Belmond Ltd.
Form 10-Q
November 07, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-16017

BELMOND LTD.
(Exact name of registrant as specified in its charter)

Bermuda	98-0223493
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

22 Victoria Street,
Hamilton HM 12, Bermuda
(Address of principal executive offices)(Zip code)
Registrant's telephone number, including area code: (441) 295-2244

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

As of November 2, 2018, 102,990,338 class A common shares and 18,044,478 class B common shares of the registrant were outstanding. All of the class B shares are owned by a subsidiary of the registrant.

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PART I — FINANCIAL INFORMATION

ITEM 1. Financial Statements

Belmond Ltd. and Subsidiaries
Condensed Consolidated Balance Sheets (unaudited)

	September 30, 2018 $'000	December 31, 2017 $'000
Assets		
Cash and cash equivalents	145,459	180,153
Restricted cash	3,893	3,121
Accounts receivable, net of allowances of $655 and $544	53,532	34,373
Due from unconsolidated companies	15,049	12,762
Prepaid expenses and other	14,486	13,327
Inventories	21,774	23,092
Total current assets	254,193	266,828
Property, plant and equipment, net of accumulated depreciation of $429,755 and $417,738	1,246,185	1,168,044
Investments in unconsolidated companies	68,738	64,644
Goodwill	114,697	120,220
Other intangible assets	20,625	19,778
Other assets	17,219	14,123
Total assets (1)	1,721,657	1,653,637
Liabilities and Equity		
Accounts payable	25,958	15,815
Accrued liabilities	111,214	79,455
Deferred revenue	50,797	32,786
Current portion of long-term debt and obligations under capital leases	6,356	6,407
Total current liabilities	194,325	134,463
Long-term debt and obligations under capital leases	740,064	700,752
Liability for pension benefit	65	650
Other liabilities	3,085	3,023
Deferred income taxes	108,850	115,381
Liability for uncertain tax positions	590	532
Total liabilities (1)	1,046,979	954,801
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 — 102,990,012 (2017 — 102,365,933)	1,030	1,024

Class B common shares $0.01 par value (120,000,000 shares authorized):		
Issued — 18,044,478 (2017 — 18,044,478)	181	181
Additional paid-in capital	989,795	985,566
Retained earnings	10,060	13,278
Accumulated other comprehensive loss	(326,802)	(301,322)
Less: Reduction due to class B common shares owned by a subsidiary — 18,044,478 (2017 — 18,044,478)	(181)	(181)
Total shareholders' equity	674,083	698,546
Non-controlling interests	595	290
Total equity	674,678	698,836
Total liabilities and equity	1,721,657	1,653,637

Belmond Ltd. and Subsidiaries
Condensed Consolidated Balance Sheets (unaudited) (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 September 30, 2018 and December 31, 2017 is Charleston Center LLC. The assets and liabilities relating to this VIE at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018 $'000	December 31, 2017 $'000
Assets		
Cash and cash equivalents	740	1,530
Accounts receivable, net of allowances of $Nil and $Nil	2,806	3,623
Prepaid expenses and other	1,487	935
Inventories	1,363	1,360
Total current assets	6,396	7,448
Property, plant and equipment, net of accumulated depreciation of $47,353 and $42,676	194,044	197,369
Other assets	1,539	1,450
Total assets	201,979	206,267
Liabilities		
Accounts payable	2,116	4,518
Accrued liabilities	5,066	3,291
Deferred revenue	1,435	2,835
Current portion of long-term debt and obligations under capital leases	266	255
Total current liabilities	8,883	10,899
Long-term debt and obligations under capital leases	159,304	112,069
Other liabilities	—	—
Total liabilities	168,187	122,968

See further description in note 6, Variable interest entities.

See notes to condensed consolidated financial statements.

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Belmond Ltd. and Subsidiaries
Statements of Condensed Consolidated Operations (unaudited)

	Three months ended		Nine months ended	
	September 30, 2018 $'000	September 30, 2017 $'000	September 30, 2018 $'000	September 30, 2017 $'000
Revenue (1)	193,161	182,973	454,488	443,705
Expenses:				
Cost of services	80,070	72,010	201,411	184,775
Selling, general and administrative	67,547	59,356	193,359	184,205
Depreciation and amortization	14,963	17,052	45,600	45,862
Impairment of goodwill	—	—	2,195	—
Impairment of property, plant and equipment and other assets	—	—	4,931	8,216
Total operating costs and expenses	162,580	148,418	447,496	423,058
Gain on disposal of property, plant and equipment	150	150	450	450
Other operating income	1,197	—	14,185	—
Earnings from operations	31,928	34,705	21,627	21,097
Interest income	204	240	765	582
Interest expense	(8,397)	(8,993)	(24,906)	(24,536)
Foreign currency, net	(700)	(1,486)	(4,282)	(2,727)
Earnings/(losses) before income taxes and earnings from unconsolidated companies, net of tax	23,035	24,466	(6,796)	(5,584)
Provision for income taxes	(14,476)	(20,732)	(5,905)	(17,608)
Earnings/(losses) before earnings from unconsolidated companies, net of tax	8,559	3,734	(12,701)	(23,192)
Earnings from unconsolidated companies, net of tax provision of $2,371, $2,026, $5,099 and $4,079	4,043	3,939	8,836	7,789
Earnings/(losses) from continuing operations	12,602	7,673	(3,865)	(15,403)
Net (losses)/earnings from discontinued operations, net of tax provision of $Nil, $Nil, $Nil and $Nil	(4)	(3)	(8)	125
Net earnings/(losses)	12,598	7,670	(3,873)	(15,278)
Net losses attributable to non-controlling interests	17	96	14	11

Net earnings/(losses) attributable to Belmond Ltd.	12,615	7,766	(3,859)	(15,267)

[1] Includes revenue from related parties of $4,612,000, $4,758,000, $11,872,000 and $11,601,000 respectively.

See notes to condensed consolidated financial statements.
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Belmond Ltd. and Subsidiaries
Statements of Condensed Consolidated Operations (unaudited) (continued)

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$	$	$	$
Basic earnings per share				
Net earnings/(losses) from continuing operations	0.12	0.07	(0.04)	(0.15)
Net (losses)/earnings from discontinued operations	—	—	—	—
Basic net earnings/(losses) per share attributable to Belmond Ltd.	0.12	0.08	(0.04)	(0.15)
Diluted earnings per share				
Net earnings/(losses) from continuing operations	0.12	0.07	(0.04)	(0.15)
Net (losses)/earnings from discontinued operations	—	—	—	—
Diluted net earnings/(losses) per share attributable to Belmond Ltd.	0.12	0.08	(0.04)	(0.15)

See notes to condensed consolidated financial statements.

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Belmond Ltd. and Subsidiaries
Statements of Condensed Consolidated Comprehensive Income (unaudited)

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$'000	$'000	$'000	$'000
Net earnings/(losses)	12,598	7,670	(3,873)	(15,278)
Other comprehensive (losses)/income, net of tax:				
Foreign currency translation adjustments, net of tax provision/(benefit) of $Nil, $Nil, $Nil and $Nil	(9,792)	17,950	(32,353)	46,927
Change in fair value of derivatives, net of tax provision/(benefit) of $Nil, $175, $Nil and $371	1,524	(1,065)	6,616	(306)
Change in pension liability, net of tax provision of $Nil, $32, $Nil and $97	183	162	576	478
Total other comprehensive (losses)/income, net of tax	(8,085)	17,047	(25,161)	47,099
Total comprehensive income/(losses)	4,513	24,717	(29,034)	31,821
Comprehensive (income)/losses attributable to non-controlling interests	(195)	122	(305)	28
Comprehensive income/(losses) attributable to Belmond Ltd.	4,318	24,839	(29,339)	31,849

See notes to condensed consolidated financial statements.

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

	Nine months ended	
	September 30, 2018 $'000	September 30, 2017 $'000
Cash flows from operating activities:		
Net losses	(3,873)	(15,278)
Less: Net (losses)/earnings from discontinued operations, net of tax	(8)	125
Net losses from continuing operations	(3,865)	(15,403)
Adjustments to reconcile net losses to net cash used in operating activities:		
Depreciation and amortization	45,600	45,862
Impairment of goodwill	2,195	—
Impairment of property, plant and equipment and other assets	4,931	8,216
Gain on disposal of property, plant and equipment	(450)	(450)
Insurance gain recorded in other operating income	(12,988)	—
Earnings from unconsolidated companies, net of tax	(8,836)	(7,789)
Amortization of debt issuance costs and discount on secured term loan	2,236	2,826
Share-based compensation	4,229	5,025
Change in provisions for uncertain tax positions	76	67
(Benefit from)/provision for deferred income tax	(3,248)	6,504
Other non-cash movements	3,106	1,472
Effect of exchange rates on net losses	3,808	911
Change in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(25,296)	(7,082)
Due from unconsolidated companies	(1,481)	(724)
Prepaid expenses and other	(2,715)	(1,113)
Inventories	297	1,714
Accounts payable	10,079	(1,144)
Accrued liabilities	33,872	29,351
Deferred revenue	19,254	4,182
Other liabilities	720	(5,622)
Other, net	(42)	866
Other cash movements:		
Dividends from equity method investees	3,180	3,180
Proceeds from insurance settlements	15,132	—
Proceeds from swap termination	359	(2,145)
Net cash provided by operating activities from continuing operations	90,153	68,704
Net cash used in operating activities from discontinued operations	(8)	(10)
Net cash provided by operating activities	90,145	68,694

See notes to condensed consolidated financial statements.

