Belmond Ltd. 2014 Annual Report

President and Chief Executive Officer's Message

April 29, 2015
Dear Fellow Shareholders,

2014 was a year of significant progress for our Company on multiple fronts. We began the year with two clear priorities. Our first priority was to build on the strong EBITDA growth momentum we established going into 2014 by delivering more EBITDA through targeted initiatives to **improve and strengthen our core**. Our second, and equally important, priority was to continue to **extend our core** by building a strong foundation to accelerate future growth and expand our global footprint.

We launched our Belmond brand in 2014 and it has quickly gained meaningful traction in the luxury travel space. We strengthened our balance sheet and enhanced liquidity via our new corporate debt facility and proceeds from asset sales, while at the same time continuing to reinvest in our core portfolio. And we expanded our portfolio by entering into two third-party management agreements and announced an exciting new business extension – the Belmond Grand Hibernian train in Ireland.

FINANCIAL ACHIEVEMENTS

This past year undoubtedly presented macro events and challenges that hindered our short-term earnings growth, most notably the economic situation in Russia, the depreciation of most major currencies against the U.S. dollar and the impact on 2014 results of our planned closure of Belmond Miraflores Park in Lima, Peru for renovation. Despite these challenges, we accomplished several important strategic initiatives, performed strongly in several key markets and worked hard to limit the disruption in other markets, generating 2014 adjusted earnings before interest, foreign exchange, tax (including tax on unconsolidated companies), depreciation and amortization ("EBITDA") of $117.7 million, just 2% behind a strong 2013. However, if we removed the impact of planned events, including the sale of Inn at Perry Cabin by Belmond in Maryland, the renovation of Belmond Miraflores Park and the launch of our new brand, as well as macro factors outside of our control (currency depreciation and disruption in Russia), our underlying portfolio delivered strong adjusted EBITDA growth of 17% in 2014.

We were pleased with the progress we made in certain regions of our global portfolio. In Italy, we achieved solid growth driven largely by Belmond Villa Sant'Andrea in Sicily, which increased local currency RevPAR by 13% due largely to six stunning new poolside suites we introduced in May, and Belmond Hotel Splendido in Portofino, where local currency RevPAR increased 8%. Our Italian hotel portfolio performed well overall, with four of the six properties reaching new adjusted EBITDA peaks in 2014.

The 2014 FIFA World Cup, which took place in Brazil in June and July, was another success for the Company and a driver of growth for Belmond Copacabana Palace in Rio de Janeiro. In 2012, in advance of the 2014 World Cup and the 2016 Summer Olympics, we renovated Belmond Copacabana Palace's main building, including 145 rooms and suites as well as public areas. This renovation positioned the hotel well to benefit from the 2014 World Cup, and we expect that the 2016 Olympics will offer a similar opportunity for outperformance.

In addition to earnings growth, we further strengthened our balance sheet and enhanced our corporate liquidity in March by refinancing our property-level mortgages with our first corporate debt facility, which we secured at an attractive rate and terms. We ended the year with net debt to adjusted EBITDA of 4.1 times, $100 million of undrawn capacity on our corporate revolver and $135 million of available cash, positioning the Company favorably for growth in 2015 and beyond.

PROGRESS ON STRATEGIC PRIORITIES – *Improving and Strengthening the Core*

We made good progress in 2014 on several important initiatives designed to **improve and strengthen our core** business. We strengthened our senior leadership team with two important appointments. Ingrid Eras-Magdalena joined our executive team as senior vice president, global human resources, responsible for our most valuable asset – our 8,000 talented employees around the world. In early 2015, James Simmonds joined the Company as senior vice president, global development and will be a key resource in accelerating our long-term growth from third-party management agreements.

Our capital allocation priorities in 2014 were to strengthen our balance sheet, enhance our liquidity and reinvest in our core properties to deliver near-term growth. We improved our balance sheet and enhanced our liquidity with our corporate debt facility, which included a $105 million revolver. Continuing our strategy of disciplined capital recycling, we sold Inn at Perry Cabin in March for a multiple of nearly 20 times EBITDA. At the same time, we entered into a management agreement for the property, marking the first time we retained management upon selling an asset.

We were also focused on disciplined investments in our portfolio, allocating approximately $50 million to project capital expenditures that have driven incremental EBITDA and protected existing EBITDA at our core properties. Our reinvestment focus included a complete renovation of Belmond Miraflores Park and the second phase of our three-year rooms renovation at Belmond Charleston Place in South Carolina. We also invested in our important Italian hotel portfolio, including two high-impact projects – the six new luxury suites at Belmond Villa Sant'Andrea in Sicily and the introduction of a new restaurant concept, Oro, at Belmond Hotel Cipriani in Venice. And we continued to execute on a multi-year investment strategy at Belmond Mount Nelson Hotel in Cape Town, South Africa, where we renovated 26 suites and cottages during 2014.

Finally, we continued to focus on corporate governance, including setting a mandatory retirement age of 75 for our directors in late 2013. At last year's annual general meeting, Georg Rafael, a long-serving director, retired from the board of directors and, at the same time, Roeland Vos was elected to the board. Roeland both complements and strengthens our board, bringing a wealth of experience, not only in luxury hotel operations, but also in hotel development and third-party management. In 2015, Prudence Leith, another long-serving director, will retire from the board of directors and a new director will be nominated to join our board. Following this year's annual general meeting, seven of our eight directors will have joined the board since 2009, providing the Company with strong strategic insights and direction.

In addition to board renewal, another component of corporate governance is ensuring management and board interests are closely aligned with those of shareholders. Based on an outside compensation review, the board enhanced its share ownership requirements for executive management, requiring management to accumulate and hold certain multiples of their annual base salaries within five years.

PROGRESS ON STRATEGIC PRIORITIES – *Extending our Core*

In March 2014, we launched our new brand Belmond. The launch was a clear success, and our Belmond brand now allows us to market and sell our portfolio of luxury travel experiences more effectively and provides us with incremental opportunities to unlock value from our loyal customers. We followed the successful rollout of the Belmond brand by changing our corporate name to Belmond Ltd. and the ticker symbol of our class A common shares to BEL. To commemorate this event, we had the honor of ringing the closing bell at the New York Stock Exchange, an event that was attended by many of our long-term shareholders.

We continue to be encouraged by industry and consumer responses to our Belmond brand. In a first for the Company, Belmond was named one of the World's Top Ten Hotel Brands in the prestigious *Travel + Leisure* World's Best Awards. Announced in July 2014, these awards recognize the very best in luxury travel.

We made significant progress on **extending our core** with the announcement of our first third-party management agreements and a new luxury overnight train experience in Ireland. We made meaningful advances on establishing and building our third-party management platform with the execution of our first two agreements, Inn at Perry Cabin and Belmond Cadogan Hotel in the gateway city of London, an important achievement and a good foundation for securing additional agreements. We were attracted to The Cadogan Hotel because of the hotel's prime location and its strong owner, The Cadogan Estate, which shares our vision for the property.

In late 2014, we announced an exciting expansion opportunity for our Company – a new luxury train experience in Ireland, which will leverage our existing trains infrastructure and is expected to deliver attractive returns. Building on the success of our Belmond Royal Scotsman and legendary Venice Simplon-Orient-Express, Belmond Grand Hibernian will be our seventh luxury train. Belmond Grand Hibernian is scheduled to launch in the summer of 2016.

LOOKING AHEAD

In looking forward to 2015, we will build on the strategic foundation we laid in 2014. The progress and achievements we have made inform who we are today and influence our strategic priorities for the current year. We remain keenly focused on a select number of strategic priorities that continue to drive more from our existing properties while accelerating our external growth. These priorities are: EBITDA growth from our portfolio of world-class properties; disciplined capital allocation; select asset sales and capital recycling; and accelerating our external growth via new third-party management agreements.

We will be diligently focused on these strategic priorities and look forward to updating you during 2015 on our progress. As always, we appreciate your support of our Company and believe that the opportunity ahead of us is great.

John M. Scott III
President and Chief Executive Officer

Belmond Ltd. and Subsidiaries
Reconciliation and adjustments
(Unaudited)

$ millions	**Year ended December 31, 2014**	**2013**
Analysis of earnings		
Owned hotels:		
Europe	62.8	63.8
North America	24.0	23.2
Rest of world	36.5	36.0
Total owned hotels	123.3	123.0
Part-owned / managed hotels	5.2	2.3
Total hotels	128.5	125.3
Owned trains & cruises	7.3	8.4
Part-owned / managed trains	16.2	14.4
Total trains & cruises	23.5	22.8
Central overheads	(27.1)	(29.6)
Share-based compensation	(7.9)	(10.4)
Central marketing costs	(4.7)	(1.1)
EBITDA before gain on disposal and impairment	112.3	107.0
Gain on disposal of property, plant and equipment	4.1	–
Impairment	(1.2)	(36.4)
EBITDA	115.2	70.6
Adjusted EBITDA		
EBITDA	115.2	70.6
Adjusted items:		
Pre-opening expenses [1]	–	3.0
Management restructuring [2]	0.3	4.6
Impairments and asset write-downs [3]	4.8	37.3
Acquisition proposal costs [4]	–	(0.1)
Brand development costs [5]	0.1	1.9
Post-retirement benefit and share-based compensation [6]	–	2.3
Write-off of deferred financing costs in joint venture [7]	0.4	–
Tax and legal settlements [8]	1.4	0.1
Gains on sale of hotel business and hotel assets [9]	(4.5)	–
Adjusted EBITDA	117.7	119.7
Comparable adjusted EBITDA		
Adjusted EBITDA	117.7	119.7
Excluding:		
Adjusted EBITDA from Inn at Perry Cabin by Belmond, Belmond Miraflores Park and Belmond Grand Hotel Europe; Belmond brand launch costs; and impact of currency movements	1.0	(18.1)
Comparable adjusted EBITDA	118.7	101.6
Year-over-year growth in comparable adjusted EBITDA	17%	

Reconciliation to net loss

EBITDA	115.2	70.6
Depreciation & amortization	(52.0)	(48.7)
(Loss) / gain on extinguishment of debt	(14.5)	3.5
Other income	1.3	–
Interest	(35.5)	(33.2)
Foreign exchange	2.3	0.9
Earnings / (losses) before tax	16.8	(6.9)
Tax	(14.8)	(19.3)
Net earnings / (losses) from continuing operations	2.0	(26.2)
Discontinued operations	(3.8)	(5.3)
Net losses	(1.8)	(31.5)

Footnotes:
[1] Pre-opening expenses at El Encanto and the Orcaella river-cruise ship
[2] Restructuring and redundancy costs
[3] Includes non-cash impairments related to long-lived assets, and write-down of fixed assets, operating equipment and abandoned projects
[4] Costs associated with unsolicited proposal by The Indian Hotels Company Limited to acquire the Company
[5] Costs associated with development of new brand and the write-off of existing brand materials
[6] Charge due to change in basis of calculation of post-retirement benefit at one owned property and accelerated amortization of share-based compensation liability for employees who have reached retirement age
[7] Write-off of unamortized deferred financing costs at the Peruvian hotels joint venture
[8] Provision for tax and legal settlements
[9] Gain on disposal of property, plant and equipment at Inn at Perry Cabin and gain on sale of building and cars

Net debt to adjusted EBITDA ratio

$ millions - except ratios	**Twelve months ended and as at December 31,**	
	2014	**2013**
Cash		
Cash and cash equivalents	135.1	123.2
Restricted cash (including $0.8 million / $7.6 million classified within long-term other assets on the balance sheet)	2.7	13.6
Total cash	137.8	136.8
Total debt		
Working capital loans	–	0.1
Current portion of long-term debt and capital leases	5.5	72.8
Long-term debt and obligations under capital leases	612.2	566.9
Total debt	617.7	639.8
Net debt	479.9	503.0
Adjusted EBITDA	117.7	119.7
Net debt to adjusted EBITDA	**4.1x**	**4.2x**

Management analyzes the operating performance of the Company on the basis of earnings before interest, foreign exchange, tax (including tax on unconsolidated companies), depreciation and amortization (EBITDA), and believes that EBITDA is a useful measure of operating performance, for example, to help determine the ability to incur capital expenditure or service indebtedness, because it is not affected by non-operating factors such as leverage and the historical cost of assets. EBITDA is also a financial performance measure commonly used in the hotel and leisure industry, although the Company's EBITDA may not be comparable in all instances to that disclosed by other companies. EBITDA does not represent net cash provided by operating, investing and financing activities under US generally accepted accounting principles (US GAAP), is not necessarily indicative of cash available to fund all cash flow needs, and should not be considered as an alternative to earnings from operations or net earnings under US GAAP for purposes of evaluating operating performance.

Adjusted EBITDA of the Company is a non-GAAP financial measure and does not have any standardized meaning prescribed by US GAAP. It is, therefore, 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, cash flow from operating activities, or any other measure of performance prescribed by US GAAP. Management considers adjusted EBITDA to be a meaningful indicator of operations and uses it as a measure to assess operating performance because, when comparing current period performance with prior periods and with budgets, management does so after having adjusted for non-recurring items, foreign exchange (a non-cash item), disposals of assets or 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. Adjusted EBITDA is also used by investors, analysts and lenders as a measure of financial performance because, as adjusted in the foregoing manner, the measure provides a consistent basis on which the performance of the Company can be assessed.

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 Hotel Caruso, Amalfi Coast
6. Belmond Grand Hotel Timeo, Taormina
7. Belmond Villa Sant' Andrea, Taormina Mare
8. Belmond La Residencia, Mallorca
9. Hotel Ritz by Belmond, Madrid
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 La Samanna, St Martin
20. Belmond Miraflores Park, Lima
21. Belmond Sanctuary Lodge, Machu Picchu
22. Belmond Hotel Monasterio, Cusco
23. Belmond Palacio Nazarenas, Cusco
24. Belmond Hotel Rio Sagrado, Sacred Valley
25. Belmond Hotel das Cataratas, Iguassu Falls
26. Belmond Copacabana Palace, Rio de Janeiro
27. Belmond Mount Nelson Hotel, Cape Town
28. Belmond Khwai River Lodge, Moremi Reserve
29. Belmond Eagle Island Lodge, Okavango Delta
30. Belmond Savute Elephant Lodge, Chobe Reserve
31. Belmond La Résidence d'Angkor, Siem Reap
32. Belmond Governor's Residence, Yangon
33. Belmond Napasai, Koh Samui
34. Belmond La Résidence Phou Vao, Luang Prabang
35. Belmond Jimbaran Puri, Bali
36. Ubud Hanging Gardens, Bali

Trains & Cruises

37. Venice Simplon-Orient-Express, Europe
38. Belmond British Pullman, London
39. Belmond Northern Belle, UK
40. Belmond Royal Scotsman, Edinburgh
41. Belmond Afloat in France, Burgundy
42. Peru Rail, Peru
43. Eastern & Oriental Express, Southeast Asia
44. Belmond Road to Mandalay, Ayeyarwady river
45. Belmond Orcaella, Chindwin River

Directors and Executive Officers

Directors

Roland A. Hernandez Chairman of the Board. Founding Principal and Chief Executive Officer of Hernandez Media Ventures since 2001 (acquistion and management of media assets). Previously Chief Executive Officer of Telemundo Group, Inc. (1995-2000) and also Chairman (1998-2000), and founder and President of Interspan Communications (1986-1994) (both television and media companies). Also a director of MGM Resorts International, Vail Resorts Inc., and U.S. Bancorp, and previously a director of Sony Corporation, The Ryland Group Inc. and Wal-Mart Stores Inc. Member of the Board of Advisors of Harvard Law School and of the President's Council on International Activities at Yale University.

