision maker for these purposes has evolved over time to focus primarily on adjusted EBITDA as the key measure of segment profitability. Adjusted EBITDA excludes gains/(losses) on disposal, impairments, restructuring and other special items, interest income, interest expense, foreign currency, tax (including tax on earnings from unconsolidated companies), depreciation and amortization and gains/(losses) on extinguishment of debt. In order to better reflect management's internal evaluation of segment performance under ASC 280, as of the quarterly reporting period ended March 31, 2017, Belmond has disclosed adjusted EBITDA in place of segment profit/(loss) as the primary metric used by the chief operating decision maker to evaluate segment performance. In management's view, adjusted EBITDA allows the Company's segment performance to be evaluated more effectively and on a consistent basis by removing the impact of certain items that management believes do not reflect the underlying operations. Belmond notes that adjusted EBITDA is not a term defined under GAAP. As a result, Belmond provides reconciliations to the GAAP number immediately following tables using this non-GAAP term.

Belmond's operating segments are aggregated into six reportable segments primarily around the type of service being provided—hotels, trains and cruises, and management business/part ownership interests—and are secondarily organized by geography for the hotels, as follows:

- Owned hotels in each of Europe, North America and Rest of world which derive earnings from the hotels that Belmond owns including its one stand-alone restaurant;
- Owned trains and cruises which derive earnings from the train and cruise businesses that Belmond owns;
- Part-owned/managed hotels which derive earnings from hotels that Belmond jointly owns or manages; and
- Part-owned/managed trains which derive earnings from the train businesses that Belmond jointly owns or manages.

The following tables present information regarding these reportable segments. Belmond revised the order of the presentation of these segments in the year ended December 31, 2016 and included a new sub-total to show management fees earned by the Company. In addition, Belmond reclassified certain expenses associated with the Company's development team from the Part-owned/managed hotels segment to central costs. Prior periods have been re-presented to reflect the current period presentation. There has not been a material impact on the consolidated financial statements.

Revenue from external customers by segment:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Owned hotels:			
Europe	212,379	199,251	200,059
North America	149,284	145,868	148,103
Rest of world	124,219	130,255	124,369
Total owned hotels	485,882	475,374	472,531
Owned trains & cruises	63,193	59,287	65,471
Part-owned/managed hotels	1,036	4,400	5,232
Part-owned/managed trains	10,888	10,763	8,151
Total management fees	11,924	15,163	13,383
Revenue	560,999	549,824	551,385

Reconciliation of consolidated (losses)/earnings from continuing operations to adjusted EBITDA:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Adjusted EBITDA			
Owned hotels:			
Europe	73,687	67,590	66,349
North America	29,814	29,334	31,788
Rest of world	24,474	33,115	31,295
Total owned hotels	127,975	130,039	129,432
Owned trains and cruises	4,420	4,318	7,199
Part-owned/managed hotels	6,782	6,299	7,115
Part-owned/managed trains	23,988	25,907	19,846
Total adjusted share of earnings from unconsolidated companies and management fees	30,770	32,206	26,961
Unallocated corporate:			
Central costs	(33,324)	(30,763)	(34,369)
Share-based compensation	(5,809)	(7,637)	(9,752)
Adjusted EBITDA	124,032	128,163	119,471
Reconciliation from (losses)/earnings from continuing operations to adjusted EBITDA:			
(Losses)/earnings from continuing operations	(45,070)	35,401	17,388
Depreciation and amortization	62,852	52,396	50,513
Gain on extinguishment of debt	—	(1,200)	—
Interest income	(1,058)	(853)	(926)
Interest expense	32,455	29,155	32,101
Foreign currency, net	3,034	(9,186)	5,016
Provision for income taxes	6,554	16,368	17,041
Share of (benefit from)/provision for income taxes of unconsolidated companies	(4,451)	5,650	1,466
	54,316	127,731	122,599
Restructuring and other special items (1)	11,715	363	7,351
Acquisition-related costs (2)	14,032	—	—
Loss/(gain) on disposal of property, plant and equipment	153	(938)	(20,275)
Impairment of goodwill and property, plant and equipment	13,716	1,007	9,796
Impairment of assets in unconsolidated companies	30,100	—	—
Adjusted EBITDA	124,032	128,163	119,471

(1) Represents adjustments for insurance deductibles and losses while Belmond Cap Juluca and Belmond La Samanna are closed following the impact of Hurricanes Irma and Jose, restructuring, severance and redundancy costs, pre-opening costs and other items, net.
(2) Represents professional fees incurred in preliminary design and planning, structuring, assessment of financing opportunities, legal, tax, accounting and engineering due diligence and the negotiation of the purchase and sale agreements, and other ancillary documents, with the principal owner and leaseholder, together with three owners of villas and separate subleases, as well as a memorandum of understanding and ground lease with the Government of Anguilla.