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

	Nine months ended	
	September 30, 2018	September 30, 2017
	$'000	$'000
Cash flows from investing activities:		
Capital expenditure to acquire property, plant and equipment	(125,875)	(43,012)
Acquisitions, net of cash acquired	(45,406)	(68,632)
Proceeds from insurance settlements	7,327	—
Net cash used in investing activities from continuing operations	(163,954)	(111,644)
Net cash used in investing activities	(163,954)	(111,644)
Cash flows from financing activities:		
Exercised share options and vested share awards	6	3
Dividend to non-controlling interest	(16)	—
Proceeds from borrowings	87,951	649,478
Debt issuance costs	(1,142)	(9,703)
Principal payments under long-term debt	(43,691)	(548,798)
Net cash provided by financing activities from continuing operations	43,108	90,980
Net cash provided by financing activities	43,108	90,980
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,162)	8,443
Net (decrease)/increase in cash, cash equivalents and restricted cash	(33,863)	56,473
Cash, cash equivalents and restricted cash at beginning of period	184,075	153,425
Cash, cash equivalents and restricted cash at end of period	150,212	209,898

See notes to condensed consolidated financial statements.

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Belmond Ltd. and Subsidiaries
Statements of Condensed Consolidated Total Equity (unaudited)

	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/(losses) $'000	Accumulated other comprehensive loss $'000	Class B common shares held by a subsidiary $'000	Non-controlling interests $'000	Total $'000
Balance, January 1, 2017	—	1,018	181	979,458	58,313	(352,339)	(181)	382	686,832
Share-based compensation	—	—	—	5,025	—	—	—	—	5,025
Exercised share options and vested share awards	—	3	—	—	—	—	—	—	3
Comprehensive income/(losses):									
Net losses attributable to common shares	—	—	—	—	(15,267)	—	—	(11)	(15,278)
Other comprehensive income/(losses)	—	—	—	—	—	47,116	—	(17)	47,099
Balance, September 30, 2017	—	1,021	181	984,483	43,046	(305,223)	(181)	354	723,681
Balance, January 1, 2018	—	1,024	181	985,566	13,278	(301,322)	(181)	290	698,836
Change in accounting principle (see Note 1)	—	—	—	—	641	—	—	—	641
Restated balance at January 1, 2018	—	1,024	181	985,566	13,919	(301,322)	(181)	290	699,477
Share-based compensation	—	—	—	4,229	—	—	—	—	4,229
Exercised stock options and vested share awards	—	6	—	—	—	—	—	—	6
Comprehensive income/(losses):									
Net losses attributable to common shares	—	—	—	—	(3,859)	—	—	(14)	(3,873)
Other comprehensive (losses)/income	—	—	—	—	—	(25,480)	—	319	(25,161)
Balance, September 30, 2018	—	1,030	181	989,795	10,060	(326,802)	(181)	595	674,678

See notes to condensed consolidated financial statements.

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Belmond Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of financial statement presentation

Business

The terms "Belmond" and the "Company" are used in this report to refer to Belmond Ltd. and Belmond Ltd. and its subsidiaries, unless otherwise stated.

At September 30, 2018, Belmond owned, partially-owned or managed 36 deluxe hotels and resort properties operating in the United States, Mexico, the Caribbean, Europe, Southern Africa, South America, and Southeast Asia, one stand-alone restaurant in New York, seven tourist trains in Europe, Southeast Asia and Peru, one river cruise business in Myanmar (Burma) and one canal boat business in France. In addition, there is one hotel scheduled for a first quarter 2019 opening, Belmond Cadogan Hotel in London, England.

Basis of presentation

The accompanying condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for quarterly reporting on Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the management of the Company, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of financial position, operating results and cash flows for the interim period have been included in these condensed consolidated financial statements.

The interim results presented are not necessarily indicative of results that may be expected for any subsequent interim period or the fiscal year ending December 31, 2018.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. See Note 2 to the consolidated financial statements in the 2017 Annual Report on Form 10-K for additional information regarding significant accounting policies.

For interim reporting purposes, Belmond calculates its tax expense by estimating its global annual effective tax rate and applies that rate in providing for income taxes on a year-to-date basis. Belmond has calculated an expected annual effective tax rate, excluding significant or unusual items, and the tax effect of jurisdictions with losses for which a tax benefit cannot be recognized. The income tax expense (or benefit) related to all other items is individually computed and recognized when the items occur.

Accounting policies

The accounting policies used in preparing these condensed consolidated financial statements are the same as those applied in the prior year.

Accounting pronouncements adopted during the year
On January 1, 2018, the Company adopted Topic 606, Revenue from Contracts with Customers ("Topic 606"), using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 are presented under

Topic 606, while comparative information has not been restated and continues to be reported under the accounting standards in effect for the period presented. The adoption of Accounting Standards Codification ("ASC") 606 did not have a material impact and as such no amounts for the cumulative effect from adopting the standard were required to be recorded in opening equity as of January 1, 2018. See Note 2. Belmond's unconsolidated companies intend to adopt the standard in the annual period beginning January 1, 2019, as permitted by the SEC.

In October 2016, the FASB issued new guidance which is intended to simplify the tax consequences of certain types of intra-entity asset transfers. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods, with early adoption permitted. Belmond adopted the new guidance on January 1, 2018, using a modified retrospective basis, recognizing a credit of $641,000 to retained earnings as of the beginning of the year of adoption.

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In November 2016, the FASB issued new guidance which clarifies the classification and presentation of restricted cash in the statement of cash flows, including disclosing the nature of restricted cash and restricted cash equivalent balances. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods therein, with early adoption permitted. Belmond adopted the new guidance on January 1, 2018, using a retrospective transition method to each period presented. As a result of adopting this guidance Belmond has included in its cash and cash equivalents balances in the statement of cash flows those amounts that are deemed to be restricted cash. In addition, as cash, cash equivalents and restricted cash are presented in more than one line item on the balance sheet, Belmond has, for each period that a statement of financial position is presented, provided a reconciliation of the totals in the statement of cash flows to the related captions in the statement of financial position together with disclosure on the nature of restricted cash balances (see Note 17).

In May 2017, the FASB issued new guidance on service concession arrangements. The guidance is effective on the same date the new revenue guidance is adopted, with early adoption permitted. Belmond adopted the new guidance on January 1, 2018. Belmond's unconsolidated companies intend to adopt the standard in the annual period beginning January 1, 2019 in line with the adoption of the new revenue standard. Belmond is currently assessing the impact the adoption of this guidance will have on its unconsolidated companies.

Accounting pronouncements to be adopted

In February 2016, the FASB issued its new standard on accounting for leases, which introduces a lessee model that brings most leases on the balance sheet. Under the new standard, a lessee will recognize on its balance sheet a lease liability and a right-of-use asset for most leases, including operating leases. The new standard will also distinguish leases as either finance leases or operating leases. In January 2018, the FASB issued an update that clarified the application of the new leasing standard to land easements. Additionally, in July 2018, the FASB issued two updates to make targeted improvements to the new lease standard. The first update makes 16 separate narrow-scope amendments to the new leasing standard. The second update provides entities with relief from the costs of implementing certain aspects of the new leasing standard and with an additional (and optional) transition method on adoption. It also allows lessors to not separate non-lease components from the associated lease component if certain conditions are met. An entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2019. Belmond is currently assessing what impact the adoption of this guidance will have on its consolidated financial statements, but the Company expects that this standard may have a material effect on its consolidated balance sheet.

In August 2017, the Financial Accounting Standards Board ("FASB") issued new guidance to make improvements to hedge accounting requirements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods therein, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2019. Belmond has assessed what impact the adoption of this guidance will have on its consolidated financial statements and concluded that it will not be significant.

In February 2018, the FASB issued new guidance on reclassifying certain tax effects from accumulated other income (AOCI). The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2019. Belmond is currently assessing what impact the adoption of this guidance will have on its consolidated financial statements.

In July 2018, the FASB issued amendments to a variety of topics to clarify, correct errors in, or make minor improvements to the Accounting Standards Codification. Some of the amendments were effective upon issuance and others have transition guidance with effective dates for annual periods beginning after December 15, 2018. Belmond is currently evaluating the potential impact of those amendments that are not yet effective but it does not expect they will have a material impact on its consolidated financial statements.