Harsha V. Agadi [1,2] Chairman of GHS Holdings, LLC (private investment company focused on investments in hospitality and restaurants). Previously Executive Chairman of Quizno's Global LLC (restaurants). Previously Chairman and Chief Executive of Friendly Ice Cream Corporation (2010-2012); President and Chief Executive of Church's Chicken Inc. (restaurants) (2004-2009); Industrial Partner at Ripplewood Holdings LLC (private equity firm) (2000-2004); and held executive positions in the 1990s with other branded restaurant groups. Also a director of Crawford & Company (insurance services) and a member of the Board of Visitors of the Fuqua School of Business at Duke University.

John D. Campbell [1,2] Senior Counsel (retired) of Appleby (Bermuda attorneys) until 2003 and Senior Partner (1987-1999). Also a director of Argus Group Holdings Ltd. (insurance). Retired in 2012 after seven years as Chairman of HSBC Bank Bermuda Ltd. (formerly named The Bank of Bermuda Ltd.) having served 25 years as a director. Director of Bank of Bermuda Foundation.

Mitchell C. Hochberg [1,3] President of Lightstone Group LLC since 2012 and Managing Principal of Madden Real Estate Ventures since 2007 (both real estate companies). Previously President and Chief Operating Officer of Ian Schrager Company (hoteliers) (2006-2007). Founder, President and Chief Executive of Spectrum Communities and its successor (developers of luxury home communities) (1985-2005). Mr. Hochberg is a lawyer and certified public accountant.

Ruth A. Kennedy [2,3] Founder and consultant of Kennedy Dundas (luxury brand and business consultancy) since 2009. Previously head of Quinlan Private UK (real estate and private equity group) (2006-2009); Managing Director of David Linley and Co. (bespoke UK furniture and design business) (1990-2005); and an investment banker with S.G. Warburg (investment bankers).

Prudence M. Leith, CBE, DL [2,3] Noted restaurateur, television presenter and author as well as freelance food consultant. Past directorships have included British Railways, Whitbread PLC, Halifax PLC, Safeway PLC, Woolworths Group PLC, Nations Healthcare Ltd. and Omega International Group PLC. Previously founder, owner and Managing Director of Leith's Group (restaurants, chef school, contract, event and party catering), which she sold to Accor in 1995.

Georg R. Rafael Retired from Board of Directors following June 2014 annual general meeting.

John M. Scott III President and Chief Executive Officer of the Company. Joined the Company in 2012. Previously President and Chief Executive of Rosewood Hotels & Resorts (2003-2011) until Rosewood and related owned hotel assets were sold. Previously Managing Director of Acquisitions and Asset Management at Maritz, Wolff & Co. (asset management and investment firm) (1996-2003) and, before that, held senior management positions in strategic planning and business development at The Walt Disney Company and hotel general management positions at the Interpacific Group (hotel investment and management company). Also a director of Cedar Fair Entertainment Company (leading theme park and entertainment company).

H. Roeland Vos[1,2] President of the Europe, Africa and Middle East division of Starwood Hotels and Resorts Worldwide Inc. from 2001 to 2013. Currently acts an independent consultant to that division and served until mid-2014 as Vice Chairman of the Supervisory Board of Design Hotels AG (hotel marketing company majority-owned by Starwood). Previously President, Europe and Senior Vice President and Area Director Italy and Malta of ITT Sheraton (predecessor of Starwood) (1982-2001). Also a director of JOA Groupe Holding (privately-owned group operating casinos, associated bars, restaurants and entertainment facilities).

[1] Audit Committee member
[2] Compensation Committee member
[3] Nominating and Governance Committee member

Executive Officers

John M. Scott III President and Chief Executive Officer, as above.

Martin O'Grady Executive Vice President, Chief Financial Officer. Joined the Company in 2008 from Orion Capital Managers LP, a European real estate investment firm, where he was Chief Financial Officer. Previously with Security Capital European Realty (1999-2005) including as Executive Director and CFO of Access Self Storage (a retail self-storage business), and in senior finance and accounting positions with Jardine Matheson Group (1992-1998) including Group Financial Controller of Mandarin Oriental Hotel Group. Started career with PricewaterhouseCoopers.

Ralph Aruzza Executive Vice President, Chief Sales and Marketing Officer. Joined the Company in 2013 from Rosewood Hotels & Resorts where he was Vice President of Sales and Marketing since 2006. Previously Vice President of Sales and Marketing for Camberley Hotel Company and Coastal Hotel Group, and Corporate Director of Marketing for the Ritz-Carlton Hotel Company. Started career with Hyatt Hotels and Resorts and Four Seasons Hotels and Resorts.

Ingrid Eras-Magdalena Senior Vice President, Global Human Resources. Joined the Company in 2014 from Starwood Hotel & Resorts, where she served as Vice President, People Development and Staffing for the Europe, African and Middle East division since 2006. Previously held various positions in the human resources department of Starwood's Europe, African and Middle East divisions, starting in 2000 and several years in operations with Starwood, Le Meridien and Forte Hotels in Europe.

Richard M. Levine Executive Vice President, Chief Legal Officer. Joined the Company in 2012 from Kerzner International Holdings Ltd (global resort development and management business) serving as Executive Vice President and General Counsel. Previously General Counsel of the private equity business of Hellman & Friedman LLC (1998-2003) and Credit Suisse First Boston (1996-1998).

Maurizio Saccani Executive Vice President, Italy, Chief of Product Development. Began career as Food and Beverage Manager at Hotel Cipriani in 1978 and joined Venice Simplon-Orient-Express as Manager, Italy. Starting with Villa San Michele in 1985, he has spearheaded the growth and operations of most of the Company's landmark Italian hotels.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Belmond Ltd.
Hamilton, Bermuda

We have audited the accompanying consolidated balance sheets of Belmond Ltd. and subsidiaries (the “Company”) as of December 31, 2014 and 2013, and 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, 2014. Our audits also included the financial statement schedule on page 69. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Belmond Ltd. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte LLP

London, England
February 27, 2015

Belmond Ltd. and Subsidiaries
Consolidated Balance Sheet

December 31,	2014 $'000	2013 $'000
Assets		
Cash and cash equivalents	135,118	123,159
Restricted cash	1,905	6,003
Accounts receivable, net of allowances of $425 and $563	30,310	35,471
Due from unconsolidated companies	15,894	11,795
Prepaid expenses and other	17,791	25,896
Inventories	30,501	45,056
Assets of discontinued operations held for sale	—	34,416
Total current assets	231,519	281,796
Property, plant and equipment, net of accumulated depreciation of $338,438 and $354,123	1,168,757	1,309,603
Investments in unconsolidated companies	65,831	63,401
Goodwill	132,644	156,916
Other intangible assets	13,958	14,152
Other assets	55,609	53,998
Total assets (1)	1,668,318	1,879,866
Liabilities and Equity		
Working capital loans	—	138
Accounts payable	24,855	23,744
Accrued liabilities	68,635	74,187
Deferred revenue	30,943	36,983
Liabilities of discontinued operations held for sale	—	1,611
Current portion of long-term debt and obligations under capital leases	5,549	72,816
Total current liabilities	129,982	209,479
Long-term debt and obligations under capital leases	612,235	566,915
Liability for pension benefit	2,386	1,606
Other liabilities	23,897	18,851
Deferred income taxes	134,120	169,382
Liability for uncertain tax positions	3,437	2,988
Total liabilities (1)	906,057	969,221
Commitments and contingencies (Note 19)		
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 — 103,979,577 (2013 - 103,604,245)	1,040	1,036
Class B common shares $0.01 par value (120,000,000 shares authorized):		
Issued — 18,044,478 (2012 - 18,044,478)	181	181
Additional paid-in capital	1,000,803	992,860
Retained earnings	5,763	7,643
Accumulated other comprehensive loss	(246,420)	(93,317)
Less: Reduction due to class B common shares owned by a subsidiary — 18,044,478 (2013 - 18,044,478)	(181)	(181)
Total shareholders' equity	761,186	908,222
Non-controlling interests	1,075	2,423
Total equity	762,261	910,645
Total liabilities and equity	1,668,318	1,879,866

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, 2014 and December 31, 2013 is Charleston Center LLC. These assets and liabilities at December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014	December 31, 2013
	$'000	$'000
Assets		
Cash and cash equivalents	2,501	3,245
Restricted cash	768	742
Accounts receivable, net of allowances of $Nil and $Nil	2,062	3,294
Prepaid expenses and other	1,342	1,212
Inventories	1,527	2,024
Total current assets	8,200	10,517
Property, plant and equipment, net of accumulated depreciation of $26,581 and $23,733	197,608	187,854
Other assets	1,931	1,895
Total assets	207,739	200,266
Liabilities		
Accounts payable	3,937	2,787
Accrued liabilities	2,485	1,879
Deferred revenue	2,151	2,056
Current portion of long-term debt and obligations under capital leases	217	1,805
Total current liabilities	8,790	8,527
Long-term debt and obligations under capital leases	97,328	94,345
Other liabilities	15,940	15,340
Total liabilities	122,058	118,212

See further description in note 5, *Variable interest entities*.

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries
Statements of Consolidated Operations

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Revenue	585,715	594,081	538,952
Expenses:			
Cost of services	262,603	267,891	242,385
Selling, general and administrative	219,584	227,270	207,684
Depreciation and amortization	52,004	48,740	43,753
Impairment of goodwill	—	—	2,055
Impairment of property, plant and equipment and other assets	1,211	36,430	3,837
Total operating costs and expenses	535,402	580,331	499,714
Gain on disposal of property, plant and equipment	4,128	—	1,514
Earnings from operations	54,441	13,750	40,752
(Loss)/gain on extinguishment of debt	(14,506)	3,517	—
Other income	1,257	—	—
Interest income	1,418	1,067	1,065
Interest expense	(36,767)	(34,326)	(30,862)
Foreign currency, net	2,262	1,000	(2,854)
Earnings/(losses) before income taxes and earnings from unconsolidated companies, net of tax	8,105	(14,992)	8,101
Provision for income taxes	(15,542)	(17,628)	(21,651)
Losses before earnings from unconsolidated companies, net of tax	(7,437)	(32,620)	(13,550)
Net earnings from unconsolidated companies, net of tax (benefit)/ provision of $(702), $1,691 and $5,771	9,484	6,442	2,124
Earnings/(losses) from continuing operations	2,047	(26,178)	(11,426)
Net (losses)/earnings from discontinued operations, net of tax provision/ (benefit) of $713, $(3,911) and $1,618	(3,782)	(5,318)	4,538
Net losses	(1,735)	(31,496)	(6,888)
Net earnings attributable to non-controlling interests	(145)	(63)	(173)
Net losses attributable to Belmond Ltd.	(1,880)	(31,559)	(7,061)

See notes to consolidated financial statements.

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

Year ended December 31,	2014 $	2013 $	2012 $
Basic earnings per share:			
Net earnings/(losses) from continuing operations	0.02	(0.25)	(0.11)
Net earnings/(losses) from discontinued operations	(0.04)	(0.05)	0.04
Basic net earnings/(losses) per share attributable to Belmond Ltd.	(0.02)	(0.31)	(0.07)
Diluted earnings per share:			
Net earnings/(losses) from continuing operations	0.02	(0.25)	(0.11)
Net earnings/(losses) from discontinued operations	(0.04)	(0.05)	0.04
Diluted net earnings/(losses) per share attributable to Belmond Ltd.	(0.02)	(0.31)	(0.07)
Dividends per share	—	—	—

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries
Statements of Consolidated Comprehensive Income

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Net losses	(1,735)	(31,496)	(6,888)
Other comprehensive income/(losses), net of tax:			
Foreign currency translation adjustments, net of tax provision/(benefit) of $(462), $Nil and $(43)	(152,155)	(14,211)	(14,525)
Change in fair value of derivatives, net of tax provision/(benefit) of $1,503, $834 and $(1,367)	(188)	2,595	464
Change in pension liability, net of tax provision/(benefit) of $(528), $1,336 and $176	(1,926)	4,673	(32)
Total other comprehensive losses, net of tax	(154,269)	(6,943)	(14,093)
Total comprehensive losses	(156,004)	(38,439)	(20,981)
Comprehensive (income)/losses attributable to non-controlling interests	1,021	(56)	(172)
Comprehensive losses attributable to Belmond Ltd.	(154,983)	(38,495)	(21,153)

See notes to consolidated financial statements.

Belmond Ltd. and Subsidiaries
Statements of Consolidated Cash Flows

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Cash flows from operating activities:			
Net losses	(1,735)	(31,496)	(6,888)
Less: Net (losses)/earnings from discontinued operations, net of tax	(3,782)	(5,318)	4,538
Earnings/(losses) from continuing operations	2,047	(26,178)	(11,426)
Adjustments to reconcile net earnings/(losses) to net cash provided by operating activities:			
Depreciation and amortization	52,004	48,740	43,753
Impairment of goodwill	—	—	2,055
Impairment of property, plant and equipment and other assets	1,211	36,430	3,837
Gain on disposal of property, plant and equipment	(4,128)	—	(1,514)
Loss/(gain) on extinguishment of debt	14,506	(3,517)	—
Earnings from unconsolidated companies, net of tax	(9,484)	(6,442)	(2,124)
Amortization of finance costs	3,921	7,196	5,375
Share-based compensation	7,928	10,388	6,761
Excess share-based compensation tax benefit	—	(267)	—
Change in provisions for uncertain tax positions	496	(2,526)	160
Change in deferred income tax	(11,246)	(2,078)	4,204
Other non-cash movements	3,950	1,140	—
Effect of exchange rates on net losses	(4,518)	(3,839)	(1,104)
Change in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	1,593	414	8,546
Due from unconsolidated companies	(2,784)	(2,414)	(3,232)
Prepaid expense and other	(2,500)	(1,000)	4,498
Inventories	2,251	(1,742)	611
Escrow and prepaid customer deposits	(615)	3,839	(1,221)
Accounts payable	3,178	(1,320)	(4,891)
Accrued liabilities	(2,059)	(3,628)	(9,345)
Deferred revenue	227	3,629	4,401
Other, net	48	407	(6,400)
Other cash movements:			
Dividends from equity method investees	3,725	7,841	2,524
Proceeds from insurance settlements	887	—	—
Payment of key money	(3,000)	—	—
Payment of swap termination costs	(3,985)	—	—
Net cash provided by operating activities from continuing operations	53,653	65,073	45,468
Net cash provided by/(used in) operating activities from discontinued operations	(2,317)	1,907	144
Net cash provided by operating activities	51,336	66,980	45,612

See notes to consolidated financial statements.