Reconciliation of assets by segment to total assets:

December 31,	2017 $'000	2016 $'000
Owned hotels:		
Europe	575,584	504,758
North America	518,493	468,088
Rest of world	252,861	245,167
Total owned hotels	1,346,938	1,218,013
Owned trains & cruises	87,139	88,069
Part-owned/ managed hotels	21,894	20,007
Part-owned/ managed trains	52,517	68,397
Total part/owned managed	74,411	88,404
Unallocated corporate	145,149	129,582
Total assets	1,653,637	1,524,068

Reconciliation of capital expenditure to acquire property, plant and equipment by segment:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Owned hotels:			
Europe	23,431	11,777	18,648
North America	14,845	9,796	11,881
Rest of world	17,158	19,190	14,168
Total owned hotels	55,434	40,763	44,697
Owned trains & cruises	7,927	12,882	11,415
Unallocated corporate	4,469	1,459	283
Total capital expenditure to acquire property, plant and equipment	67,830	55,104	56,395

Carrying value of investment in equity method investees:

December 31,	2017 $'000	2016 $'000
Eastern & Oriental Express	2,642	2,818
Peru hotels	20,869	19,769
PeruRail	38,138	53,652
Buzios	2,893	2,998
Other	102	90
Total investment in equity method investees	64,644	79,327

Earnings from unconsolidated companies, net of tax:

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Part-owned/managed hotels	1,037	1,112	106
Part-owned/managed trains	(11,250)	9,901	8,969
Total earnings from unconsolidated companies, net of tax	(10,213)	11,013	9,075

Revenue from external customers in Belmond's country of domicile and significant countries (based on the location of the property):

Year ended December 31,	2017 $'000	2016 $'000	2015 $'000
Bermuda	—	—	—
Italy	136,538	128,671	132,385
United Kingdom	56,432	56,016	62,656
United States	112,677	108,238	107,965
Brazil	59,737	73,300	69,142
All other countries	195,615	183,599	179,237
Revenue	560,999	549,824	551,385

Property, plant and equipment at book value in Belmond's country of domicile and significant countries (based on the location of the property):

December 31,	2017 $'000	2016 $'000
Bermuda	—	—
Italy	336,263	294,773
United Kingdom	52,311	48,577
United States	334,634	343,342
Brazil	74,944	73,843
All other countries	369,892	314,141
Total property, plant and equipment at book value	1,168,044	1,074,676

25. Related party transactions

Belmond manages, under long-term contract, the tourist train owned by Eastern and Oriental Express Ltd., in which Belmond has a 25% ownership interest. In the year ended December 31, 2017, Belmond earned management fees from Eastern and Oriental Express Ltd. of $295,000 (2016 - $236,000; 2015 - $292,000), which are recorded in revenue. The amount due to Belmond from Eastern and Oriental Express Ltd. at December 31, 2017 was $6,302,000 (2016 - $4,886,000).

Belmond manages, under long-term contracts in Peru, Belmond Hotel Monasterio, Belmond Palacio Nazarenas, Belmond Sanctuary Lodge, Belmond Hotel Rio Sagrado, Belmond Las Casitas del Colca, PeruRail and Ferrocarril Transandino, in all of which Belmond has a 50% ownership interest. Belmond provides loans, guarantees and other credit accommodation to these joint ventures. In the year ended December 31, 2017, Belmond earned management and guarantee fees from its Peruvian joint ventures of $15,154,000 (2016 - $14,734,000; 2015 - $12,503,000) which are recorded in revenue. The amount due to Belmond from its Peruvian joint ventures at December 31, 2017 was $6,029,000 (2016 - $6,907,000).

Belmond owns 50% of a company holding real estate in Buzios, Brazil. The amount due to Belmond from the joint venture at December 31, 2017 was $431,000 (2016 - $372,000).