In August 2018, the FASB issued two new standards to improve the effectiveness of disclosures in notes to the financial statements. The first standard removes, modifies and adds certain disclosure requirements related to fair value measurements in ASC 820 and is effective for fiscal years beginning after December 15, 2019, including interim periods therein, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2020. The second standard modifies ASC 715-20 to improve disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans and is effective for fiscal years beginning after December 15, 2020, including interim periods therein, with early adoption permitted. The Company intends to adopt the standard in the annual period beginning January 1, 2021. Belmond is currently assessing what impact the adoption of this guidance will have on its consolidated financial statements.

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2. Revenue recognition

On January 1, 2018, the Company adopted Topic 606, Revenue from Contracts with Customers ("Topic 606"), using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while comparative information has not been restated and continues to be reported under the accounting standards in effect for the period presented. The adoption of Topic 606 did not have a material impact and as such no amounts for the cumulative effect from adopting the standard were required to be recorded in opening equity as of January 1, 2018.

Significant accounting policy

Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a good or service to a customer. Estimates of variable consideration are included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty is resolved. Revenue as presented in the statements of condensed consolidated operations consists entirely of amounts derived from contracts with customers.

Nature of goods and services

The following is a description of principal activities from which the Company generates revenue. Revenues are recognized when control of the promised goods or services are transferred to customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company generates all of its revenue from contracts with customers.

Hotels

Hotels revenue is recognized when the rooms are occupied and the services are performed. Revenue derived from other services, which primarily consist of food and beverage provided in the hotels, are recognized when the goods are consumed. The amount of revenue recognized is based on amounts stipulated in the contract. Payment is typically received upon check-out.

For hotels revenue, the Company recognizes revenue over time. The amount of revenue recognized is based on the relative standalone selling price of each room night. A time-elapsed output method is used to measure progress and provides a faithful depiction of the transfer of services to the customer as the value transferred to the customer is substantially the same every night of the stay.

For food and beverage revenue, the Company recognizes revenue at the time the goods and services have been provided as this is the point at which control is transferred to the customer.

Trains and cruises

Trains and cruises revenue is recognized ratably over a trip. Revenue derived from food and beverage provided on the trains and cruises is recognized when the goods are consumed. The amount of revenue recognized is based on amounts stipulated in the contract. Payment is typically received upfront.

For trains and cruises revenue, the Company recognizes revenue over time. A time-elapsed output method is used to measure progress and provides a faithful depiction of the transfer of services to the customer as the value transferred to the customer is substantially the same every night of the trip.

For food and beverage revenue, the Company recognizes revenue at the time the goods and services have been provided as this is the point at which control is transferred to the customer.

Management fees

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 operating earnings, as specified in each contract. Management fees are typically billed and paid monthly.

For management fee revenue, the Company recognizes revenue over time. A time-elapsed output method is used to measure progress and provides a faithful depiction of the transfer of services to the customer as the value transferred to the customer is substantially the same every day. Fees are variable with the uncertainty of base fees being resolved monthly and the uncertainty

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of incentive fees being resolved annually. These fees are included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty is resolved.

Disaggregation of revenue

The following tables provide information about disaggregated revenue by type of service being provided, primary geographical market, and timing of revenue recognition, and includes a reconciliation of the disaggregated revenue with reportable segments:

	Three months ended September 30, 2018						
	Europe	North America	Rest of world	Owned trains & cruises	Part-owned hotels	Part-owned trains	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Timing of revenue recognition							
Goods and services transferred at a point in time	35,764	13,554	9,584	1,541	—	—	60,443
Services transferred over time	73,624	13,990	16,258	24,824	1,055	2,967	132,718
	109,388	27,544	25,842	26,365	1,055	2,967	193,161

	Nine months ended September 30, 2018						
	Europe	North America	Rest of world	Owned trains & cruises	Part-owned hotels	Part-owned trains	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Timing of revenue recognition							
Goods and services transferred at a point in time	73,412	39,766	30,973	4,049	—	—	148,200
Services transferred over time	136,549	51,282	54,549	53,887	1,954	8,067	306,288
	209,961	91,048	85,522	57,936	1,954	8,067	454,488

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	January 1, 2018	September 30, 2018
	$'000	$'000
Receivables	34,373	53,532
Contract assets	—	—
Contract liabilities (deferred revenue)	32,786	50,797

The amount of revenue recognized in the period that was included in the opening contract liabilities was $28,132,000. This revenue consists primarily of the provision of hotel and trains and cruises services.

Contract liabilities include payments received in advance of performance under the contract, and are realized with the associated revenue recognized under the contract.
For trains and cruises services, the timing of payment is typically upfront, therefore a contract liability is created when payment is made in advance of performance.

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Practical expedients

The Company has elected certain of the optional exemptions from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. Accordingly, the Company applies the practical expedient to its management fee contracts. These contracts are typically long-term and the performance obligation consists of providing hotel management services to the owner. Revenue is recognized based upon an agreed base fee and additional revenue is recognized on the attainment of certain financial results, primarily operating earnings, as specified in each contract. As such, fees are variable with the uncertainty of base fees being resolved monthly and the uncertainty of incentive fees being resolved annually. These fees are included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty is resolved.

The Company has elected the practical expedient to not disclose revenue related to remaining performance obligations that are part of a contract with an original expected duration of one year or less.

The Company has elected the practical expedient to not take into account the effects of significant financing components in the transaction price when the duration of financing is one year or less.

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3. Earnings per share

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

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Numerator ($'000)				
Net earnings/(losses) from continuing operations	12,602	7,673	(3,865)	(15,403)
Net (losses)/earnings from discontinued operations	(4)	(3)	(8)	125
Net losses attributable to non-controlling interests	17	96	14	11
Net earnings/(losses) attributable to Belmond Ltd.	12,615	7,766	(3,859)	(15,267)
Denominator (shares '000)				
Basic weighted average shares outstanding	102,964	102,327	102,717	102,114
Effect of dilution	1,929	1,656	—	—
Diluted weighted average shares outstanding	104,893	103,983	102,717	102,114
	$	$	$	$
Basic earnings per share				
Net earnings/(losses) from continuing operations	0.122	0.075	(0.038)	(0.151)
Net (losses)/earnings from discontinued operations	—	—	—	0.001
Net losses/(earnings) attributable to non-controlling interests	—	0.001	—	—
Net earnings/(losses) attributable to Belmond Ltd.	0.122	0.076	(0.038)	(0.150)
Diluted earnings per share				
Net earnings/(losses) from continuing operations	0.120	0.074	(0.038)	(0.151)
Net (losses)/earnings from discontinued operations	—	—	—	0.001
Net losses/(earnings) attributable to non-controlling interests	—	0.001	—	—
Net earnings/(losses) attributable to Belmond Ltd.	0.120	0.075	(0.038)	(0.150)

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

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Share options	155,350	556,015	2,360,999	2,385,870
Share-based awards	—	—	1,473,592	1,333,089
Total	155,350	556,015	3,834,591	3,718,959

The number of share options and share-based awards unexercised at September 30, 2018 was 3,834,591 (September 30, 2017 - 3,718,959).

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4. Significant acquisitions

2018 Acquisitions

Castello di Casole

On February 7, 2018, Belmond acquired 100% of two entities that together own Castello di Casole, a 39-key luxury resort and estate in Tuscany, Italy, for a total transaction value of €40,193,000 (equivalent to $49,251,000 at February 7, 2018), including a cash purchase price of €38,287,000 ($46,934,000), contingent consideration with a fair value of €1,003,000 ($1,226,000) and acquisition-related costs of €903,000 ($1,091,000). Belmond rebranded the resort as Belmond Castello di Casole on May 11, 2018, when the incumbent operator's management agreement terminated. The property is the latest addition to Belmond's family of 'Italian Icons', which includes Belmond Hotel Cipriani in Venice and Belmond Hotel Splendido in Portofino. Located within easy access of both Florence and Siena, the resort and estate span 1,500 hectares and comprise the 39-key Castello di Casole hotel, together with vineyards, olive groves, extensive wooded Tuscan countryside, and 48 residential plots, of which 16 remain for sale. The Company plans to retain two of the plots to add two new villas to the resort and expects to sell the remaining 14 residential plots, with two already subject to non-binding reservation letters of intent to purchase.

The following table summarizes the consideration paid for the hotel and the preliminary allocation of the purchase price to the estimated fair value of assets acquired and liabilities assumed at the acquisition date. The acquisition has been accounted for in accordance with ASC 805, Business Combinations, using the acquisition method of accounting whereby the total purchase price has been allocated to the acquired assets and liabilities as at February 7, 2018. The estimated fair values are provisional and are subject to adjustment as the fair value analysis is finalized, which will be completed as soon as practicable, but no later than one year from the acquisition date.