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

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Cash flows from investing activities:			
Capital expenditure to acquire property, plant and equipment	(63,454)	(66,646)	(97,048)
Capital expenditure to acquire intangible assets	(269)	—	—
Acquisitions, net of cash acquired	—	—	(3,296)
Investments in unconsolidated companies	(4,082)	(5,532)	(4,858)
Increase in restricted cash	(526)	(4,705)	(7,523)
Release of restricted cash	11,324	8,580	1,013
Change in deferred revenue for asset sale deposits	(3,500)	4,000	—
Government grants received	—	1,043	—
Proceeds from insurance settlements	297	—	—
Proceeds from sale of property, plant and equipment	37,842	291	—
Net cash used in investing activities from continuing operations	(22,368)	(62,969)	(111,712)
Net cash provided by investing activities from discontinued operations	—	18,812	88,655
Net cash used in investing activities	(22,368)	(44,157)	(23,057)
Cash flows from financing activities:			
Proceeds from working capital facilities	—	133	—
Payments on working capital facilities	(133)	—	—
Exercised stock options and vested share awards	19	7	3
Excess share-based compensation tax benefit	—	267	—
Issuance of long-term debt	572,046	135,388	105,008
Debt issuance costs	(17,798)	(4,305)	(2,613)
Principal payments under long-term debt	(565,051)	(124,444)	(121,372)
Net cash (used in)/provided by financing activities from continuing operations	(10,917)	7,046	(18,974)
Net cash provided by financing activities from discontinued operations	—	—	—
Net cash (used in)/provided by financing activities	(10,917)	7,046	(18,974)
Effect of exchange rate changes on cash and cash equivalents	(6,486)	302	(303)
Net increase/(decrease) in cash and cash equivalents	11,565	30,171	3,278
Cash and cash equivalents at beginning of period (includes $394, $538 and $135 of cash presented within assets held for sale)	123,553	93,382	90,104
Cash and cash equivalents at end of period (includes $Nil, $394 and $538 of cash presented within assets held for sale)	135,118	123,553	93,382

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, 2012	—	1,026	181	975,330	46,263	(72,289)	(181)	2,195	952,525
Issuance of class A common shares in public offering, net of issuance costs	—	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	6,776	—	—	—	—	6,776
Exercised stock options and vested share awards	—	3	—	—	—	—	—	—	3
Comprehensive loss:									
Net losses attributable to common shares	—	—	—	—	(7,061)	—	—	173	(6,888)
Other comprehensive loss	—	—	—	—	—	(14,092)	—	(1)	(14,093)
Balance, December 31, 2012	—	1,029	181	982,106	39,202	(86,381)	(181)	2,367	938,323
Share-based compensation	—	—	—	10,754	—	—	—	—	10,754
Exercised stock options and vested share awards	—	7	—	—	—	—	—	—	7
Comprehensive loss:									
Net losses attributable to common shares	—	—	—	—	(31,559)	—	—	63	(31,496)
Other comprehensive loss	—	—	—	—	—	(6,936)	—	(7)	(6,943)
Balance, December 31, 2013	—	1,036	181	992,860	7,643	(93,317)	(181)	2,423	910,645
Share-based compensation	—	—	—	7,928	—	—	—	—	7,928
Exercised stock options and vested share awards	—	4	—	15	—	—	—	—	19
Dividend to non-controlling interest	—	—	—	—	—	—	—	(327)	(327)
Comprehensive loss:									
Net losses attributable to common shares	—	—	—	—	(1,880)	—	—	145	(1,735)
Other comprehensive loss	—	—	—	—	—	(153,103)	—	(1,166)	(154,269)
Balance, December 31, 2014	—	1,040	181	1,000,803	5,763	(246,420)	(181)	1,075	762,261

See 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". On June 30, 2014, the Company changed its name from Orient-Express Hotels Ltd. to Belmond Ltd. following approval by shareholders at the 2014 annual general meeting held on that date. On July 28, 2014, the Company changed the ticker symbol of its class A common shares listed on the New York Stock Exchange from OEH to BEL.

At December 31, 2014, Belmond owned, invested in or managed 35 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, six tourist trains in Europe, Southeast Asia and Peru, two river cruise businesses in Myanmar (Burma) and one canal boat business in France.

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

Discontinued operations and assets and liabilities held for sale were reclassified in the consolidated financial statements for all periods presented. See Note 4 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 or first-in, first-out 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 operations and cash flows of the entity will be eliminated from continuing operations as a result of the disposal transaction and Belmond will not have any significant continuing involvement in the operations of the entity after the disposal transaction.

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). If an impairment is indicated, Belmond compares the implied fair value of the reporting unit's goodwill to its carrying amount. An impairment loss is measured as the excess of the carrying value of a reporting unit's goodwill over its implied fair value.

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 3.2% to 7.8% (December 31, 2013 - 3.4% to 5.4%), and pre-tax discount rates which for the year ended December 31, 2014 range from 9.2% to 17.3% (December 31, 2013 - 9.6% to 16.4%).

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 the 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 indefinite useful lives are tested for impairment annually or more frequently 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 on a recurring basis 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 discount these cash flows 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 20% 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 and to manage its exposure to interest rate movements. 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. Belmond does not estimate a future forfeitures rate and does not incorporate it into the grant value on issue of the awards on the grounds of materiality. The forfeitures are recorded on date of occurrence.

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 $42,251,000 in 2014 (2013 - $40,612,000; 2012 - $35,960,000).

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, 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.

Prior to 2014, Belmond's Brazilian operations used the U.S. dollar as their functional currency. Effective January 1, 2014, Belmond changed the functional currency to the Brazilian real. Belmond believes that the growth in the Brazilian operations' real-denominated revenues and expenses indicated a change in the economic facts and circumstances that justified the change in the functional currency. A foreign currency translation adjustment loss of $49,356,000 arising on the remeasurement of non-monetary assets and liabilities of Belmond's Brazilian operations, of which the majority related to property, plant and equipment, is included in other comprehensive losses for the year ended December 31, 2014.

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. Classification of deferred tax assets and liabilities corresponds with the classification of the underlying assets and liabilities giving rise to the temporary differences or the period of expected reversal, as applicable. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized based on available evidence.

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 July 2013, the FASB issued guidance on financial statement presentation of an uncertain tax benefit ("UTB") when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The FASB's objective in issuing this guidance is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. Under the ASU, an entity must present a UTB, or a portion of a UTB, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The ASU's amendments are effective for public entities for fiscal years beginning after December 15, 2013, and interim periods within those years. The amendments should be applied to all UTBs that exist as of the effective date. Entities may choose to apply the amendments retrospectively to each prior reporting period presented. The adoption of this guidance did not have a material effect on Belmond's consolidated financial position, results of operations and cash flows.

In March 2013, the FASB issued guidance which indicates that the entire amount of a cumulative translation adjustment ("CTA") related to an entity's investment in a foreign entity should be released when there has been any of the following:

- Sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity.
- Loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated).
- Step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity).

The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. This guidance is effective for fiscal years (and interim periods within those fiscal years) beginning on or after December 15, 2013. The guidance should be applied prospectively from the beginning of the fiscal year of adoption. The adoption of this guidance did not have a material effect on Belmond's consolidated financial position, results of operations and cash flows.

In February 2013, the FASB issued guidance which requires entities to measure obligations resulting from joint-and-several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors, and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. Required disclosures include a description of the joint-and-several arrangement and the total outstanding amount of the obligation for all joint parties. The guidance permits entities to aggregate disclosures (as opposed to providing separate disclosures for each joint-and-several obligation). These disclosure requirements are incremental to the existing related party disclosure requirements. The guidance is effective for all prior periods in fiscal years beginning on or after December 15, 2013 (and interim reporting periods within those years). The guidance should be applied retrospectively to obligations with joint-and-several liability existing at the beginning of an entity's fiscal year of adoption. Entities that elect to use hindsight in measuring their obligations during the comparative periods must disclose that fact. The adoption of this guidance did not have a material effect on Belmond's consolidated financial position, results of operations and cash flows.

Accounting pronouncements to be adopted

In April 2014, the FASB issued guidance that amends the definition of a discontinued operation and requires entities to provide additional disclosures about disposal transactions. The revised guidance will change how entities identify and disclose information about disposal transactions. The guidance is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014, with early adoption permitted. Belmond is assessing what impact, if any, the adoption of this guidance will have on its consolidated financial position, results of operations and cash flows.

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. The guidance is effective for the fiscal year beginning January 1, 2017. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In August 2014, the FASB issued new guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Further, an entity must provide certain disclosures if there is "substantial doubt about the entity's ability to continue as a going concern". The guidance is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. Belmond is assessing what impact, if any, the adoption of this guidance will have on its disclosures.

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,	2014	2013	2012
Numerator ($'000)			
Net earnings/(losses) from continuing operations	2,047	(26,178)	(11,426)
Net earnings/(losses) from discontinued operations	(3,782)	(5,318)	4,538
Net losses/(earnings) attributable to non-controlling interests	(145)	(63)	(173)
Net earnings/(losses) attributable to Belmond Ltd.	(1,880)	(31,559)	(7,061)
Denominator (shares '000)			
Basic weighted average shares outstanding	103,837	103,226	102,849
Effect of dilution	2,291	—	—
Diluted weighted average shares outstanding	106,128	103,226	102,849
	$	$	$
Basic earnings per share			
Net earnings/(losses) from continuing operations	0.020	(0.254)	(0.111)
Net earnings/(losses) from discontinued operations	(0.036)	(0.052)	0.044
Net losses/(earnings) attributable to non-controlling interests	(0.001)	(0.001)	(0.002)
Net earnings/(losses) attributable to Belmond Ltd.	(0.017)	(0.307)	(0.069)
Diluted earnings per share			
Net earnings/(losses) from continuing operations	0.019	(0.254)	(0.111)
Net earnings/(losses) from discontinued operations	(0.036)	(0.052)	0.044
Net losses/(earnings) attributable to non-controlling interests	(0.001)	(0.001)	(0.002)
Net earnings/(losses) attributable to Belmond Ltd.	(0.018)	(0.307)	(0.069)

For each year ended December 31, 2013 and 2012, all share options and share-based awards were excluded from the calculation of the diluted weighted average number of shares because Belmond incurred a net loss from continuing operations in those annual periods and the effect of their inclusion would be anti-dilutive.

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

Year ended December 31,	2014	2013	2012
Share options	810,500	3,058,300	3,430,800
Share-based awards	—	1,481,827	1,343,648
Total	810,500	4,540,127	4,774,448

The number of share options and share-based awards unexercised at December 31, 2014 was 5,157,292 (2013 - 4,540,127; 2012 - 4,774,448).

4. Assets held for sale and discontinued operations

At December 31, 2014, no properties were classified as held for sale. During the year ended December 31, 2014, a sale was completed on one condominium relating to Porto Cupecoy which was excluded from the disposal of the Porto Cupecoy development in Sint Maarten as it was already under a separate sales contract at the time. During the year ended December 31, 2014, Inn at Perry Cabin by Belmond, St Michaels, Maryland was sold. Due to Belmond's continuing involvement in managing the hotel, its results are presented within continuing operations. For the year ended December 31, 2014, the results of operations of Ubud Hanging Gardens, Bali, Indonesia have been presented as discontinued operations, following the unannounced dispossession of Belmond from the hotel by the owner in November 2013.

At December 31, 2013, Inn at Perry Cabin by Belmond and one condominium unit at Porto Cupecoy were classified as held for sale. During the year ended December 31, 2013, Porto Cupecoy was sold, and the results of its operations have been presented as discontinued operations for the period. In addition, for the year ended December 31, 2013, the results of operations of Ubud Hanging Gardens have been presented as discontinued operations.

At December 31, 2012, Porto Cupecoy was classified as held for sale. During the year ended December 31, 2012, The Westcliff, Johannesburg, South Africa; The Observatory Hotel, Sydney, Australia; Bora Bora Lagoon Resort, French Polynesia; and Keswick Hall, Charlottesville, Virginia were sold. For the year ended December 31, 2012, the results of operations of Ubud Hanging Gardens, Porto Cupecoy, The Westcliff, The Observatory Hotel, Bora Bora Lagoon Resort, and Keswick Hall have been presented as discontinued operations.

(a) Properties sold: Inn at Perry Cabin by Belmond, Porto Cupecoy, The Westcliff, The Observatory Hotel, Bora Bora Lagoon Resort and Keswick Hall

On March 21, 2014, Belmond completed the sale of the property and operations of Inn at Perry Cabin by Belmond for consideration of $39,700,000, of which $25,680,000 was paid in cash, $11,020,000 was settled directly with the lender to repay the debt facility secured by the property, and $3,000,000 was a key money contribution from Belmond to the buyer to be used for agreed capital enhancements. Belmond will continue to manage the hotel for the new owner under a management agreement with a ten-year term that permits termination on the fifth anniversary of the agreement. The disposal resulted in a gain of $6,704,000, of which $3,704,000 was recognized on completion on March 21, 2014 and $3,000,000 was deferred to be recognized over the initial period of the management agreement. The gain on sale of $3,704,000 recognized on March 21, 2014 and the subsequent release of the deferred gain is reported within gain on disposal of property, plant and equipment in the statements of consolidated operations.

On January 31, 2013, Belmond completed the sale of the property and operations of Porto Cupecoy for cash consideration of $19,000,000. The property was a part of Belmond's former real estate segment. The disposal resulted in a gain of $439,000, which is reported within net (losses)/earnings from discontinued operations, net of tax.

On December 14, 2012, Belmond completed the sale of the property, operations and shares of The Westcliff for cash consideration of $26,000,000. The hotel was a part of Belmond's Rest of world owned hotels segment. The disposal resulted in a gain on sale of $5,406,000, which is reported within net (losses)/earnings from discontinued operations, net of tax.