Belmond managed, under long-term contract, the Hotel Ritz by Belmond, in which Belmond had a 50% ownership interest. For the year ended December 31, 2017, Belmond earned $Nil (2016 - $Nil; 2015 - $328,000) in management fees from the Hotel Ritz by Belmond which are recorded in revenue, and $Nil (2016 - $Nil; 2015 - $301,000) in interest income. The amount due to Belmond from the Hotel Ritz by Belmond at December 31, 2017 was $Nil (2016 - $Nil). On May 21, 2015, Belmond sold its ownership interest in Hotel Ritz by Belmond. See Note 7.

On the April 19, 2016, Belmond completed the sale of the property, plant and equipment relating to the trains and carriages that were formerly operated as the Great South Pacific Express in Queensland, Australia for consideration of $2,362,000 to the Company's PeruRail joint venture. The carriages were sold at their carrying value and no gain or loss arose on disposal.

During 2017, Belmond provided conference and banqueting services in the amount of $219,000 (2016: $488,000) to Crawford & Co. and GHS Holdings, LLC, companies in which Mr. Harsha Agadi, who is a member of the board of directors of Belmond, is the Chief Executive Officer and President. The amount due to Belmond from Crawford & Co. at December 31, 2017 was $194,000 (2016 - $Nil).

26. Subsequent events

On February 8, 2018, Belmond Ltd. announced that through indirect subsidiaries it had acquired the Castello di Casole resort and estate in Tuscany, Italy, for approximately €39,000,000 ($48,000,000). The acquisition was financed using cash on hand. The resort and estate will be rebranded upon the Company assuming management of the property.

The resort and estate comprise the 39-key Castello di Casole hotel, together with 48 residential plots, of which 16 remain for sale, with three subject to non-binding reservation letters of intent to purchase and two expected to be converted into new villas as part of the hotel inventory. Starting in 2018, the Company expects to invest €7,300,000 ($9,000,000) in a phased refurbishment of the hotel over four years, including the addition of two new villas on two residential plots that will be retained, bringing the resort's total key count to 41. In addition, the Company expects to sell the remaining 14 land plots, including the three that are subject to reservation letters, over the coming years, effectively reducing the Company's net investment in the estate.

The '21' Club sustained water damage in early January 2018, which has resulted in the restaurant's closure until spring 2018. The Company expects that its insurance policy will provide property damage and business interruption loss.

The Company intends to reinvest the insurance proceeds at Belmond La Samanna alongside additional capital to restore and improve the asset, but we have concluded that such an investment cannot be justified without a material change in the cost structure of the operation. Consequently, the Company has entered into a formal administrative process with the local labor authorities in order to achieve a material restructuring of the property's workforce. While we cannot give any assurances that this restructuring will be approved by the French authorities, we believe that it is a necessary condition to re-opening Belmond La Samanna.

BELMOND LTD. AND SUBSIDIARIES

Schedule II—Valuation and Qualifying Accounts

Column A	Column B	Column C			Column D		Column E
		Additions					
Description	Balance at beginning of period $	Charged to costs and expenses $	Charged to other accounts $		Deductions $		Balance at end of period $
Year ended December 31, 2017							
Allowance for doubtful accounts	420,000	181,000	33,000	(2)	(90,000)	(1)	544,000
Valuation allowance on deferred tax assets	70,241,000	2,215,000	(23,119,000)	(3)	—		49,337,000
Year ended December 31, 2016							
Allowance for doubtful accounts	291,000	109,000	19,000	(2)	1,000	(1)	420,000
Valuation allowance on deferred tax assets	69,928,000	4,876,000	(4,563,000)	(3)	—		70,241,000
Year ended December 31, 2015							
Allowance for doubtful accounts	425,000	92,000	(61,000)	(2)	(165,000)	(1)	291,000
Valuation allowance on deferred tax assets	91,462,000	16,320,000	(37,854,000)	(3)	—		69,928,000

(1) Bad debts written off, net of recoveries.

(2) Foreign currency translation adjustments.

(3) This amount was charged to income tax expense, but is fully offset by the income tax benefit generated when recording the corresponding deferred tax asset.

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Annual General Meeting
June 1, 2018 at the Company's Registered Office

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