	Fair value on February 7, 2018 $'000
Consideration:	
Agreed cash consideration	46,934
Contingent consideration	1,226
Total purchase price	48,160
Assets acquired and liabilities assumed:	
Cash and cash equivalents	1,530
Other receivables	2,319
Current assets	1,355
Property, plant and equipment - hotel land and buildings	22,555
Property, plant and equipment - land plots	22,554
Other intangible assets	2,676
Current liabilities	(1,595)
Accrued liabilities	(2,137)
Deferred revenue	(1,261)
Goodwill	164
Net assets acquired	48,160

The agreed cash consideration of €38,287,000 (equivalent to $46,934,000 at February 7, 2018) was funded from existing cash reserves.

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The contingent consideration arrangement requires the Company to pay 50% of the net proceeds from the sale of the two residential plots that are subject to non-binding reservation letters of intent to purchase (which are recorded as part of property, plant and equipment - land plots in the table above) to the vendor if the sales occur prior to September 30, 2018. The fair value of the contingent consideration at the acquisition date was €1,003,000 ($1,226,000), determined using an income approach based on an analysis of the likelihood of the conditions for payment being met. As the sale of the two residential plots did not occur prior to September 30, 2018, the Company is no longer required to pay the contingent consideration and the subsequent change in fair value is recorded in the statements of condensed consolidated operations. As such, during the three and nine months ended September 30, 2018, the change in fair value of the contingent consideration of €1,003,000 (equivalent to $1,197,000 at September 30, 2018) is recognized within other operating income in the statements of condensed consolidated operations.

Acquisition-related costs of €903,000 ($1,091,000) are included within selling, general and administrative expenses in the statements of condensed consolidated operations for the nine months ended September 30, 2018.

Other intangible assets of $2,676,000 was assigned to trade names that are not subject to amortization. No other intangible assets were identified and recognized.

Goodwill arising on acquisition of $164,000 was assigned to the Owned hotels in the Company’s Europe segment and consists largely of profit growth opportunities the hotel is expected to generate. None of the goodwill recognized is expected to be deductible for income tax purposes.

The results of operations of the hotel have been included in the consolidated financial results since the date of acquisition. The following table presents information for Castello di Casole included in the Company’s statements of condensed consolidated operations from the acquisition date to the period ending September 30, 2018:

	2018 $'000
Revenue	8,768
Losses from continuing operations	(9,631)

Belmond is unable to provide pro forma results of operations for the nine months ended September 30, 2018 and 2017 as if the acquisition had occurred on January 1, 2017 due to the lack of reliable historical financial information.

5. Assets held for sale and discontinued operations

(a) Results of discontinued operations

Belmond had been operating the hotel Ubud Hanging Gardens under a long-term lease arrangement with a third-party owner. The existing lease arrangement continues to 2030. Following the owner's unannounced dispossession of Belmond from the hotel in November 2013, Belmond was unable to continue to operate the hotel. Belmond believed that the owner's actions were unlawful and constituted a wrongful dispossession and has pursued its legal remedies under the lease. See Note 19. As Belmond is unable to operate Ubud Hanging Gardens for the foreseeable future, the hotel has been presented as a discontinued operation for all periods shown. The assets and liabilities of the hotel have not been classified as held for sale, as the hotel has not been disposed of through a sale transaction.

The Porto Cupecoy development was sold in January 2013, with the final unit disposed of in September 2014. Residual costs are presented within discontinued operations for the three and nine months ended September 30, 2018 and 2017, respectively.

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Summarized operating results of the properties classified as discontinued operations for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Three months ended September 30, 2018		
	Ubud Hanging Gardens	Porto Cupecoy	Total
	$'000	$'000	$'000
Revenue	—	—	—
Losses before tax, gain on sale and impairment	—	(4)	(4)
Losses before tax	—	(4)	(4)
Net losses from discontinued operations	—	(4)	(4)

	Three months ended September 30, 2017		
	Ubud Hanging Gardens	Porto Cupecoy	Total
	$'000	$'000	$'000
Revenue	—	—	—
Losses before tax, gain on sale and impairment	—	(3)	(3)
Losses before tax	—	(3)	(3)
Net losses from discontinued operations	—	(3)	(3)

	Nine months ended September 30, 2018		
	Ubud Hanging Gardens	Porto Cupecoy	Total
	$'000	$'000	$'000
Revenue	—	—	—
Losses before tax, gain on sale and impairment	—	(8)	(8)
Losses before tax	—	(8)	(8)
Net losses from discontinued operations	—	(8)	(8)

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	Nine months ended September 30, 2017		
	Ubud Hanging Gardens	Porto Cupecoy	Total
	$'000	$'000	$'000
Revenue	—	—	—
Earnings before tax, gain on sale and impairment	100	25	125
Earnings before tax	100	25	125
Net earnings from discontinued operations	100	25	125

(b) Assets and liabilities held for sale

There were no assets or liabilities classified as held for sale at September 30, 2018 and December 31, 2017.

6. Variable interest entities

(a) VIEs of which Belmond is the primary beneficiary

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

Assets of Charleston Center LLC that can only be used to settle obligations of the consolidated VIEs and liabilities of Charleston Center LLC whose creditors have no recourse to Belmond 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 be used only to settle obligations of Charleston Center LLC totaled $201,979,000 at September 30, 2018 (December 31, 2017 - $206,267,000) and exclude goodwill of $40,395,000 (December 31, 2017 - $40,395,000). The liabilities of Charleston Center LLC for which creditors do not have recourse to the general credit of Belmond totaled $168,187,000 at September 30, 2018 (December 31, 2017 - $122,968,000).

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

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

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

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

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	Carrying amounts		Maximum exposure	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
	$'000	$'000	$'000	$'000
Investment	2,496	2,642	2,496	2,642
Due from unconsolidated company	7,002	6,302	7,002	6,302
Total	9,498	8,944	9,498	8,944

7. Investments in unconsolidated companies

Investments in unconsolidated companies represent equity interests of 50% or less in which Belmond exerts significant influence, but does not have effective control and, therefore, accounts for these investments using the equity method. As at September 30, 2018, these investments include the 50% ownership in rail and hotel joint venture operations in Peru, the 25% ownership in Eastern and Oriental Express Ltd, and the Buzios land joint venture which is 50% owned and is further described below.

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

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

	September 30, 2018	December 31, 2017
	$'000	$'000
Current assets	94,391	88,119
Property, plant and equipment, net of accumulated depreciation	220,618	228,970
Other non-current assets	51,466	55,605
Non-current assets	272,084	284,575
Total assets	366,475	372,694
Current liabilities, including $23,876 and $24,793 current portion of third-party debt	102,070	101,668
Long-term debt	130,035	143,187
Other non-current liabilities	5,093	7,892
Non-current liabilities	135,128	151,079

Total shareholders’ equity	129,277	119,947
Total liabilities and shareholders’ equity	366,475	372,694

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	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$'000	$'000	$'000	$'000
Revenue	62,659	59,085	164,951	153,685
Gross profit[1]	43,850	41,163	111,191	106,134
Net earnings[2]	7,928	7,567	17,381	15,115

[1] Gross profit is defined as revenues less cost of services of the unconsolidated companies.
[2] There were no discontinued operations 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 contingent guarantees to unconsolidated companies which are not recognized in the condensed consolidated financial statements. The contingent guarantees for each Peruvian joint venture may only be enforced in the event there is a change in control of the relevant joint venture, which would occur only if Belmond's ownership of the economic and voting interests in the joint venture falls below 50%, an event which has not occurred and is not expected to occur. As at September 30, 2018, Belmond does not expect that it will be required to fund these guarantees relating to these joint venture companies.

Belmond has contingently guaranteed, through 2021, $14,468,000 of debt obligations of the joint venture in Peru that operates five hotels and has contingently guaranteed the rail joint venture's obligations relating to the performance of its governmental rail concessions, currently in the amount of $11,586,000, through May 2019.

8. Property, plant and equipment

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

	September 30, 2018	December 31, 2017
	$'000	$'000
Land and buildings	1,217,843	1,126,496
Machinery and equipment	180,680	181,670
Fixtures, fittings and office equipment	272,569	263,716
River cruise ship and canal boats	4,848	13,900
	1,675,940	1,585,782
Less: Accumulated depreciation	(429,755)	(417,738)
Total property, plant and equipment, net of accumulated depreciation	1,246,185	1,168,044

The depreciation charge on property, plant and equipment for the three and nine months ended September 30, 2018 was $14,847,000 (September 30, 2017 - $16,916,000) and $45,321,000 (September 30, 2017 - $45,458,000).

The table above includes property, plant and equipment, net of accumulated depreciation, of Charleston Center LLC, a consolidated VIE, of $194,044,000 at September 30, 2018 (December 31, 2017 - $197,369,000). See Note 6.

There was capitalized interest in the three and nine months ended September 30, 2018 of $1,455,000 (September 30, 2017 - $Nil) and $3,257,000 (September 30, 2017 - $Nil), respectively.

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In the nine months ended September 30, 2018, Belmond considered whether the decline in performance at Belmond Governor's Residence and Belmond Road to Mandalay as a result of the fall in tourist arrivals in Myanmar due to negative perceptions of the country indicated that the carrying amount of the businesses' fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. Belmond compared the carrying value of the assets to management's best estimate of the fair value based on an internally developed discounted cash flow analysis. The combined impairment charge of $4,775,000 is included within impairment of property, plant and equipment and other assets in the statements of condensed consolidated operations.