On August 8, 2012, Belmond completed the sale of the property and operations of The Observatory Hotel for a consideration of A$40,000,000 ($42,106,000), of which A$29,350,000 ($30,895,000) was paid in cash and A$10,650,000 ($11,211,000) was settled directly with the lender to repay the debt facility secured by the property. The hotel was a part of Belmond's Rest of world owned hotels segment. The disposal resulted in a gain on sale of $5,359,000 (including a $12,147,000 transfer of foreign currency translation amounts from accumulated other comprehensive loss), which is reported within net (losses)/earnings from discontinued operations, net of tax.

On June 1, 2012, Belmond completed the sale of the shares of Bora Bora Lagoon Resort for a cash consideration of $3,000,000. The hotel was a part of Belmond's Rest of world owned hotels segment. The disposal resulted in a gain on sale of $662,000 (including a $13,074,000 transfer of foreign currency translation amounts from accumulated other comprehensive loss), which is reported within net (losses)/earnings) from discontinued operations, net of tax.

On January 23, 2012, Belmond completed the sale of the property and operations of Keswick Hall for consideration of $22,000,000, of which $12,000,000 was paid in cash and $10,000,000 was settled directly with the lender as a reduction in the debt facility secured by the property. The hotel was a part of Belmond's North American owned hotels segment. The disposal resulted in a gain of $3,957,000, which is reported within net (losses)/earnings from discontinued operations, net of tax.

The following is a summary of net assets sold and the gain recorded on sale for Inn at Perry Cabin by Belmond, Porto Cupecoy, The Westcliff, The Observatory Hotel, Bora Bora Lagoon Resort and Keswick Hall:

Year ended December 31,	2014	2013	2012			
	Inn at Perry Cabin by Belmond	Porto Cupecoy	The Westcliff	The Observatory Hotel	Bora Bora Lagoon Resort	Keswick Hall
	March 21, 2014	January 31, 2013	December 14, 2012	August 8, 2012	June 1, 2012	January 23, 2012
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant & equipment	32,293	38	17,911	48,096	15,827	18,590
Real estate assets	—	18,512	—	—	—	—
Net working capital (deficit)/ surplus	(820)	—	(207)	(299)	(720)	401
Other assets/(liabilities)	—	—	—	—	—	(1,891)
Net assets	31,473	18,550	17,704	47,797	15,107	17,100
Transfer of foreign currency translation loss/(gain)	—	—	1,308	(12,147)	(13,074)	—
	31,473	18,550	19,012	35,650	2,033	17,100
Consideration:						
Cash	25,680	19,000	26,000	30,895	3,000	12,000
Reduction in debt facility on sale of hotel	11,020	—	—	11,211	—	10,000
Key money retained by buyer	3,000	—	—	—	—	—
Less: Working capital adjustment	(1,130)	(11)	(628)	(447)	—	(430)
Less: Costs to sell	(393)	—	(954)	(650)	(305)	(513)
	38,177	18,989	24,418	41,009	2,695	21,057
Gain on sale	6,704	439	5,406	5,359	662	3,957

(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 an unannounced dispossession of Belmond from the hotel by the owner in November 2013, however, Belmond has been unable to continue to operate the hotel. Belmond believes that the owner's actions are unlawful and constitute a wrongful dispossession and is pursuing its legal remedies under the lease. 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.

Summarized results of the properties classified as discontinued operations for the years ended December 31, 2014, 2013 and 2012 are as follows:

	Year ended December 31, 2014		
	Ubud Hanging Gardens $'000	Porto Cupecoy $'000	Total $'000
Revenue	—	600	600
Losses before tax, gain on sale and impairment	(1,486)	(1,583)	(3,069)
Losses before tax	(1,486)	(1,583)	(3,069)
Tax provision	(713)	—	(713)
Net losses from discontinued operations	(2,199)	(1,583)	(3,782)

	Year ended December 31, 2013				
	Ubud Hanging Gardens $'000	Porto Cupecoy $'000	The Westcliff $'000	Keswick Hall $'000	Total $'000
Revenue	5,124	1,932	—	—	7,056
Earnings/(losses) before tax, gain on sale and impairment	591	(3,228)	—	—	(2,637)
Impairment	(7,031)	—	—	—	(7,031)
Gain on sale	—	439	—	—	439
Losses before tax	(6,440)	(2,789)	—	—	(9,229)
Tax benefit	1,838	—	1,425	648	3,911
Net earnings/(losses) from discontinued operations	(4,602)	(2,789)	1,425	648	(5,318)

	Year ended December 31, 2012						
	Ubud Hanging Gardens	Porto Cupecoy	The Westcliff	The Observatory Hotel	Bora Bora Lagoon Resort	Keswick Hall	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	5,816	8,163	9,088	9,194	—	1,062	33,323
Earnings/(losses) before tax, gain on sale and impairment	1,757	(5,187)	215	(1,080)	(166)	(1,601)	(6,062)
Impairment	—	(3,166)	—	—	—	—	(3,166)
Gain on sale	—	—	5,406	5,359	662	3,957	15,384
Earnings/(losses) before tax	1,757	(8,353)	5,621	4,279	496	2,356	6,156
Tax (provision)/benefit	(336)	—	(1,025)	426	—	(683)	(1,618)
Net earnings/(losses) from discontinued operations	1,421	(8,353)	4,596	4,705	496	1,673	4,538

The results of discontinued operations for the year ended December 31, 2014 include legal fees of $1,486,000 in relation to Ubud Hanging Gardens, as Belmond is pursuing legal remedies following its wrongful dispossession by the owner in November 2013. See Note 19.

In addition, the results of discontinued operations for the year ended December 31, 2014 include revenue and costs associated with the sale of one condominium relating to Porto Cupecoy which was excluded from the disposal of the Porto Cupecoy development in Sint Maarten as it was already under a separate sales contract at the time.

The results of discontinued operations for the year ended December 31, 2013 include tax credits of $1,425,000 in relation to The Westcliff and $648,000 in relation to Keswick Hall, which were sold in December and January 2012, respectively. These tax credits arise following the submission of prior year tax returns in the current period.

As Belmond is unable to operate Ubud Hanging Gardens for the foreseeable future, a non-cash impairment charge of $7,031,000 was identified and recorded in the year ended December 31, 2013. The carrying values of long-lived assets were written down to a fair value of $Nil.

In the year ended December 31, 2012, Belmond identified and recorded a non-cash real estate assets impairment charge of $3,166,000 in relation to Porto Cupecoy. The carrying values of the assets were written down to their fair value.

The results of operations for Keswick Hall in the year ended December 31, 2012 include revenue and costs relating to the sale of model homes in the Keswick Hall property development.

(c) Assets and liabilities held for sale

There were no properties classified as held for sale at December 31, 2014.

Assets and liabilities of the properties classified as held for sale at December 31, 2013 consist of the following:

	December 31, 2013		
	Inn at Perry Cabin by Belmond	Porto Cupecoy	Total
	$'000	$'000	$'000
Current assets	1,503	—	1,503
Real estate assets	—	720	720
Property, plant and equipment, net	32,193	—	32,193
Total assets held for sale	33,696	720	34,416
Current liabilities	(1,611)	—	(1,611)
Total liabilities held for sale	(1,611)	—	(1,611)

Assets of Porto Cupecoy at December 31, 2013 related to one condominium which was excluded from the disposal of the Porto Cupecoy development as it was already under a separate sales contract at the time.

5. 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 $207,739,000 at December 31, 2014 (December 31, 2013 - $200,266,000) and exclude goodwill of $40,395,000 (December 31, 2013 - $40,395,000). The liabilities of Charleston Center LLC for which creditors do not have recourse to the general credit of Belmond totaled $122,058,000 (December 31, 2013 - $118,212,000).

All deferred taxes attributable to the Group's investment in the LLC arise at the investor level and are therefore not included in the footnote to the consolidated balance sheets. The prior period disclosure has been amended accordingly.

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

Belmond holds a 50% equity investment in its rail joint venture in Peru which operates the infrastructure, rolling stock, stations and services on a portion of the state-owned railways in Peru. Belmond concluded that the PeruRail 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 is under joint control as all the budgetary and capital decisions require a majority of approval of the joint venture's board of directors. 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 exposures to loss as a result of Belmond's involvement with its PeruRail joint venture are as follows:

	Carrying amounts		Maximum exposure	
	2014	2013	2014	2013
December 31,	$’000	$’000	$’000	$’000
Investment	41,713	38,095	41,713	38,095
Due from unconsolidated company	5,931	4,957	5,931	4,957
Guarantees	—	—	4,124	5,920
Contingent guarantees	—	—	11,226	14,731
Total	47,644	43,052	62,994	63,703

The maximum exposure to loss for the PeruRail joint venture exceeds Belmond's carrying amounts in the joint venture due to guarantees, which, as discussed below, are not recognized in the consolidated financial statements. The contingent guarantees may only be enforced in the event there is a change in control in the 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, 2014, Belmond does not expect that it will be required to fund these guarantees relating to this joint venture as the entity has the ability to repay the loans.

The Company has guaranteed $4,124,000 and contingently guaranteed $4,796,000 of the debt obligations of the rail joint venture in Peru through 2017. The Company has also guaranteed the rail joint venture’s contingent obligations relating to the performance of its governmental rail concessions, currently in the amount of $6,430,000, through May 2015.

Long-term debt obligations of the rail joint venture in Peru at December 31, 2014 totaling $4,124,000 have been classified within current liabilities of the joint venture in its stand-alone financial statements, as it was out of compliance with a debt service coverage ratio covenant in its loan facilities. Discussions with the lenders to bring the joint venture into compliance are continuing, although this non-compliance is not expected to have a material impact on Belmond's financial flexibility.

6. 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. These investments include the 50% ownership in rail and hotel joint venture operations in Peru and in Hotel Ritz by Belmond in Madrid, Spain, 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, Belmond acquired 50% of a company holding real estate in Buzios, 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 company when the building permits were obtained from the local authorities. In February 2009, the Municipality of Buzios commenced a process for the compulsory purchase of the land by the municipality in exchange for a payment of fair compensation to the owners. In April 2011, the State of Rio de Janeiro declared the land an area of public interest, with the intention that it will become part of a State Environmental Park which is being created in the area. The compulsory purchase of the land is therefore expected to be carried out by the State of Rio de Janeiro. Belmond expects to recover its investment in the project either through negotiations with or litigation against the State of Rio de Janeiro.

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

December 31,	2014 $'000	2013 $'000
Current assets	52,289	64,145
Property, plant and equipment, net	340,546	342,731
Other assets	37,917	24,142
Non-current assets	378,463	366,873
Total assets	430,752	431,018
Current liabilities, including $96,824 and $101,191 current portion of third-party debt	157,273	166,116
Long-term debt	27,014	25,140
Other liabilities	125,210	127,002
Non-current liabilities	152,224	152,142
Total shareholders' equity	121,255	112,760
Total liabilities and shareholders' equity	430,752	431,018

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Revenue	172,793	168,839	157,270
Gross profit[1]	105,333	91,357	89,303
Net earnings[2]	19,622	13,549	4,181

[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.

There are guarantees and 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. As at December 31, 2014, Belmond does not expect that it will be required to fund these guarantees relating to these joint venture companies.

The Company has contingently guaranteed, through 2020, $19,167,000 of debt obligations of the joint venture in Peru that operates four hotels. See Note 5 for information regarding guarantees and long-term debt of the rail joint venture in Peru.

At December 31, 2014, long-term debt obligations totaling $68,369,000 of the Hotel Ritz by Belmond, in which Belmond has a 50% equity investment, have been classified within current liabilities in the joint venture's stand-alone financial statements as it was out of compliance with the debt service coverage ratio covenant in its first mortgage loan facility. Belmond anticipates negotiations with the lender as to how to bring the hotel into long-term compliance. Belmond does not expect the loan to be called and, therefore, does not believe the Company will be required to fund its portion of the guarantees. Belmond and its joint venture partner have each guaranteed $9,075,000 of the debt obligations.

7. Property, plant and equipment

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

December 31,	2014 $'000	2013 $'000
Land and buildings	1,069,846	1,201,967
Machinery and equipment	194,155	212,924
Furniture, fixtures and equipment	224,270	229,753
River cruise ship and canal boats	18,924	19,082
	1,507,195	1,663,726
Less: Accumulated depreciation	(338,438)	(354,123)
Total property, plant and equipment, net of accumulated depreciation	1,168,757	1,309,603

The major classes of assets under capital leases included above are as follows:

December 31,	2014 $'000	2013 $'000
Machinery and equipment	716	889
Furniture, fixtures and equipment	181	108
	897	997
Less: Accumulated depreciation	(652)	(905)
Total assets under capital leases, net of accumulated depreciation	245	92

The depreciation charge on property, plant and equipment of continuing operations for the year ended December 31, 2014 was $51,629,000 (2013 - $48,346,000; 2012 - $43,263,000).

The table above includes the property, plant and equipment of Charleston Center LLC, a consolidated VIE, of $197,608,000 (2013 - $187,854,000). See Note 5.

For the year ended December 31, 2014, Belmond capitalized interest in the amount of $Nil (2013 - $1,088,000; 2012 - $4,193,000). All amounts capitalized were recorded in property, plant and equipment.

In the year ended December 31, 2014, Belmond identified and recorded a non-cash property, plant and equipment impairment charge of $1,211,000 relating to the write-down to fair value of train carriages of Belmond's former Great South Pacific Express train, which are held in Australia and not in service.

In the year ended December 31, 2013, Belmond identified and recorded a non-cash property, plant and equipment impairment charge of $1,029,000 in respect of Ubud Hanging Gardens. This impairment was recorded in discontinued operations, as the results of operations of this hotel have been presented as discontinued operations for the years ended December 31, 2014, 2013 and 2012. Its assets and liabilities, however, are not accounted for as held for sale at December 31, 2014 and 2013. See Note 4.

Also in the year ended December 31, 2013, Belmond identified and recorded a non-cash property, plant and equipment impairment charge of $35,680,000 in respect of Belmond La Samanna, St. Martin, French West Indies, based on a strategic review of its assets. The carrying value was written down to the hotel's fair value.

Also, in the year ended December 31, 2013, Belmond identified and recorded a non-cash property, plant and equipment impairment charge of $750,000 in respect of Belmond Grand Hotel Europe, St Petersburg, Russia, as the carrying value of assets were written down to fair value based on management's best estimate of the net recoverable amount.

In the year ended December 31, 2012, Belmond identified and recorded a non-cash property, plant and equipment impairment charge of $2,538,000 relating to the write-down to fair value of train carriages of Belmond's former Great South Pacific Express train, which are held in Australia and not in service.

The impairments above, other than that of Ubud Hanging Gardens, are included in impairment of property, plant and equipment in the statements of consolidated operations.

8. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2014 and 2013 are as follows:

	Beginning balance at January 1, 2014					
	Gross goodwill amount	Accumulated impairment	Net goodwill amount	Impairment	Foreign currency translation adjustment	Ending balance at December 31, 2014
Year ended December 31, 2014	$'000	$'000	$'000	$'000	$'000	$'000
Owned hotels:						
Europe	87,885	(10,104)	77,781	—	(16,593)	61,188
North America	66,101	(16,110)	49,991	—	—	49,991
Rest of world	29,220	(8,113)	21,107	—	(7,515)	13,592
Owned trains and cruises	8,037	—	8,037	—	(164)	7,873
Total	191,243	(34,327)	156,916	—	(24,272)	132,644

	Beginning balance at January 1, 2013					
	Gross goodwill amount	Accumulated impairment	Net goodwill amount	Impairment	Foreign currency translation adjustment	Ending balance at December 31, 2013
Year ended December 31, 2013	$'000	$'000	$'000	$'000	$'000	$'000
Owned hotels:						
Europe	87,423	(10,104)	77,319	—	462	77,781
North America	66,101	(16,110)	49,991	—	—	49,991
Rest of world	30,903	(4,926)	25,977	(3,187)	(1,683)	21,107
Owned trains and cruises	7,991	—	7,991	—	46	8,037
Total	192,418	(31,140)	161,278	(3,187)	(1,175)	156,916

During the year ended December 31, 2014, no goodwill impairments were recorded.

Under the first step of the goodwill impairment testing for the year ended December 31, 2014, the fair value of Belmond Grand Hotel Europe was approximately 21% in excess of its carrying value. Belmond Grand Hotel Europe had a goodwill balance of $13,964,000 at December 31, 2014. Factors that could reasonably be expected to have an adverse impact on the fair value of the reporting unit are outlined in Note 2. Factors that are specifically sensitive for Belmond Grand Hotel Europe include the proportion of domestic and foreign guests, forecast exchange rates and the timing and extent of recovery in the Russian economy and the political situation in the Ukraine.

Under the first step of the goodwill impairment testing for the year ended December 31, 2014, the fair value of Belmond La Résidence Phou Vao was approximately 16% in excess of its carrying value. Belmond La Résidence Phou Vao had a goodwill balance of $1,462,000 at December 31, 2014. Factors that could reasonably be expected to have an adverse impact on the fair value of the reporting unit are outlined in Note 2. Factors that are specifically sensitive for Belmond La Résidence Phou Vao include the occupancy and ADR forecast to be achieved and the ongoing popularity of Laos as a tourist destination.

During the year ended December 31, 2013, Belmond identified a non-cash goodwill impairment of $3,187,000 at Ubud Hanging Gardens. This impairment was recorded in discontinued operations, as the results of operations of this hotel have been presented as discontinued operations for the years ended December 31, 2014, 2013 and 2012. Its assets and liabilities, however, are not accounted for as held for sale at December 31, 2014 and 2013. See Note 4. There were no impairments to goodwill of continuing operations for the year ended December 31, 2013.

During the year ended December 31, 2012, Belmond identified a non-cash goodwill impairment of $2,055,000 at Belmond Reid's Palace. Management’s estimates considered future profitability of the business, future growth rates and the related discount rates. Belmond determined this impairment was triggered due to performance that required a reassessment.

9. Other intangible assets

Other intangible assets consist of the following as of December 31, 2014 and 2013:

	Favorable lease assets $'000	Internet sites $'000	Trade names $'000	Total $'000
Carrying amount:				
Balance at January 1, 2013	12,971	1,692	7,100	21,763
Additions	—	—	—	—
Impairment of intangible assets of discontinued operations	(2,815)	—	—	(2,815)
Foreign currency translation adjustment	(1,496)	31	—	(1,465)
Balance at December 31, 2013	8,660	1,723	7,100	17,483
Additions	—	269	—	269
Impairment	—	—	—	—
Foreign currency translation adjustment	(74)	(104)	—	(178)
Balance at December 31, 2014	8,586	1,888	7,100	17,574
Accumulated amortization:				
Balance at January 1, 2013	2,248	907		3,155
Charge for the year	311	137		448
Foreign currency translation adjustment	(291)	19		(272)
Balance at December 31, 2013	2,268	1,063		3,331
Charge for the year	241	134		375
Foreign currency translation adjustment	(23)	(67)		(90)
Balance at December 31, 2014	2,486	1,130		3,616
Net book value:				
December 31, 2012	10,723	785	7,100	18,608
December 31, 2013	6,392	660	7,100	14,152
December 31, 2014	6,100	758	7,100	13,958

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, 2014, no impairments of intangible assets were recognized.

An impairment of $2,815,000 was recognized for the year ended December 31, 2013. The intangible lease assets of Ubud Hanging Gardens were written down to $Nil. This impairment was recorded in discontinued operations, as the results of operations of this hotel have been presented as discontinued operations for the years ended December 31, 2014, 2013 and 2012. Its assets and liabilities, however, are not accounted for as held for sale at December 31, 2014 and 2013. See Note 4. There were no impairments of intangible assets in continuing operations in the years ended December 31, 2013 and 2012.

Amortization charge in the table above for the year ended December 31, 2014 includes an amount of $Nil (2013 - $54,000; 2012 - $81,000) relating to Ubud Hanging Gardens, which is included in results of discontinued operations.

Amortization expense from continuing operations for the year ended December 31, 2014 was $375,000 (2013 - $394,000; 2012 - $409,000). Estimated amortization expense for each of the years ending December 31, 2015 to December 31, 2019 is $375,000.

10. 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,	2014 $'000	2013 $'000
Loans from banks and other parties collateralized by tangible and intangible personal property and real estate with a maturity of five to14 years (2013 - one to 15 years), with a weighted average interest rate of 4.35% (2013 - 4.09%)	620,106	639,717
Obligations under capital lease	129	14
Total long-term debt and obligations under capital leases	620,235	639,731
Less: Current portion	5,549	72,816
Less: Discount on secured term loan	2,451	—
Non-current portion of long-term debt and obligations under capital lease	612,235	566,915

At December 31, 2013, most of Belmond's loan facilities related to specific hotel or other properties and were secured by a mortgage on the particular property. In most cases, the Company was either the borrower or the subsidiary owning the property was the borrower, with the loan guaranteed by the Company. Each of these facilities had individual maturity dates and required refinancing as they fell due.

On March 21, 2014, Belmond entered into a $551,955,000 secured term loan and a $105,000,000 revolving credit facility, the proceeds of which were used to repay all of this outstanding funded debt apart from the debt of Charleston Center LLC, a consolidated VIE, and the debt of Belmond's unconsolidated joint venture companies.

The term loan consists of two tranches, a $345,000,000 U.S. dollar tranche and a €150,000,000 euro-denominated tranche (equivalent to $206,955,000 at drawdown). The dollar tranche bears interest at a rate of LIBOR plus 3% per annum, and the euro tranche bears interest at a rate of EURIBOR plus 3.25% per annum. Both tranches are subject to a 1% interest rate floor. The term loan matures in seven years and 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 2.75% per annum, with a commitment fee of 0.4% paid on the undrawn amount.

The term loan and revolving credit facility 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 August 2014, Charleston Center LLC refinanced a secured loan of $83,200,000 with a new $86,000,000 loan secured on its real and personal property. The loan has a five-year maturity and bears interest at a rate of LIBOR plus 2.12% per annum. This loan has no amortization and is non-recourse to Belmond.

The following is a summary of the aggregate maturities of long-term debt, including obligations under capital lease, at December 31, 2014:

Year ended December 31,	$'000
2015	5,549
2016	5,536
2017	5,523
2018	5,524
2019	91,534
2020 and thereafter	506,569
Total long-term debt and obligations under capital lease	620,235

The Company has guaranteed $522,561,000 of the long-term debt of its subsidiary companies as at December 31, 2014 (2013 - $384,818,000).

Deferred financing costs related to the above outstanding long-term debt were $13,095,000 at December 31, 2014 (2013 - $11,080,000) and are amortized to interest expense over the term of the corresponding long-term debt. These costs are included in Other assets on the consolidated balance sheets.

The tables above include the debt of Charleston Center LLC, a consolidated VIE, of $97,545,000 at December 31, 2014 (2013 - $96,150,000). This amount includes the $86,000,000 refinanced in August 2014 and is non-recourse to Belmond. Deferred financing costs related to this debt were $922,000 at December 31, 2014 (2013 - $883,000).

(b) Revolving credit and working capital facilities

Belmond had approximately $107,004,000 of revolving credit and working capital facilities at December 31, 2014 (2013 - $3,021,000) of which $5,518,000 has been allocated to an existing letter of credit and $101,486,000 was available (2013 - $2,883,000).

11. Other liabilities

The major balances in other liabilities are as follows:

December 31,	2014 $'000	2013 $'000
Interest rate swaps (see Note 21)	618	1,878
Long-term accrued interest on subordinated debt at Belmond Charleston Place	15,940	15,340
Deferred gain on sale of Inn at Perry Cabin by Belmond (see Note 4)	2,550	—
Deferred lease incentive	315	393
Contingent consideration on acquisition of Belmond Grand Hotel Timeo and Belmond Villa Sant'Andrea (see Note 19)	—	1,240
Accrued income tax	2,118	—
Withholding tax provision classified as interest	2,356	—
Total other liabilities	23,897	18,851

12. 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,	2014 %	2013 %	2012 %
Discount rate	4.50	4.50	4.70
Expected long-term rate of return on plan assets	4.80	4.70	5.30

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

December 31,	2014 %	2013 %
Discount rate	3.70	4.50

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, 2014 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, 2014 and 2013 by asset category is as follows:

December 31, 2014	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash	744	744	—	—
Equity securities:				
U.K. managed funds	6,087	6,087	—	—
Overseas managed funds	5,524	5,524	—	—
Fixed income securities:				
U.K. government bonds	1,830	1,830	—	—
Corporate bonds	5,745	5,745	—	—
Other types of investments:				
Hedge funds	2,852	2,852	—	—
Annuities	2,186	—	—	2,186
	24,968	22,782	—	2,186

December 31, 2013	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash	1,583	1,583	—	—
Equity securities:				
U.K. managed funds	6,459	6,459	—	—
Overseas managed funds	5,402	5,402	—	—
Fixed income securities:				
U.K. government bonds	1,549	1,549	—	—
Corporate bonds	6,124	6,124	—	—
Other types of investments:				
Annuities	2,045	—	—	2,045
	23,162	21,117	—	2,045

Reconciliations of fair value measurements using significant unobservable inputs (Level 3) at December 31, 2014 and 2013 are as follows:

Year ended December 31, 2014	Annuities $'000	Total $'000
Beginning balance at January 1, 2014	2,045	2,045
Foreign exchange	(123)	(123)
Actual return on plan assets:		
Assets still held at the reporting date	339	339
Purchases, sales and settlements, net	(75)	(75)
Transfers into or out of Level 3	—	—
Ending balance at December 31, 2014	2,186	2,186

Year ended December 31, 2013	Annuities $'000	Total $'000
Beginning balance at January 1, 2013	2,046	2,046
Foreign exchange	37	37
Actual return on plan assets:		
Assets still held at the reporting date	42	42
Purchases, sales and settlements, net	(80)	(80)
Transfers into or out of Level 3	—	—
Ending balance at December 31, 2013	2,045	2,045

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 scheme trustees are currently purchasing annuities to match the benefits of pensioners and allocating a majority of the plan's assets to equities as they have historically outperformed bonds over the long term. The scheme trustees will allocate plan assets to bonds and cash to help reduce the volatility of the portfolio and reflect the age profile of the membership.

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

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Change in benefit obligation:			
Benefit obligation at beginning of year	24,768	27,927	24,189
Service cost	—	—	—
Interest cost	1,092	1,200	1,154
Plan participants' contributions	—	—	—
Net transfer in	—	—	—
Actuarial (gain)/loss	3,680	(4,093)	1,869
Benefits paid	(468)	(573)	(560)
Curtailment gain	—	—	—
Settlement	—	—	—
Foreign currency translation	(1,719)	307	1,275
Benefit obligation at end of year	27,353	24,768	27,927
Change in plan assets:			
Fair value of plan assets at beginning of year	23,162	19,652	15,547
Actual return on plan assets	1,821	1,665	1,958
Employer contributions	2,025	1,880	1,854
Plan participants' contributions	—	—	—
Net transfer in	—	—	—
Benefits paid	(468)	(573)	(560)
Settlement	—	—	—
Foreign currency translation	(1,572)	538	853
Fair value of plan assets at end of year	24,968	23,162	19,652
Funded status at end of year	(2,385)	(1,606)	(8,275)
Net actuarial loss/(gain) recognized in other comprehensive loss	2,449	(5,673)	(141)

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

December 31,	2014 $'000	2013 $'000
Non-current assets	—	—
Current liabilities	—	—
Non-current liabilities	2,385	1,606

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

December 31,	2014 $'000	2013 $'000
Net loss	(10,661)	(8,212)
Prior service cost	—	—
Net transitional obligation	—	—
Total amount recognized in other comprehensive loss	(10,661)	(8,212)

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

Year ended December 31,	2014 $'000	2013 $'000
Projected benefit obligation	27,353	24,768
Accumulated benefit obligation	27,353	24,768
Fair value of plan assets	24,968	23,162

Components of net periodic benefit cost are as follows:

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Service cost	—	—	—
Interest cost on projected benefit obligation	1,092	1,200	1,154
Expected return on assets	(1,139)	(926)	(846)
Net amortization and deferrals	550	930	899
Net periodic benefit cost	503	1,204	1,207

A U.K. subsidiary of Belmond is obligated to the plan's trust to pay £1,272,000 (equivalent to $1,984,000 at December 31, 2014) annually until the plan is fully funded, which based on its December 2012 actuarial assessment is projected to occur in 2017. Once the plan is fully funded, the U.K. subsidiary will remain obligated to restore the plan to a fully funded balance should its position deteriorate. In May 2014, Belmond Ltd. guaranteed the payment obligations of the U.K. subsidiary through 2023, subject to a cap of £8,200,000 (equivalent to $12,792,000 at December 31, 2014), which reduces commensurately with every payment made to the plan since December 31, 2012.

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

Year ended December 31,	$'000
2015	452
2016	516
2017	615
2018	501
2019	713
Next five years	4,097

The estimated net loss amortized from accumulated other comprehensive income/(loss) into net periodic pension cost in the next fiscal year is $764,000.