In the nine months ended September 30, 2017, Belmond considered whether the decline in performance of Belmond Road to Mandalay caused by increased competition in Myanmar indicated that the carrying amount of the business's fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. The carrying value of assets was written down to management's best estimate of the fair value based on an internally developed discounted cash flow analysis. The impairment charge of $7,124,000 is included within impairment of property, plant and equipment and other assets in the statements of condensed consolidated operations.

In the nine months ended September 30, 2017, Belmond considered whether the decline in performance of Belmond Northern Belle caused by a reduction in passenger numbers sourced mainly from regional markets in the U.K. indicated that the carrying amount of the business's fixed assets may not be recoverable. Belmond concluded that an impairment trigger existed and an impairment test was required. The carrying value of assets was written down to fair value based on assumptions of potential market value. The impairment charge of $1,092,000 is included within impairment of property, plant and equipment and other assets in the statements of condensed consolidated operations.

In September 2017, the islands of Anguilla and St Martin were hit by Hurricanes Irma and Jose when both Belmond La Samanna on St Martin and Belmond Cap Juluca on Anguilla were closed for the season. Both properties are included in Belmond's global insurance program which provides combined property damage and business interruption cover for the Caribbean as well as separate flood insurance cover. In addition, Belmond La Samanna has a separate property damage insurance policy covering the eight villas at the resort. During the year ended December 31, 2017, the Company recorded a write-off to property, plant and equipment at the two properties, and a corresponding insurance receivable as recovery of those amounts was expected to be probable. In July 2018, a final settlement was agreed with the insurer of the global insurance program. To date, the Company has received $32,600,000 of insurance proceeds related to the recovery of property damage and business interruption at Belmond La Samanna and Belmond Cap Juluca. In the nine months ended September 30, 2018, the Company recognized $11,160,000 in other operating income in the statements of condensed consolidated operations relating to gain contingencies at the two properties.

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9. Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2018 are as follows:

	At January 1, 2018						At September 30, 2018		
	Gross goodwill amount	Accumulated impairment	Net goodwill amount	Goodwill on acquisition	Impairment	Foreign currency translation adjustment	Gross goodwill amount	Accumulated impairment	Net goodwill amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Owned hotels:									
Europe	70,660	(14,202)	56,458	164	—	(2,650)	68,174	(14,202)	53,972
North America	71,601	(21,610)	49,991	—	—	—	71,601	(21,610)	49,991
Rest of world	20,530	(13,149)	7,381	—	(2,195)	(628)	19,902	(15,344)	4,558
Owned trains and cruises	7,052	(662)	6,390	—	—	(214)	6,838	(662)	6,176
Total	169,843	(49,623)	120,220	164	(2,195)	(3,492)	166,515	(51,818)	114,697

In the nine months ended September 30, 2018, goodwill of $164,000 was recognized on the acquisition of Castello di Casole. See Note 4.

During the three months ended September 30, 2018, Belmond considered whether slower than anticipated growth at Belmond La Résidence d'Angkor indicated that it was more likely than not that its fair value was less than its carrying value. While Belmond concluded that there was no impairment trigger in the three months ended September 30, 2018, it is carefully monitoring the situation. Belmond La Résidence d'Angkor had a goodwill balance of $1,548,000 at September 30, 2018. The impairment test remains sensitive to changes in assumptions; factors that could reasonably be expected potentially to have an adverse effect on the fair value of the reporting unit include the future operating projections of the hotel, volatility in debt or equity markets that could result in changes to the discount rate, political instability, changes in future travel patterns or local competitive supply. Any failure to meet these assumptions may result in a future impairment of goodwill.

During the nine months ended September 30, 2018, Belmond identified a non-cash goodwill impairment of $2,195,000 at Belmond Governor's Residence. Belmond determined that the impairment was triggered by the fall in tourist arrivals in Myanmar, due to negative perceptions of the country, adversely impacting the discounted cash flows, resulting in a full impairment of the goodwill balance. The goodwill impairment charge is included within impairment of goodwill in the statements of condensed consolidated operations.

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10. Other intangible assets

Other intangible assets consist of the following as of September 30, 2018:

	Favorable lease assets	Internet sites	Trade names	Total
	$'000	$'000	$'000	$'000
Carrying amount:				
Balance at January 1, 2018	8,560	1,579	14,001	24,140
Additions	—	—	2,676	2,676
Impairment	(468)	—	—	(468)
Foreign currency translation adjustment	(323)	(57)	(1,164)	(1,544)
Balance at September 30, 2018	7,769	1,522	15,513	24,804
Accumulated amortization:				
Balance at January 1, 2018	3,092	1,270		4,362
Charge for the period	254	25		279
Impairment	(312)	—		(312)
Foreign currency translation adjustment	(140)	(10)		(150)
Balance at September 30, 2018	2,894	1,285		4,179
Net book value:				
At September 30, 2018	4,875	237	15,513	20,625
At December 31, 2017	5,468	309	14,001	19,778

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

In the nine months ended September 30, 2018, trade name additions of $2,676,000 were recognized on the acquisition of Castello di Casole. See Note 4.

Amortization expense for the three and nine months ended September 30, 2018 was $116,000 (September 30, 2017 - $136,000) and $279,000 (September 30, 2017 - $404,000). Estimated total amortization expense for the remainder of the year ending December 31, 2018 is $93,000 and for each of the years ending December 31, 2019 to December 31, 2022 is approximately $372,000.

During the nine months ended September 30, 2018, Belmond identified a non-cash favorable lease asset impairment of $156,000 at Belmond Governor’s Residence. Belmond determined that the impairment was triggered by the fall in tourist arrivals in Myanmar, due to negative perceptions of the country, adversely impacting the discounted cash flows, resulting in a full impairment of the favorable lease asset balance. The favorable lease asset impairment charge is included within impairment of property, plant and equipment and other assets in the statements of condensed consolidated operations.

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11. Debt and obligations under capital lease

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

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

	September 30, 2018 $'000	December 31, 2017 $'000
Loans from banks and other parties collateralized by tangible and intangible personal property and real estate with a maturity of 3 to 6 years (2017 - 20 months to seven years), with a weighted average interest rate of 4.35% (2017 - 4.11%)	760,800	724,208
Obligations under capital lease	15	22
Total long-term debt and obligations under capital lease	760,815	724,230
Less: Current portion	6,356	6,407
Less: Discount on secured term loan	2,761	3,092
Less: Debt issuance costs	11,634	13,979
Non-current portion of long-term debt and obligations under capital lease	740,064	700,752

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

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

The Term Loan Facility has two tranches, a U.S. dollar tranche ($395,000,000 currently outstanding) and a euro-denominated tranche (€176,763,000 currently outstanding, equivalent to $205,133,000 as at September 30, 2018). The dollar tranche bears interest at a rate of LIBOR plus 2.75% per annum, and the euro tranche bears interest at a rate of EURIBOR plus 3.00% per annum. Both tranches are subject to a 0% interest rate floor. The annual mandatory amortization is 1% of the principal amount.

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

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

As at September 30, 2018, Belmond was financed with a $600,133,000 Term Loan Facility and a $100,000,000 Revolving Credit Facility that is undrawn.

On June 22, 2018, Charleston Center LLC amended its secured loan of $112,000,000 increasing the amount of the loan to $160,000,000 and extending its maturity from August 27, 2019 to June 22, 2021. Proceeds from the additional borrowing were used to repay the outstanding balance on the Revolving Credit Facility in July 2018. The amended loan continues to bear interest at a rate of LIBOR plus 2.35% per annum. The loan has no amortization and is non-recourse to Belmond.

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The following is a summary of the aggregate maturities of consolidated long-term debt, including obligations under capital lease, at September 30, 2018:

	$'000
Remainder of 2018	1,586
2019	6,359
2020	6,361
2021	166,126
2022	6,077
2023	6,077
2024 and thereafter	568,229
Total long-term debt and obligations under capital lease	760,815

The Company had guaranteed $600,133,000 of the long-term debt of its subsidiary companies as at September 30, 2018 (December 31, 2017 - $611,351,000).

The tables above include the debt of Charleston Center LLC of $160,667,000 at September 30, 2018 (December 31, 2017 - $112,857,000). The debt is non-recourse to Belmond and includes $160,000,000 which was refinanced in June 2018.

Debt issuance costs related to the above outstanding long-term debt were $11,634,000 at September 30, 2018 (December 31, 2017 - $13,979,000), including $1,097,000 at September 30, 2018 (December 31, 2017 - $533,000) related to the debt of Charleston Center LLC, a consolidated VIE, and are amortized to interest expense over the term of the corresponding long-term debt.

(b) Revolving credit and working capital facilities

Belmond had approximately $100,579,000 of revolving credit and working capital facilities at September 30, 2018 (December 31, 2017 - $100,598,000) of which $100,579,000 was available (December 31, 2017 - $100,598,000).