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

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Employers' contributions	2,527	2,542	2,719

13. Income taxes

The Company is incorporated in Bermuda, which does not impose an income tax. 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. Items which had the most significant impact on the tax rate include an income tax credit of $3,680,000 in the year ended December 31, 2014 (2013 - credit of $3,207,000) arising in respect of foreign exchange differences on the measurement of deferred taxes on temporary differences in subsidiaries operating in jurisdictions where the local currency differs from the functional currency.

The provision for income taxes consists of the following:

		Provision for income taxes		
Year ended December 31, 2014	Pre-tax (loss)/ income $'000	Current $'000	Deferred $'000	Total $'000
Bermuda	(25,702)	—	—	—
United States	312	1,867	(193)	1,674
Brazil	21,275	7,872	(447)	7,425
Italy	9,572	6,752	(1,738)	5,014
Peru	9,505	3,923	(1,652)	2,271
Rest of the world	(6,857)	6,075	(6,917)	(842)
	8,105	26,489	(10,947)	15,542

		Provision for income taxes		
Year ended December 31, 2013	Pre-tax (loss)/ income $'000	Current $'000	Deferred $'000	Total $'000
Bermuda	(17,696)	—	—	—
United States	(3,955)	(369)	100	(269)
Brazil	13,912	6,598	(3,791)	2,807
Italy	20,313	4,753	4,390	9,143
Peru	8,670	3,361	(671)	2,690
Rest of the world	(36,236)	2,826	431	3,257
	(14,992)	17,169	459	17,628

Year ended December 31, 2012	Pre-tax (loss)/ income $'000	Provision for income taxes Current $'000	Deferred $'000	Total $'000
Bermuda	(8,244)	—	—	—
United States	1,903	3,656	(647)	3,009
Brazil	11,493	4,296	(28)	4,268
Italy	10,226	2,972	6,956	9,928
Peru	9,279	3,118	2,092	5,210
Rest of the world	(16,556)	6,154	(6,918)	(764)
	8,101	20,196	1,455	21,651

The reconciliation of earnings/(losses) 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,	2014 $'000	2013 $'000	2012 $'000
Earnings/(losses) before provision for income taxes and earnings from unconsolidated companies, net of tax	8,105	(14,992)	8,101
Tax charge at statutory tax rate of Nil%[1]	—	—	—
Exchange rate movements on deferred tax	(3,680)	(3,207)	83
Other permanent items	944	674	2,943
Change in valuation allowance	4,573	13,015	6,093
Difference in taxation rates	15,089	7,353	11,421
Change in provisions for uncertain tax positions	545	(1,788)	(174)
Change in tax rates	(2,081)	(276)	600
Deferred tax charge for derivatives	—	2,119	—
Other	152	(262)	685
Provision for income taxes	15,542	17,628	21,651

[1] The Company is resident in Bermuda, which does not impose an income tax.

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 represents Belmond's net deferred tax liabilities:

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Operating loss carry-forwards	111,779	122,500	93,466
Pensions	477	321	1,899
Share-based compensation	3,872	3,146	2,813
Trademarks	—	5,075	5,563
Other	11,559	9,173	9,197
Less: Valuation allowance	(91,462)	(110,780)	(97,376)
Net deferred tax assets	36,225	29,435	15,562
Other	(6,138)	(7,962)	(5,267)
Property, plant and equipment	(162,625)	(183,174)	(171,016)
Deferred tax liabilities	(168,763)	(191,136)	(176,283)
Net deferred tax liabilities	(132,538)	(161,701)	(160,721)

Current deferred tax assets are included in Prepaid expenses and other and current deferred tax liabilities are included in Accrued liabilities on the face of the consolidated balance sheets. Non-current deferred income taxes are presented separately on the face of the consolidated balance sheets.

The gross amount of tax loss carry-forwards is $392,971,000 at December 31, 2014 (2013 - $429,461,000). Of this amount, $18,379,000 will expire within the five years ending December 31, 2019 and a further $110,560,000 will expire in the five years ending December 31, 2024. The remaining losses of $264,032,000 will expire after December 31, 2024 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 $453,000 (2013 - $1,509,000) 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 $1,059,000,000 at December 31, 2014 (2013 - $970,000,000). The determination of the additional deferred taxes that have not been provided is not practical.

Belmond's 2014 tax provision of $15,542,000 (2013 - $17,628,000; 2012 - $21,651,000) included a charge of $545,000 (2013 - benefit of $1,593,000; 2012 - benefit of $174,000) in respect of the provision for uncertain tax positions, of which a benefit of $426,000 (2013 - benefit of $1,654,000; 2012 - benefit of $121,000) related to the potential interest and penalty costs associated with the uncertain tax positions.

The 2014 provision for income taxes included a deferred tax provision of $4,573,000 in respect of valuation allowances concerning Belmond's ability to realize loss carry-forwards and other deferred tax assets in certain jurisdictions compared to a $13,015,000 provision in 2013.

At December 31, 2014, the total amounts of unrecognized tax benefits included the following:

Year ended December 31, 2014	Total $'000	Principal $'000	Interest $'000	Penalties $'000
Balance, January 1, 2014	2,988	2,935	7	46
Additional uncertain tax provision identified during the year	523	90	413	20
Increase to uncertain tax provision on prior year positions	49	49	—	—
Uncertain tax provisions paid during the year	(49)	(49)	—	—
Decrease to uncertain tax provisions on prior year positions	—	—	—	—
Decreases as a result of expiration of the statute of limitations	(27)	(20)	(3)	(4)
Foreign exchange	(47)	(39)	(1)	(7)
Balance at December 31, 2014	3,437	2,966	416	55

At December 31, 2014, Belmond recognized a $3,437,000 liability in respect of its uncertain tax positions. The entire balance of unrecognized tax benefit at December 31, 2014, if recognized, would affect the effective tax rate.

At December 31, 2013, the total amounts of unrecognized tax benefits included the following:

Year ended December 31, 2013	Total $'000	Principal $'000	Interest $'000	Penalties $'000
Balance at January 1, 2013	4,581	2,874	1,174	533
Additional uncertain tax provision identified during the year	2,720	2,716	(4)	8
Increase to uncertain tax provision on prior year positions	737	559	138	40
Uncertain tax provisions paid during the year	(737)	(559)	(138)	(40)
Decrease to uncertain tax provisions on prior year positions	(3,924)	(2,302)	(1,127)	(495)
Decreases as a result of expiration of the statute of limitations	(387)	(351)	(36)	—
Foreign exchange	(2)	(2)	—	—
Balance at December 31, 2013	2,988	2,935	7	46

At December 31, 2013, Belmond recognized a $2,988,000 liability in respect of its uncertain tax positions. The entire balance of unrecognized tax benefit at December 31, 2013, if recognized, would affect the effective tax rate.

At December 31, 2012, the total amounts of unrecognized tax benefits included the following:

Year ended December 31, 2012	Total $'000	Principal $'000	Interest $'000	Penalties $'000
Balance, January 1, 2012	4,755	3,169	1,148	438
Additional uncertain tax provision identified during the year	403	401	2	—
Increase to uncertain tax provision on prior year positions	444	151	168	125
Uncertain tax provisions paid during the year	—	—	—	—
Decrease to uncertain tax provisions on prior year positions	—	—	—	—
Decreases as a result of expiration of the statute of limitations	(686)	(622)	(64)	—
Foreign exchange	(335)	(225)	(80)	(30)
Balance, December 31, 2012	4,581	2,874	1,174	533

At December 31, 2012, Belmond recognized a $4,581,000 liability in respect of its uncertain tax positions. The entire balance of unrecognized tax benefit at December 31, 2012, 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, 2014, all tax years after 2003 are open to examination by the tax authorities in at least one jurisdiction.

Belmond believes that it is reasonably possible that within the next 12 months the uncertain tax provision will decrease by approximately $30,000 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.

14. Interest expense

The balances in interest expense are as follows:

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Interest expense on long-term debt and obligations under capital lease	30,270	28,218	29,680
Withholding tax provision classified as interest	2,576	—	—
Amortization of deferred financing costs and discount on secured term loan	3,921	7,196	5,375
Interest capitalized	—	(1,088)	(4,193)
	36,767	34,326	30,862

The amortization of deferred financing costs and discount on secured term loan in 2014 includes $1,951,000 related to the current long-term debt facility and $1,970,000 related to previous facilities. Deferred financing costs related to the current long-term debt were $13,095,000 at December 31, 2014 (2013 - $11,080,000) and are amortized to interest expense over the term of the corresponding long-term debt. See Note 10.

15. Supplemental cash flow information

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Cash paid during the period for:			
Interest	30,147	27,320	29,756
Income taxes, net of refunds	21,454	22,275	28,967

To reflect the actual cash paid for capital expenditures, increases in accounts payable for capital expenditures are non-cash and excluded from capital expenditure, while decreases are cash payments and included. The changes in accounts payable were an increase of $476,000 and $186,000 for the years ended December 31, 2014 and 2013, respectively.

16. Restricted cash

The major balances in restricted cash are as follows:

December 31,	2014 $'000	2013 $'000
Refundable and non-refundable cash deposits held with banks pending completion of asset sales	500	4,000
Cash deposits required to be held with lending banks as collateral	768	8,391
Escrow deposits and other restricted cash at Porto Cupecoy	—	355
Prepaid customer deposits which will be released to Belmond under its revenue recognition policy	647	681
Bonds and guarantees	758	209
Total restricted cash	2,673	13,636

Restricted cash classified as long-term and included in other assets on the consolidated balance sheet at December 31, 2014 was $768,000 (December 31, 2013 - $7,633,000).

17. 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.

18. Share-based compensation plans

At December 31, 2014, Belmond had three share-based compensation plans, which are described below. The compensation cost that has been charged to selling, general and administrative expense for these plans was $7,928,000 for the year ended December 31, 2014 (2013 - $10,388,000; 2012 - $6,834,000). Cash received from exercised options and vested awards was $19,000 for the year ended December 31, 2014 (2013 - $7,000; 2012 - $3,000). The total compensation cost related to unexercised options and unvested share awards at December 31, 2014 to be recognized over the period January 1, 2015 to December 31, 2017, was $13,967,000 and the weighted average period over which it is expected to be recognized is 26 months. Measured from the grant date, substantially all awards of deferred shares and restricted shares have a maximum term of three years, and substantially all awards of share options have a maximum term of ten years.

(a) 2000 and 2004 stock option plans

Under the Company's 2000 and 2004 stock option plans, options to purchase up to 750,000 and 1,000,000 class A common shares, respectively, 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, 2014, 3,500 class A common shares were reserved under the 2000 plan, and 212,850 class A common shares were reserved under the 2004 plan. At December 31, 2014, no shares remain available for future grants under the 2000 and 2004 plans as these have been transferred to the 2009 plan described below which became effective in 2009.

Details of share option transactions under the 2000 and 2004 stock option plans 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, 2013	477,450	23.44		
Granted	—	—		
Exercised	(77,294)	5.89		
Forfeited, canceled or expired	(113,356)	19.03		
Outstanding — December 31, 2013	286,800	29.91		
Granted	—	—		
Exercised	(6,726)	6.00		
Forfeited, canceled or expired	(63,724)	30.61		
Outstanding — December 31, 2014	216,350	30.45	2.8	495
Exercisable — December 31, 2014	216,350	30.45	2.8	495

The options outstanding under the 2000 and 2004 plans at December 31, 2014 were as follows:

Exercise prices $	Outstanding at 12/31/2014	Exercisable at 12/31/2014	Remaining contractual lives	Exercise prices for outstanding options $	Exercise prices for exercisable options $
5.89	76,400	76,400	3.9	5.89	5.89
28.40	15,000	15,000	0.7	28.40	28.40
28.50	9,500	9,500	0.5	28.50	28.50
34.88	1,600	1,600	1.2	34.88	34.88
34.90	4,850	4,850	1.6	34.90	34.90
35.85	11,700	11,700	3.7	35.85	35.85
36.50	15,450	15,450	1.5	36.50	36.50
42.87	4,450	4,450	1.9	42.87	42.87
46.08	9,900	9,900	3.4	46.08	46.08
51.90	8,900	8,900	3.2	51.90	51.90
52.51	41,200	41,200	2.7	52.51	52.51
52.51	4,600	4,600	2.2	52.51	52.51
52.59	6,000	6,000	2.5	52.59	52.59
59.23	6,800	6,800	2.9	59.23	59.23
	216,350	216,350			

The fair value of options which were exercised in the year to December 31, 2014 was $14,000. No options vested and no options were granted under the plans during the year ended December 31, 2014.

(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 1,084,550 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 2014, the following awards were made under the 2009 plan on the following dates:

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	504,433	December 12, 2014	December 12, 2017	$11.57	45%	1.53%	$—	4.5 years
Deferred shares without performance criteria	6,209	December 12, 2014	December 31, 2015	$0.01	29%	0.19%	$—	1 year
Restricted shares without performance criteria	30,600	July 1, 2014	July 1, 2015	$0.01	29%	0.11%	$—	1 year
Restricted shares without performance criteria	20,400	July 1, 2014	July 1, 2017	$0.01	46%	0.90%	$—	3 years
Deferred shares without performance criteria	20,400	July 1, 2014	July 1, 2015	$0.01	29%	0.11%	$—	1 year
Deferred shares without performance criteria	180,150	July 1, 2014	July 1, 2017	$0.01	46%	0.90%	$—	3 years
Deferred shares without performance criteria	173,350	July 1, 2014	July 1, 2018	$0.01	46%	1.66%	$—	4 years
Restricted shares without performance criteria	10,300	June 30, 2014	June 30, 2015	$0.01	29%	0.10%	$—	1 year
Share options	266,700	June 20, 2014	June 20, 2017	$14.08	46%	1.71%	$—	4.5 years
Deferred shares without performance criteria	94,000	March 21, 2014	March 21, 2017	$0.01	46%	0.91%	$—	3 years
Deferred shares with performance criteria and market conditions	251,400	March 21, 2014	March 21, 2017	$0.01	46%	0.89%	$—	3 years

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, 2013	2,953,350	9.54		
Granted	756,650	13.26		
Exercised	(236,322)	8.80		
Forfeited, canceled or expired	(702,178)	9.33		
Outstanding — December 31, 2013	2,771,500	10.67		
Granted	771,133	12.44		
Exercised	(68,106)	9.10		
Forfeited, canceled or expired	(384,894)	10.26		
Outstanding — December 31, 2014	3,089,633	11.20	7.9	4,948
Exercisable — December 31, 2014	1,019,200	9.48	6.1	2,949

The options outstanding under the 2009 plan at December 31, 2014 were as follows:

Exercise prices $	Outstanding at 12/31/2014	Exercisable at 12/31/2014	Remaining contractual lives	Exercise prices for outstanding options $	Exercise prices for exercisable options $
8.38	76,500	76,500	4.4	8.38	8.38
7.71	5,000	5,000	4.5	7.71	7.71
8.91	93,200	93,200	4.9	8.91	8.91
8.37	90,200	90,200	5.5	8.37	8.37
11.44	182,750	182,750	5.9	11.44	11.44
11.69	191,700	191,700	6.4	11.69	11.69
8.06	379,850	379,850	6.9	8.06	8.06
9.95	31,700	—	7.2	9.95	—
8.42	234,400	—	7.5	8.42	—
11.32	331,550	—	7.9	11.32	—
9.95	31,700	—	8.1	9.95	—
11.74	266,100	—	8.4	11.74	—
14.51	403,850	—	8.9	14.51	—
14.08	266,700	—	9.5	14.08	—
11.57	504,433	—	9.9	11.57	—
	3,089,633	1,019,200			

The fair value of option grants made in the year to December 31, 2014 was $3,752,000. The fair value of options which became exercisable in the year to December 31, 2014 was $3,380,000. The fair value of options which were exercised in the year was $315,000. The number of options which vested during the year was 771,650.

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, 2013	1,343,649	0.01	
Granted	618,170	0.01	
Vested and issued	(344,388)	0.01	
Forfeited, canceled or expired	(135,604)	0.01	
Outstanding — December 31, 2013	1,481,827	0.01	
Granted	786,809	0.01	
Vested and issued	(251,600)	0.01	
Forfeited, canceled or expired	(165,727)	0.01	
Outstanding — December 31, 2014	1,851,309	0.01	22,901

At December 31, 2014, awards of deferred shares and restricted shares on 1,851,309 class A common shares were reserved under the 2009 plan. Of these awards, 1,107,209 deferred shares and restricted shares do not specify any performance criteria and will vest up to August 2016. The remaining awards of up to 744,100 deferred shares will vest up to March 2016 and are subject to performance and market criteria. Half of the 744,100 deferred share awards are subject to performance criteria based on Belmond's earnings before tax for the three years ending December 31, 2014, 2015 or 2016, and the other half are subject to market criteria based on Belmond's total shareholder return compared to the average total shareholder return of a specified group of other hotel and leisure companies over the period of three years.

The fair value of deferred shares and restricted shares awarded in the year to December 31, 2014 was $8,732,000. The fair value of deferred shares vested in the year to December 31, 2014 was $2,420,000.

There were no vested and unissued deferred share or restricted shares awards as of December 31, 2014.

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,	2014	2013	2012
Expected share price volatility	45%-46%	50%-60%	58%-60%
Risk-free interest rate	1.53%-1.71%	1.30%-1.74%	1.03%-1.69%
Expected annual dividends per share	$—	$—	$—
Expected life of share options	4.5 years	4.5 - 8 years	8 years

Estimates of fair values of deferred shares and restricted shares without performance criteria on the grant date using the Black-Scholes options pricing model were based on the following assumptions:

Year ended December 31,	2014	2013	2012
Expected share price volatility	29%-46%	33%-51%	52%-67%
Risk-free interest rate	0.11%-1.66%	0.04%-0.67%	0.10%-0.40%
Expected annual dividends per share	$—	$—	$—
Expected life of awards	1 - 4 years	18 days - 3 years	2 months - 3 years

Estimates of fair values of deferred shares with performance and market conditions were made using the Monte Carlo valuation model based on the following assumptions:

Year ended December 31,	2014	2013	2012
Expected share price volatility	46%	52%	59%
Risk-free interest rate	0.89%	0.26%-0.39%	0.47%
Expected annual dividends per share	$—	$—	$—
Expected life of awards	3 years	2 - 3 years	3 years

19. Commitments and contingencies

Outstanding contracts to purchase property, plant and equipment were approximately $15,486,000 at December 31, 2014 (December 31, 2013 - $21,867,000).

As part of the consideration for the acquisition in January 2010 of Belmond Grand Hotel Timeo and Belmond Villa Sant'Andrea in Taormina, Sicily, Belmond agreed to pay the vendor a further €5,000,000 (equivalent to $7,064,000 at date of acquisition) if, by 2015, additional rooms were constructed at Belmond Grand Hotel Timeo and certain required permits were granted to expand and add a swimming pool to Belmond Villa Sant'Andrea. At December 31, 2014, €4,000,000 has been paid (equivalent to $5,250,000 at the dates paid) as the Belmond Villa Sant'Andrea permits have been granted. The remaining contingent consideration of €1,000,000 was released in December 2014 as the conditions for its payment were not met. See Note 11.

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 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 which are continuing in Bermuda. Possible claims could be asserted against the Company or CHP in connection with this Brazilian litigation, 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. CHP is seeking reconsideration by the appellate court of this decision. Management cannot estimate the range of possible loss if the SCL plaintiffs assert claims against the Company or CHP, and Belmond has made no reserves in respect of this matter. If any such claims were brought, Belmond would continue to defend its interests vigorously.

In November 2013, the third-party owner of Ubud Hanging Gardens in Bali, Indonesia dispossessed Belmond from the hotel under long-term lease to Belmond without prior notice. As a result, Belmond has been unable to continue operating the hotel and, accordingly, to prevent any confusion to its guests, Belmond has ceased referring to the property in its sales and marketing materials, including all electronic marketing, for the time being. Belmond believes that the owner's actions are unlawful and in breach of the lease arrangement and constitute a wrongful dispossession. Belmond is pursuing its legal remedies under the lease which provides for resolution of disputes by arbitration in Singapore, where Belmond has sought emergency arbitral orders to return the hotel to Belmond's possession and management and to stay court proceedings in Indonesia brought by the owner in November 2013 seeking annulment of the lease and damages from Belmond. In December 2013, the arbitrator ordered the owner to suspend the Indonesian court proceedings on an interim basis while the Singapore arbitration continues. In April 2014, the Indonesian trial court dismissed the owner's case for lack of jurisdiction due to the arbitration clause in the parties' lease. The owner appealed this decision which was reversed by the Appellate Court in October 2014. Belmond has appealed this case to the Indonesian Supreme Court. The owner has subsequently filed numerous claims against Belmond, as well as its legal counsel and the Indonesian Investment Coordinating Board, the agency of the Indonesian government responsible for foreign direct investment, in the Indonesian courts. Belmond does not believe there is any merit to these actions and is aggressively defending its rights. Supplementally, Belmond commenced contempt proceedings in the High Court in London, England, where the owner resides, 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.

While Belmond believes it has a strong case on the merits in the Ubud Hanging Gardens matter, it may ultimately be unsuccessful in recovering the hotel or otherwise in pursuing its remedies against the owner, and therefore in the year ended December 31, 2013 Belmond recorded a non-cash impairment charge in the amount of $7,031,000 relating to long-lived assets and goodwill of Ubud Hanging Gardens. See Notes 4, 7, 8 and 9.

In September 2014, the Secretary of the Brazilian Ministry of Planning, Budget and Management notified the Company that the Ministry was denying its application to amend the lease for Belmond Hotel das Cataratas, which was entered into in 2007, among other things, to extend the term and reduce the rent. 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. The Company has appealed to the Secretary to re-consider its decision on both procedural and substantive grounds. If the Secretary does not alter its decision, the Company can appeal directly to the Minister for Planning and ultimately to the Brazilian courts. Belmond's current annual lease expense for the hotel is R$16,666,000 (equivalent to $6,274,000 at December 31, 2014). However, since October 2009 the Company has been paying, with the approval of the Ministry, the amount of R$11,065,000 ($4,166,000) per annum without the yearly adjustment for inflation as provided for in the lease, pending resolution of the case. The Company has expensed the full rental amount. Consequently, the difference between the cumulative rental charge and the amount paid of R$16,511,000 ($6,216,000) has been fully reserved. Based on the Secretary's decision, the Ministry will be assessing rent at the contractual rate, which has been included in the table of future rental payments as at December 31, 2014 below. Beyond the amounts reserved, management estimates that the range of possible additional loss to Belmond could be between R$1,500,000 and R$2,500,000 (equivalent to $565,000 and $941,000 at December 31, 2014) plus interest from the date of the September 2014 decision until a final non-appealable decision is rendered.

In January 2015, Peru Belmond Hotels S.A. received notification of a claim filed by the Public Prosecutor's office of the Regional Government of Cusco, seeking annulment of a contract and public deed of amendment extending the term of the Belmond Sanctuary Lodge concession for ten years from May 2015 to May 2025. The claim alleges that the amendment is invalid principally because the President of the Region, who executed the public deed on December 27, 2013, did not have proper authority to execute the amendment because a resolution dismissing him from office had been issued the day before. Belmond believes it has meritorious defenses and intends to defend the matter vigorously.

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 "Cipriani" trademark. An amount of $3,947,000 was paid by the defendants to Belmond in March 2010 with the balance of $9,833,000 being payable in installments over five years with interest. The remaining payment at December 31, 2014, representing interest of $1,178,000, has not been recognized by Belmond because of the uncertainty of collectibility. Despite the May 2010 settlement and Belmond's belief that the ownership issues over the "Cipriani" trademark in the European Union had been resolved in its favor, Belmond has recently initiated an infringement action in Spain against a company beneficially owned by members of the Cipriani family. Members of the Cipriani family have initiated proceedings against Belmond in Venice seeking a declaration to allow the use by them of the Cipriani name in connection with restaurants despite the holding by Belmond of the "Cipriani" trademark. A hearing took place in January 2015. Belmond has also initiated proceedings against the Cipriani family's corporate vehicle in Russia to seek cancellation of Russian "Cipriani" trademarks. While Belmond believes that it has a meritorious defense to the claim in Italy and a strong case against the defendants in Spain and Russia, Belmond may fail to prevail in either of these actions. Management cannot estimate the range of possible additional loss to Belmond which has made no reserves in these matters. In addition, members of the Cipriani family brought an action on January 27, 2015 in Venice, Italy against the Hotel Cipriani. Belmond believes that the claim is entirely frivolous and intends to aggressively defend the matter.

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.

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

Year ended December 31,	**$'000**
2015	10,862
2016	10,663
2017	10,699
2018	10,260
2019	10,017
2020 and thereafter	85,283
	137,784

Rental expense for the year ended December 31, 2014 amounted to $13,007,000 (2013 - $12,054,000; 2012 - $10,538,000).

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 the 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.

20. 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, 2014 and 2013:

December 31, 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets at fair value:				
Derivative financial instruments	—	13	—	13
Total assets	—	13	—	13
Liabilities at fair value:				
Derivative financial instruments	—	(3,602)	—	(3,602)
Total net liabilities	—	(3,589)	—	(3,589)

December 31, 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets at fair value:				
Derivative financial instruments	—	2	—	2
Total assets	—	2	—	2
Liabilities at fair value:				
Derivative financial instruments	—	(4,890)	—	(4,890)
Total net liabilities	—	(4,888)	—	(4,888)

During the years ended December 31, 2014 and 2013, 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, 2014 and 2013 were as follows:

		December 31, 2014		December 31, 2013	
		Carrying amounts $'000	Fair value $'000	Carrying amounts $'000	Fair value $'000
Long-term debt, including current portion and debt of consolidated VIE, excluding obligations under capital leases	Level 3	620,106	663,653	639,717	660,363

(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, 2014, 2013 and 2012 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, 2014 $'000
Property, plant and equipment	2,488	—	—	2,488	(1,211)

		Fair value measurement inputs			
	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total losses in year ended December 31, 2013 $'000
Property, plant and equipment	45,000	—	—	45,000	(36,430)
Property, plant and equipment of discontinued operations	—	—	—	—	(1,029)
Goodwill of discontinued operations	—	—	—	—	(3,187)
Intangible assets of discontinued operations	—	—	—	—	(2,815)

		Fair value measurement inputs			
	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total losses in year ended December 31, 2012 $'000
Assets of discontinued operations held for sale	22,040	—	—	22,040	(3,166)
Property, plant and equipment	3,521	—	—	3,521	(2,538)
Goodwill	7,515	—	—	7,515	(2,055)
Other assets	—	—	—	—	(1,299)

Assets of discontinued operations held for sale

There were no impairments of assets held for sale in the year ended December 31, 2013 as the assets and liabilities of Ubud Hanging Gardens, the results of which have been presented as a discontinued operation, have not been classified as held for sale as the hotel has not been disposed of through a sale transaction. See Note 4.

For the year ended December 31, 2012, assets of discontinued operations held for sale related to Porto Cupecoy real estate assets with a carrying value of $25,206,000 were written down to fair value of $22,040,000, resulting in a non-cash impairment charge of $3,166,000.

Any gains or losses on movements are included in earnings/(losses) from discontinued operations in the period incurred.

Property, plant and equipment

For the year ended December 31, 2014, train carriages of Belmond's former Great South Pacific Express train which are held in Australia and not in service with a carrying value of $3,699,000 were written down to fair value of $2,488,000, resulting in a non-cash impairment charge of $1,211,000.

For the year ended December 31, 2013, property, plant and equipment at Belmond La Samanna with a carrying value of $80,680,000 was written down to fair value of $45,000,000, resulting in a non-cash impairment charge of $35,680,000, and property, plant and equipment at Belmond Grand Hotel Europe with a carrying value of $750,000 was written down to fair value of $Nil, resulting in a non-cash impairment charge of $750,000.

For the year ended December 31, 2012, train carriages of Belmond's former Great South Pacific Express train which are held in Australia and not in service with a carrying value of $6,059,000 were written down to fair value of $3,521,000, resulting in a non-cash impairment charge of $2,538,000.

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

Property, plant and equipment of discontinued operations

For the year ended December 31, 2013, property, plant and equipment of Ubud Hanging Gardens with a carrying value of $1,029,000 was written down to fair value of $Nil, resulting in a non-cash impairment charge of $1,029,000.

This impairment is included in losses from discontinued operations in the period incurred.

Goodwill

For the year ended December 31, 2012, goodwill of Belmond Reid's Palace with a carrying value of $9,570,000 was written down to fair value of $7,515,000, resulting in a non-cash impairment charge of $2,055,000.

This impairment is included in earnings from continuing operations in the period incurred.

Goodwill of discontinued operations

For the year ended December 31, 2013, goodwill at Ubud Hanging Gardens with a carrying value of $3,187,000 was written down to fair value of $Nil, resulting in a non-cash impairment charge of $3,187,000.

This impairment is included in losses from discontinued operations in the period incurred.

Intangible assets of discontinued operations

For the year ended December 31, 2013, intangible lease assets at Ubud Hanging Gardens with a carrying value of $2,815,000 were written down to a fair value of $Nil, resulting in a non-cash impairment charge of $2,815,000.