12. Other liabilities

The major balances in other liabilities are as follows:

	September 30, 2018 $'000	December 31, 2017 $'000
Interest rate swaps (see Note 21)	125	—
Long-term income tax liability	1,769	2,143
Deferred gain on sale of Inn at Perry Cabin by Belmond	300	750
Deferred lease incentive	91	130
Other derivative instrument (see Note 21)	800	—
Total other liabilities	3,085	3,023

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13. Pensions

Components of net periodic pension benefit cost are as follows:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$’000	$’000	$’000	$’000
Service cost	—	—	—	—
Interest cost on projected benefit obligation	171	179	537	527
Expected return on assets	(262)	(249)	(823)	(736)
Net amortization and deferrals	183	195	576	576
Net periodic benefit cost	92	125	290	367

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.

Belmond (UK) Ltd., the plan sponsor and a wholly owned subsidiary of the Company (“Belmond UK”), was previously obligated to pay £1,272,000 (equivalent to $1,654,000 at September 30, 2018) annually to the plan under the U.K. statutorily-mandated triennial negotiation with the plan’s trustees. With a new triennial arrangement that came into effect June 2017, Belmond UK’s funding obligation was reduced from £106,000 to £24,000 (equivalent to $138,000 and $32,000, respectively, as at September 30, 2018) per month. Under the prior contribution level, the plan’s funding deficit was projected to be fully funded by the end of 2017. With the current funding level, Belmond UK is obligated to continue funding until the audited financials of the plan for the year ended December 31, 2018 are available. If no unfunded balance remains, Belmond UK shall be able to suspend further payments, but otherwise it will be expected to continue paying its monthly contribution, subject to any subsequent triennial negotiation with the plan’s trustees. However, pursuant to the terms of the new triennial arrangement, once the plan is fully funded, Belmond UK will remain obligated to restore the plan to a fully funded balance over the remainder of the period through December 31, 2021 should its position deteriorate. During the three and nine months ended September 30, 2018, contributions of £73,000 ($99,000) and £219,000 ($301,000) were made to the pension plan and Belmond anticipates contributing an additional £73,000 ($79,000) to fund the plan in 2018 for a total of £292,000 (equivalent to $380,000 as at September 30, 2018). During the three and nine months ended September 30, 2017, contributions of £47,640 ($61,000) and £683,640 ($856,000) were made to the pension plan.

In May 2014, Belmond guaranteed the payment obligations of Belmond UK through 2023, subject to a cap of £8,200,000 (equivalent to $10,660,000 at September 30, 2018), which reduced commensurately with every payment made to the plan since December 31, 2012. As part of the recent triennial negotiation referred to above, Belmond has reinstated this guarantee effective July 1, 2017, for the period through 2026 and reset the cap from December 31, 2015 at £8,200,000, which as before will reduce with each payment made to the plan over the period.

14. Income taxes

In the three and nine months ended September 30, 2018, the income tax provision was $14,476,000 (September 30, 2017 - $20,732,000) and $5,905,000 (September 30, 2017 - $17,608,000). The decrease in the tax provision and effective tax rate for the three months ended September 30, 2018 compared to the three months ended September 30, 2017 is mainly due to the jurisdictional profit mix of earnings from continuing operations. The reduction in tax provision in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 is mainly as a result of recognizing a deferred tax credit of $8,144,000 following the acquisition of Castello di Casole in February 2018. The deferred tax credit arises because the tax basis of property, plant and equipment is greater than the fair value attributed to those assets.

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15. Interest expense

The balances in interest expense are as follows:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$'000	$'000	$'000	$'000
Interest expense on long-term debt and obligations under capital lease	8,950	7,653	25,340	21,863
Interest on legal settlements	182	(10)	587	(153)
Amortization of debt issuance costs and discount on secured term loan	720	1,350	2,236	2,826
Interest capitalized	(1,455)	—	(3,257)	—
Total interest expense	8,397	8,993	24,906	24,536

16. Supplemental cash flow information

	Nine months ended	
	September 30, 2018	September 30, 2017
	$'000	$'000
Cash paid during the period for:		
Interest	25,467	22,750
Income taxes, net of refunds	9,077	11,037

To reflect the actual cash paid for capital expenditure to acquire property, plant and equipment, increases in accounts payable for capital expenditure are non-cash and excluded from capital expenditure, while decreases are cash payments and included. The change in accounts payable was a decrease of $120,000 for the nine months ended September 30, 2018 (September 30, 2017 - decrease of $18,000).

17. Cash, cash equivalents and restricted cash

The major balances in cash, cash equivalents and restricted cash are as follows:

	September 30, 2018	December 31, 2017
	$'000	$'000
Cash and cash equivalents	145,459	180,153
Cash deposits required to be held with lending banks as collateral	860	801
Prepaid customer deposits which will be released to Belmond under its revenue recognition policy	3,849	2,488
Bonds and guarantees	44	633
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	150,212	184,075

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Restricted cash classified as long-term and included in other assets on the condensed consolidated balance sheets at September 30, 2018 was $860,000 (December 31, 2017 - $801,000).

18. Share-based compensation plans

At September 30, 2018, Belmond had two share-based compensation plans, the 2004 stock option plan and the 2009 share award and incentive plan. The compensation cost that has been charged to selling, general and administrative expense for these plans for the three and nine months ended September 30, 2018 was $1,615,000 (September 30, 2017 - $1,471,000) and $4,229,000 (September 30, 2017 - $5,025,000). The total compensation cost related to unexercised options and unvested share awards at September 30, 2018 to be recognized over the period October 1, 2018 to September 30, 2022 was $9,036,000 and the weighted average period over which it is expected to be recognized is 29. Measured from the grant date, all awards of restricted shares have a maximum vesting period of four years (and those with performance criteria have a maximum vesting period of three years), and all awards of share options have a vesting period of four years with a maximum term of ten years. There were no grants under the 2004 stock option plan during the nine months ended September 30, 2018.

During the nine months ended September 30, 2018, the following restricted share awards were made under the 2009 share award and incentive plan on the following dates:

2009 share award and incentive plan	Class A common shares	Date granted	Vesting date	Purchase price
Restricted shares without performance criteria	2,850	June 24, 2018	June 24, 2020	$ 0.01
Restricted shares without performance criteria	2,850	June 24, 2018	June 24, 2021	$ 0.01
Restricted shares without performance criteria	2,850	June 24, 2018	June 24, 2022	$ 0.01
Restricted shares without performance criteria	107,982	June 24, 2018	June 24, 2019	$ 0.01
Restricted shares without performance criteria	25,232	June 24, 2018	On retirement	$ 0.01
Restricted shares without performance criteria	59,100	March 24, 2018	March 24, 2019	$ 0.01
Restricted shares without performance criteria	59,100	March 24, 2018	March 24, 2020	$ 0.01
Restricted shares without performance criteria	59,100	March 24, 2018	March 24, 2021	$ 0.01
Restricted shares with performance criteria	342,300	March 24, 2018	March 24, 2021	$ 0.01
Restricted shares without performance criteria	59,100	March 24, 2018	March 24, 2022	$ 0.01
Restricted shares without performance criteria	7,750	January 15, 2018	January 15, 2021	$ 0.01
Restricted shares without performance criteria	7,750	January 15, 2018	January 15, 2022	$ 0.01
Restricted shares without performance criteria	510	January 1, 2018	January 1, 2019	$ 0.01
Restricted shares without performance criteria	510	January 1, 2018	January 1, 2020	$ 0.01
Restricted shares without performance criteria	510	January 1, 2018	January 1, 2021	$ 0.01
Restricted shares without performance criteria	510	January 1, 2018	January 1, 2022	$ 0.01

19. Commitments and contingencies

Belmond Copacabana Palace

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

As a precautionary measure to defend the hotel, CHP commenced a declaratory lawsuit in the Rio state court in December 2013 seeking judicial declarations that no fraud was committed against the SCL plaintiffs when the shares in CHP were sold to the

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Company in 2000 and that the sale of the shares did not render SCL insolvent. Pending rulings on those declarations, the court granted CHP an injunction preventing the SCL plaintiffs from provisionally enforcing their 2011 judgments against CHP, which judgment was subsequently reversed on appeal in May 2014. In September 2014, CHP sought reconsideration from the appellate court of this decision, but the court dismissed its request, resulting in the return of the declaratory lawsuit proceedings to the Rio State Court.

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

Ubud Hanging Gardens

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

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

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

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

Belmond Hotel das Cataratas

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

Prior to August 2014, with the agreement of the Ministry, the Company had been paying the base annual rent without an annual adjustment for inflation as provided for in the lease, pending resolution of Belmond’s application. Throughout this period, the Company had expensed the full rental amount and has fully accrued the difference between the rental charge and the amount actually paid. Based on the Ministry’s decision denying any relief, the Ministry directed the Company that it would henceforth assess rent at the contractual rate, which has been included in the table of future rental payments as at September 30, 2018, and that it was required to pay the difference between the contractual rent and the rent that had been actually paid. On March 20, 2015, the Ministry provided notice to the hotel that an aggregate amount of approximately R$17,000,000 ($4,246,000) was due on March 31, 2015 as a result of its rejection of any relief sought by Belmond.