This impairment is included in losses from discontinued operations in the period incurred.

Other assets

For the year ended December 31, 2012, deferred costs associated with Great South Pacific Express with a carrying value of $1,299,000 were written down to fair value of $Nil resulting in a non-cash impairment charge of $1,299,000. These costs were written off as part of Belmond's review of the uses of train carriage assets currently not in service in Australia, as described in the property, plant and equipment section above.

This impairment is included in earnings from continuing operations in the period incurred.

21. Derivatives and hedging activities

In connection with Belmond's new corporate facility and the repayment of all of its outstanding funded debt (excluding the debt of Charleston Center LLC, a consolidated VIE, and the debt of Belmond's unconsolidated joint venture companies), all of Belmond's existing interest rate derivatives were terminated in March 2014. See Note 10. The termination costs incurred were $5,162,000. All amounts in other comprehensive income/(loss) relating to these derivatives were reclassified to interest expense following repayment of the hedged debt. New interest rate derivatives were entered into to fix an element of the floating interest rate on the new corporate facility.

Cash flow hedges of interest rate risk

As of December 31, 2014 and 2013, 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,		2014 '000		2013 '000
Interest rate swaps	€	74,438	€	137,469
Interest rate swaps	$	214,206	$	63,700
Interest rate caps	$	17,200	$	—

Non-designated hedges of interest rate risk

Derivatives not designated as hedges are sometimes used to manage Belmond's exposure to interest rate movements but do not meet the strict hedge accounting requirements prescribed in the authoritative accounting guidance. As of December 31, 2014, Belmond did not have any derivatives which were not designated as hedges, but in 2013 had interest rate options with a fair value of $2,000 and a notional amount of €73,344,000 and $59,080,000) that were non-designated hedges of Belmond's exposure to interest rate risk.

Fair value

The table below presents the fair value of Belmond's derivative financial instruments and their classification as of December 31, 2014 and 2013:

	Balance sheet location	Fair value as of December 31, 2014 $'000	Fair value as of December 31, 2013 $'000
Derivatives designated in a cash flow hedging relationship:			
Interest rate derivatives	Other assets	13	—
Interest rate derivatives	Accrued liabilities	(2,984)	(3,012)
Interest rate derivatives	Other liabilities	(618)	(1,878)
Total		(3,589)	(4,890)
Derivatives not designated as hedging instruments:			
Interest rate derivatives	Other assets	—	2
Total		—	2

Offsetting

There was no offsetting within derivative assets or derivative liabilities at December 31, 2014 and 2013. However, derivatives are subject to master netting arrangements.

Other comprehensive income

Information concerning the movements in other comprehensive income for cash flow hedges of interest rate risk is shown in Note 22. At December 31, 2014, the amount accounted for in other comprehensive income/(loss) which is expected to be reclassified to interest expense in the next 12 months is $2,919,000. Movement in other comprehensive income/(loss) for net investment hedges recorded through foreign currency translation adjustments for the year ended December 31, 2014 was a $24,816,000 gain (2013 - $1,016,000 loss; 2012 - $806,000 loss).

Derivative movements not included in other comprehensive income for the years ended December 31, 2014, 2013 and 2012 were as follows:

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Amount of gain/(loss) recognized in interest expense for the ineffective portion of derivatives designated as cash flow hedges	—	(37)	218
Amount of gain/(loss) recognized in interest expense for derivatives not designated as hedging instruments	—	(4)	(54)

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, 2014, the fair value of derivatives in a net liability position, which includes accrued interest and an adjustment for non-performance risk, related to these agreements was $3,602,000 (2013 - $4,890,000). If Belmond breached any of the provisions, it would be required to settle its obligations under the agreements at their termination value of $3,615,000 (2013 - $4,899,000).

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 $180,149,000 at December 31, 2014 (2013 - $26,249,000), being a liability of Belmond.

22. Accumulated other comprehensive loss

Changes in accumulated other comprehensive income/(loss) ("AOCI") by component (net of tax) for the years ended December 31, 2014 and 2013 were as follows:

	Foreign currency translation adjustments	Derivative financial instruments	Pension liability	Total
	$'000	$'000	$'000	$'000
Balance at January 1, 2013	(67,135)	(5,976)	(13,270)	(86,381)
Other comprehensive loss before reclassifications	(14,204)	(986)	4,673	(10,517)
Amounts reclassified from AOCI	—	3,581	—	3,581
Net current period other comprehensive income/(loss)	(14,204)	2,595	4,673	(6,936)
Balance at December 31, 2013	(81,339)	(3,381)	(8,597)	(93,317)
Other comprehensive income/(loss) before reclassifications	(150,989)	(2,731)	(1,926)	(155,646)
Amounts reclassified from AOCI	—	2,543	—	2,543
Net current period other comprehensive income/(loss)	(150,989)	(188)	(1,926)	(153,103)
Balance at December 31, 2014	(232,328)	(3,569)	(10,523)	(246,420)

Foreign currency translation adjustments for the year ended December 31, 2014 include a loss of $49,356,000 arising on the remeasurement of non-monetary assets and liabilities of Belmond's Brazilian operations following a change in functional currency from the U.S. dollar to the Brazilian real, effective from January 1, 2014. See Note 2.

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

	Amount reclassified from AOCI		
	December 31, 2014	December 31, 2013	
Details about AOCI components	$'000	$'000	Affected line item in the statement of operations
Derivative financial instruments:			
Cash flows from derivative financial instruments related to interest payments made for the hedged debt instrument	2,543	3,581	Interest expense
Total reclassifications for the period	2,543	3,581	

23. Segment information

Segment performance is evaluated by the chief operating decision maker based upon segment earnings before gains/(losses) on disposal, impairments, central overheads, interest income, interest expense, foreign currency, tax (including tax on earnings from unconsolidated companies), depreciation and amortization ("segment profit").

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;
- Part-owned/managed hotels which derive earnings from hotels that Belmond jointly owns or manages;
- Owned trains and cruises which derive earnings from the train and cruise businesses that Belmond owns; and
- Part-owned/managed trains which derive earnings from the train businesses that Belmond jointly owns or manages.

The following tables present financial information regarding these reportable segments.

Revenue from external customers by segment:

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Owned hotels:			
Europe	212,744	222,047	202,342
North America	142,586	146,491	123,516
Rest of world	142,731	141,709	132,887
Total owned hotels	498,061	510,247	458,745
Part-owned/ managed hotels	5,983	5,861	5,482
Total hotels	504,044	516,108	464,227
Owned trains & cruises	74,265	73,728	70,897
Part-owned/ managed trains	7,406	4,245	3,828
Total trains & cruises	81,671	77,973	74,725
Total revenue	585,715	594,081	538,952

Reconciliation of the total of segment profit to consolidated net earnings/(losses) from operations:

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Owned hotels:			
Europe	62,770	63,767	56,289
North America	23,986	23,233	21,684
Rest of world	36,539	35,958	32,726
Total owned hotels	123,295	122,958	110,699
Part-owned/ managed hotels	5,205	2,273	2,818
Total hotels	128,500	125,231	113,517
Owned trains & cruises	7,300	8,467	9,689
Part-owned/ managed trains	16,165	14,390	12,546
Total trains & cruises	23,465	22,857	22,235
Reconciliation to net losses:			
Total segment profit	151,965	148,088	135,752
Gain on disposal of property, plant and equipment	4,128	—	1,514
Impairment of goodwill	—	—	(2,055)
Impairment of property, plant and equipment	(1,211)	(36,430)	(3,837)
Central overheads	(31,727)	(30,647)	(32,140)
Share-based compensation	(7,928)	(10,388)	(6,834)
Depreciation and amortization	(52,004)	(48,740)	(43,753)
(Loss)/gain on extinguishment of debt	(14,506)	3,517	—
Other income	1,257	—	—
Interest income	1,418	1,067	1,065
Interest expense	(36,767)	(34,326)	(30,862)
Foreign currency, net	2,262	1,000	(2,854)
Provision for income taxes	(15,542)	(17,628)	(21,651)
Share of benefit from/(provision for) income taxes of unconsolidated companies	702	(1,691)	(5,771)
Earnings/(losses) from continuing operations	2,047	(26,178)	(11,426)
(Losses)/earnings from discontinued operations	(3,782)	(5,318)	4,538
Net losses	(1,735)	(31,496)	(6,888)

Reconciliation of assets by segment to total assets:

December 31,	2014 $'000	2013 $'000
Owned hotels:		
Europe	594,590	723,899
North America	481,621	494,919
Rest of world	275,383	342,831
Total owned hotels	1,351,594	1,561,649
Part-owned/ managed hotels	49,149	46,216
Total hotels	1,400,743	1,607,865
Owned trains & cruises	92,196	100,335
Part-owned/ managed trains	56,122	50,647
Total trains & cruises	148,318	150,982
Unallocated corporate	119,257	86,603
Discontinued operations held for sale	—	34,416
Total assets	1,668,318	1,879,866

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

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Owned hotels:			
Europe	26,542	13,238	17,187
North America	16,690	32,635	47,659
Rest of world	14,409	14,173	27,021
Total owned hotels	57,641	60,046	91,867
Owned trains & cruises	5,533	6,325	4,410
Unallocated corporate	280	275	771
Total capital expenditure to acquire property, plant and equipment	63,454	66,646	97,048

Carrying value of investment in equity method investees:

December 31,	2014 $'000	2013 $'000
Eastern & Oriental Express	3,251	3,363
Peru hotels	16,981	16,619
PeruRail	41,713	38,095
Hotel Ritz by Belmond	—	—
Buzios	3,783	5,207
Other	103	117
Total investment in equity method investees	65,831	63,401

Earnings from unconsolidated companies, net of tax:

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Part-owned/ managed hotels	1,949	(2,372)	1,517
Part-owned/ managed trains	7,535	8,814	607
Total earnings from unconsolidated companies, net of tax	9,484	6,442	2,124

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

Year ended December 31,	2014 $'000	2013 $'000	2012 $'000
Bermuda	—	—	—
Italy	137,491	133,806	120,307
United Kingdom	68,412	65,865	67,647
United States	104,146	108,167	85,890
Brazil	86,866	80,537	74,731
All other countries	188,800	205,706	190,377
Total revenue	585,715	594,081	538,952

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

December 31,	2014 $'000	2013 $'000
Bermuda	—	—
Italy	341,051	381,718
United Kingdom	60,816	63,964
United States	347,709	342,168
Brazil	93,384	148,012
All other countries	325,797	373,741
Total property, plant and equipment at book value	1,168,757	1,309,603

24. 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. In the year ended December 31, 2014, Belmond earned management fees from Eastern and Oriental Express Ltd. of $362,000 (2013 - $463,000; 2012 - $389,000), which are recorded in revenue. The amount due to Belmond from Eastern and Oriental Express Ltd. at December 31, 2014 was $5,227,000 (2013 - $4,232,000).

Belmond manages, under long-term contracts in Peru, Belmond Hotel Monasterio, Belmond Palacio Nazarenas, Belmond Sanctuary Lodge, Belmond Hotel Rio Sagrado, PeruRail and Ferrocarril Transandino, in all of which Belmond has a 50% ownership. Belmond provides loans, guarantees and other credit accommodation to these joint ventures. In the year ended December 31, 2014, Belmond earned management and guarantee fees from its Peruvian joint ventures of $11,515,000 (2013 - $8,281,000; 2012 - $7,886,000) which are recorded in revenue. The amount due to Belmond from its Peruvian joint ventures at December 31, 2014 was $7,728,000 (2013 - $5,726,000).

Belmond manages, under long-term contract, the Hotel Ritz by Belmond in which Belmond has a 50% ownership. For the year ended December 31, 2014, Belmond earned $1,111,000 (2013 - $1,016,000; 2012 - $1,035,000) in management fees from the Hotel Ritz by Belmond which are recorded in revenue, and $904,000 (2013 - $684,000; 2012 - $631,000) in interest income. The amount due to Belmond from the Hotel Ritz by Belmond at December 31, 2014 was $30,371,000 (2013 - $28,828,000). See Note 6 regarding a partial guarantee of the hotel's bank indebtedness.

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, 2014					
Allowance for doubtful accounts	563,000	47,000	(90,000) [2]	(95,000) [1]	425,000
Valuation allowance on deferred tax assets	110,780,000	4,573,000	(23,891,000) [3]	—	91,462,000
Year ended December 31, 2013					
Allowance for doubtful accounts	472,000	200,000	9,000 [2]	(118,000) [1]	563,000
Valuation allowance on deferred tax assets	97,376,000	13,015,000	389,000 [3]	—	110,780,000
Year ended December 31, 2012					
Allowance for doubtful accounts	602,000	208,000	7,000 [2]	(345,000) [1]	472,000
Valuation allowance on deferred tax assets	50,746,000	6,093,000	40,537,000 [3]	—	97,376,000

[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.

[This page intentionally left blank]

[This page intentionally left blank]

Shareholder and Investor Information

Registered Office

Belmond Ltd.
Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda
Tel: +1 (441) 295-2244

Correspondence

Investor Relations
Belmond USA Inc.
441 Lexington Avenue
New York, NY 10017
United States of America

Website

belmond.com

Stock Exchange Listing

Class A common shares
are listed on the
New York Stock Exchange
under the trading symbol BEL

Share Transfer Agent and Registrar

Computershare
P.O. Box 30170
College Station, TX 77842-3170
United States of America
Tel: +1 (877) 373-6374 or +1 (781) 575-3170

Overnight delivery address:
Computershare
211 Quality Circle, Suite 210
College Station, TX 77845
United States of America

Shareholder website:
www.computershare.com/investor
Shareholder online inquiries:
https://www-us.computershare.com/investor/Contact

Independent Registered Public Accounting Firm

Deloitte LLP
2 New Street Square, London EC4A 3BZ
United Kingdom

Annual General Meeting

June 8, 2015 at the Company's Registered Office

Shareholder Information

Copies of SEC reports and other published financial information are available on the Company's website or on request to:

Belmond USA Inc.
441 Lexington Avenue, New York, NY 10017
United States of America

Investor Relations

Shareholders, security analysts, portfolio managers and representatives of financial institutions seeking financial information may write to the Correspondence address above or contact:

Martin O'Grady
Chief Financial Officer
Tel: +44 (0)20 3117 1333
Email: martin.ogrady@belmond.com

or

Amy Brandt
Vice President, Corporate Finance & Investor Relations
Tel: +1 212 764 8210
Email: amy.brandt@belmond.com

Media seeking information may also write to the Correspondence address above or contact:

Ralph Aruzza
Chief Sales and Marketing Officer
Tel: +1 212 764 8238
Email: ralph.aruzza@belmond.com