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

On October 17, 2017, the Federal Court issued a decision on the merits denying in part the Company's claim for modification of the lease concession. The Court ruled although the lease is an administration agreement rather than a simple commercial lease, the Company had not overcome its burden of proof to show that a modification was justified. The Court further ordered that the Company must pay the stated rent in the lease rather than the reduced rent set by the Federal Court in September 2016. The Court also revoked the injunction issued in September 2016 that had been subsequently affirmed on appeal prohibiting the Federal Government from pursuing a claim against the Company to recover the difference between the stated rent and the amounts the Company actually paid during the period from 2009 to 2014. The Company appealed this decision and requested injunctive relief enjoining the Government from enforcing the decision of the Federal Court pending a hearing on the appeal. On December 22, 2017, the Federal Superior Court denied the Company's request for an injunction and affirmed the lower court's partial decision on the merits.

On April 25, 2018, a Federal Superior Court panel of three judges reversed the prior Superior Court's decision in Belmond's favor on all counts, so that the injunction against the Federal Government remains in place and the rent reduction was reinstated on a prospective basis. As a result, the Federal Government cannot seek to enforce its claim for the allegedly unpaid lease obligations. Nonetheless, the Company has reserved against this claim, and this accrual as at September 30, 2018 totaled R$28,091,000 ($7,016,000). The Company intends to continue to vigorously contest this litigation, which has been remanded to the first instance court for a trial on the merits.

Belmond Miraflores Park

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

"Cipriani" Trademark

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

Subsequent to Belmond’s success before the U.K. courts, there have arisen a number of European trademark opposition and infringement cases relating to Belmond "Cipriani" and "Hotel Cipriani" Community trademarks. These include an ongoing invalidity action filed by Arrigo Cipriani in the European Trade Mark Office against Belmond’s "Cipriani" Community trademark. To date, Belmond has successfully rebutted this challenge at every level of administrative appeal, including before the EU General Court in Luxembourg which issued a decision on June 29, 2017 dismissing the Arrigo Cipriani appeal and ordering that appellant pay the costs of the court and the Company, and most recently in a decision on March 1, 2018, the EU General Court denied the

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Cipriani family’s right to register a “Cipriani” Community trademark in the trademark class for drinks and beverages due to its likelihood to lead to confusion with Belmond’s registered “Cipriani” Community trademarks in the trademark class for hotels and restaurants. Belmond has also recently been successful in securing the cancellation in Portugal of a trademark application filed by an affiliated company of the Cipriani family for “Cipriani”. In addition, Belmond has been successful in obtaining cancellations of "Cipriani" trademark applications made by the Cipriani family's corporate entity in Russia, although the Cipriani family has recently commenced another action opposing Belmond’s “Cipriani” trademarks in Russia, which the Company intends to vigorously defend.

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

Belmond Sanctuary Lodge

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

Other

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

Belmond had granted to James Sherwood, the founder, Chairman Emeritus and a former director of the Company, pursuant to a certain Amended and Restated Rights Agreement Regarding Hotel Cipriani Interests dated February 8, 2005, a right of first refusal to purchase the Belmond Hotel Cipriani in Venice, Italy in the event Belmond proposed 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 had also been granted an option to purchase the hotel, pursuant to an Amended and Restated Right of First Refusal and Option Agreement Regarding Indirectly Held Hotel Cipriani Interests dated February 8, 2005, at fair market value if a change in control of the Company occurred. Mr. Sherwood could have elected to pay 80% of the purchase price if he exercised his right of first refusal, or 100% of the purchase price if he exercised 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 were not assignable and were to expire one year after Mr. Sherwood’s death.

On July 6, 2018, the Company entered into an agreement with Mr. Sherwood that terminated the right of first refusal and purchase option. In exchange, Mr. Sherwood will receive an aggregate amount of $3,000,000, payable over a period of two years in three installments. Moreover, in the event of a sale of the hotel or a change in control of the Company within a ten year period following

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execution of the agreement, the Company would pay to Mr. Sherwood $10,000,000 if such an event happens within a year of the agreement, stepping down by $1,000,000 a year to zero after ten years. Mr. Sherwood would also receive a payment of $25,000,000, less any payments already made under the agreement and with no additional payments due to him thereafter under the agreement, in the event of either (1) a public offer for the Company being made within six months after the execution of the agreement and the closing of a change of control transaction for the Company occurring within six months after such offer was made or (2) a sale of the hotel within one year after the execution of the agreement.

In January 2018, the Company, having concluded that without a material change in the cost structure at Belmond La Samanna, it could not justify reinvesting the insurance proceeds recovered following Hurricanes Irma and Jose alongside additional capital to restore and improve the asset, entered into a formal administrative process with the workforce at the property and the St. Martin labor authorities. During the three months ended September 30, 2018, a restructuring plan was agreed with the Works Council at the property and approved by the labor authorities.

Capital Commitments

Outstanding contracts to purchase property, plant and equipment were approximately $38,138,000 at September 30, 2018 (December 31, 2017 - $19,464,000). In addition, as discussed immediately above, the Company has agreed to pay Mr. Sherwood an aggregate amount of $3,000,000 in cash, payable over a period of two years in three installments. See Note 21.

Since a restructuring plan was agreed with the Works Council at Belmond La Samanna and approved by the labor authorities in St Martin, the Company met the criteria to recognize a liability for restructuring costs.

During the three and nine months ended September 30, 2018, restructuring costs at Belmond La Samanna of $35,000 and $14,896,000, respectively were recognized within costs of services and selling, general and administrative expenses in the statements of condensed consolidated operations. Restructuring costs represent charges for employee termination costs and other associated costs. The costs are included in the results of the operation of Belmond La Samanna, which are included in Owned hotels in the Company’s North America segment.

The following table presents the Company’s restructuring reserve activity in respect of Belmond La Samanna during the nine months ended September 30, 2018.

	Liability for restructuring costs $’000	
Balance at December 31, 2017	—	
Charges	14,896	
Cash payments	(10,053	)
Balance at September 30, 2018 classified in "Accrued Liabilities"	4,843	

The expected completion date for the workforce restructuring is August 2019.

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Future rental payments and rental expense under operating leases

Future rental payments as at September 30, 2018 under operating leases in respect of equipment rentals and leased premises are payable as follows:

	$'000
Remainder of 2018	3,585
2019	10,235
2020	10,166
2021	10,632
2022	8,591
2023	8,637
2024 and thereafter	126,660
Future rental payments under operating leases	178,506

Rental expense for the three and nine months ended September 30, 2018 amounted to $3,310,000 (September 30, 2017 - $3,917,000) and $10,433,000 (September 30, 2017 - $11,161,000).

20. Fair value measurements

(a) Financial instruments recorded at fair value

The following tables summarize the valuation of Belmond's financial instruments recorded at fair value by the fair value hierarchy at September 30, 2018 and December 31, 2017:

September 30, 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets at fair value:				
Derivative financial instruments	—	6,863	—	6,863
Total assets	—	6,863	—	6,863
Liabilities at fair value:				
Derivative financial instruments	—	(548)	(13,066)	(13,614)
Total net liabilities	—	6,315	(13,066)	(6,751)

December 31, 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets at fair value:				
Derivative financial instruments	—	1,348	—	1,348
Total assets	—	1,348	—	1,348

Liabilities at fair value:				
Derivative financial instruments	—	(430)	—	(430)
Total net assets	—	918	—	918

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During the three and nine months ended September 30, 2018 and 2017, there were no transfers between levels of the fair value hierarchy.

Level 3 amounts relate to the costs to terminate the right of first refusal and purchase option as described in Note 21. An assessment of the fair value of any potential payment due on a change of control of the Company has been made based on the relative probabilities of a change of control and of the various possible outcomes discounted to present value using the Company's incremental borrowing rate. Unobservable inputs used in the fair value measurement for which there is no market information available include potential future payments based on the likelihood of a change of control within each of the 10 years covered by the agreement and management assumptions behind the relative probabilities of a change of control and of the various possible outcomes. Any significant increase/(decrease) in the discount rate or any change in likelihood of the change in control could result in a higher/(lower) fair value measurement.

Changes in Level 3 liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2018

Liabilities	January 1, 2018 $'000	Fair Value as at July 6, 2018 $'000	Realized and Unrealized Gains/(Losses) in Earnings (1) $'000	September 30, 2018 $'000
Contractual liabilities	—	(10,117)	(2,949)	(13,066)

(1) Movement in the period is due to the initiation of the Board's review of strategic alternatives, which was announced on August 8, 2018. See Risk Factors in Part II, Item 1A of our Quarterly Report on Form 10-Q for the period ended June 30, 2018.

(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 condensed 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 September 30, 2018 and December 31, 2017 were as follows:

		September 30, 2018		December 31, 2017	
		Carrying amounts $'000	Fair value $'000	Carrying amounts $'000	Fair value $'000
Total long-term debt, before deduction of discount on secured term loan and debt issuance costs, excluding obligations under capital leases	Level 3	760,800	762,102	724,208	728,994

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

The estimated fair values of Belmond's non-financial assets measured at fair value on a non-recurring basis for the nine months ended September 30, 2018 and 2017 are as follows:

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	Fair value	Level 1	Level 2	Level 3	Total losses in the nine months ended September 30, 2018
		Fair value measurement inputs			
	$’000	$’000	$’000	$’000	$’000
Property, plant and equipment	—	—	—	—	(4,775)

	Fair value	Level 1	Level 2	Level 3	Total losses in the nine months ended September 30, 2017
		Fair value measurement inputs			
	$’000	$’000	$’000	$’000	$’000
Property, plant and equipment	5,955	—	—	5,955	(8,216)

	Fair value	Level 1	Level 2	Level 3	Total losses in the nine months ended September 30, 2018
		Fair value measurement inputs			
	$’000	$’000	$’000	$’000	$’000
Goodwill	—	—	—	—	(2,195)

	Fair value	Level 1	Level 2	Level 3	Total losses in the nine months ended September 30, 2018
		Fair value measurement inputs			
	$’000	$’000	$’000	$’000	$’000
Other intangible assets	—	—	—	—	(156)

Property, plant and equipment

In the nine months ended September 30, 2018, property, plant and equipment at Belmond Governor's Residence and Belmond Road to Mandalay with a combined carrying value of $4,775,000 was written down to fair value of $Nil, resulting in a non-cash impairment charge of $4,775,000.

In the nine months ended September 30, 2017, property, plant and equipment at Belmond Road to Mandalay and Belmond Northern Belle with a combined carrying value of $14,173,000 was written down to fair value of $5,955,000, resulting in a non-cash impairment charge of $8,216,000.

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

Goodwill

In the nine months ended September 30, 2018, goodwill at Belmond Governor's Residence with a carrying value of $2,195,000 was written down to fair value of $Nil, resulting in a non-cash impairment charge of $2,195,000.

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

Other intangible assets

In the nine months ended September 30, 2018, the favorable lease asset at Belmond Governor's Residence with a carrying value of $156,000 was written down to fair value of $Nil, resulting in a non-cash impairment charge of $156,000.

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These impairments are included in earnings from continuing operations in the period incurred. See Note 10.

21. Derivatives and hedging activities

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

In connection with the Amended and Restated Credit Agreement and the June 2018 refinancing of the Charleston Center LLC debt, the interest rate derivatives associated with the previous term loan facility and the previous Charleston Center LLC secured loan were terminated. See Note 11. All amounts in other comprehensive income/(loss) relating to these derivatives will be amortized to interest expense over the remaining original life of the interest rate derivative under ASC 815 Derivatives and Hedging. New interest rate derivatives were entered into to fix an element of the floating interest rate on the Amended and Restated Credit Agreement and the Charleston Center LLC debt.

Cash flow hedges of interest rate risk

As of September 30, 2018 and December 31, 2017, 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:

	September 30, 2018 ’000	December 31, 2017 ’000
Interest rate swaps	€ 89,500	€ 89,500
Interest rate swaps	$ 280,000	$ 243,000
Interest rate caps	$ 48,000	$ 17,200

Fair value

The table below presents the fair value of Belmond’s derivative financial instruments and their classification as of September 30, 2018 and December 31, 2017:

	Balance sheet location	Fair value as of September 30, 2018 $’000	Fair value as of December 31, 2017 $’000
Derivatives designated in a cash flow hedging relationship:			
Interest rate derivatives	Other assets	5,339	1,776
Interest rate derivatives	Other receivables	1,562	—
Interest rate derivatives	Accrued liabilities	(461)	(858)
Interest rate derivatives	Other liabilities	(125)	—
Other derivative instruments			
Contractual liabilities	Accrued liabilities	(12,266)	—
Contractual liabilities	Other liabilities	(800)	—
Total		(6,751)	918

Offsetting

There was no offsetting within derivative assets or derivative liabilities at September 30, 2018 and December 31, 2017. However, these derivatives are subject to master netting arrangements.

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Other comprehensive income/(loss)

Information concerning the movements in other comprehensive income/(loss) for cash flow hedges of interest rate risk is shown in Note 22. At September 30, 2018, the amount accounted for in other comprehensive income/(loss) which is expected to be reclassified to interest expense in the next 12 months is $759,000. Movement in other comprehensive income/(loss) for net investment hedges recorded through foreign currency translation adjustments for the three and nine months ended September 30, 2018 was a $1,408,000 gain (September 30, 2017 - $6,822,000 loss) and a $6,964,000 gain (September 30, 2017 - $19,867,000 loss).

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 September 30, 2018, the fair value of derivatives in a net asset position, which includes accrued interest and an adjustment for non-performance risk, related to these agreements was $6,307,000 (December 31, 2017 - $918,000 net asset). If Belmond breached any of the provisions, it would be required to settle its obligations under the agreements at their termination value of $6,347,000 inflow (December 31, 2017 - $942,000 inflow).

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 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 $205,132,000 at September 30, 2018, being a liability of Belmond (December 31, 2017 - $213,350,000).

Other derivative instrument - termination of the right of first refusal and purchase option

On July 6, 2018, the Company entered into an agreement with Mr. Sherwood that terminated a right of first refusal and purchase option. See Note 19. In exchange, Mr. Sherwood is entitled to an aggregate amount of $3,000,000, payable over a period of two years in three installments. Moreover, in the event of a sale of the Belmond Hotel Cipriani or a change in control of the Company within a ten year period following execution of the agreement, the Company would pay to Mr. Sherwood $10,000,000 if such an event happens within a year of the agreement, stepping down by $1,000,000 a year to zero after ten years. Mr. Sherwood would also receive a payment of $25,000,000, less any payments already made under the agreement and with no additional payments due to him thereafter under the agreement, in the event of either (1) a public offer for the Company being made within six months after the execution of the agreement and the closing of a change of control transaction for the Company occurring within six months after such offer was made or (2) a sale of the Belmond Hotel Cipriani within one year after the execution of the agreement.

The costs to terminate the right of first refusal and purchase option have been accounted for in accordance with ASC 815, Derivatives and Hedging as the recognition criteria for a derivative have been met, specifically that the agreement provides for a payment linked to an underlying variable as set forth in ASC 815. During the three and nine months ended September 30, 2018, the Company has recognized a cost of $13,066,000 following an assessment of the fair value of any potential payment due on a change of control of the Company which is based on the relative probabilities of a change of control and of the various possible outcomes discounted to present value using the Company’s incremental borrowing rate. This cost is included within selling, general and administrative expenses in statements of condensed consolidated operations. See Note 20.

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22. Accumulated other comprehensive income/(loss)

Changes in accumulated other comprehensive income/(loss) ("AOCI") by component (net of tax) are as follows:

Nine months ended September 30, 2018	Foreign currency translation adjustments $'000	Derivative financial instruments $'000	Pension liability $'000	Total $'000
Balance at January 1, 2018	(288,266)	(1,304)	(11,752)	(301,322)
Other comprehensive (loss)/income before reclassifications, net of tax (benefit)/provision of $Nil, $Nil, $Nil and $Nil	(32,672)	5,129	576	(26,967)
Amounts reclassified from AOCI, net of tax provision of $Nil, $Nil, $Nil and $Nil	—	1,487	—	1,487
Net current period other comprehensive (loss)/income	(32,672)	6,616	576	(25,480)
Balance at September 30, 2018	(320,938)	5,312	(11,176)	(326,802)

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

	Amount reclassified from AOCI Three months ended		
	September 30, 2018	September 30, 2017	
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 hedged debt instruments	425	379	Interest expense
Total reclassifications for the period	425	379	

	Amount reclassified from AOCI Nine months ended		
	September 30, 2018	September 30, 2017	
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	1,487	1,358	Interest expense
Total reclassifications for the period	1,487	1,358	

23. Segment information

Segment performance is evaluated by the chief operating decision maker based upon adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA"). Adjusted EBITDA excludes gains/(losses) on disposal, impairments, restructuring and other special items, interest income, interest expense, foreign currency, tax (including tax on earnings from

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unconsolidated companies), depreciation and amortization and gains/(losses) on extinguishment of debt. Belmond notes that adjusted EBITDA is not a term defined under GAAP. As a result, Belmond provides reconciliations to the GAAP number immediately following tables using this non-GAAP term.

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

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

The following tables present information regarding these reportable segments.

Revenue from external customers by segment:

	Three months ended September 30, 2018 $'000	Three months ended September 30, 2017 $'000	Nine months ended September 30, 2018 $'000	Nine months ended September 30, 2017 $'000
Owned hotels:				
Europe	109,388	96,658	209,961	180,772
North America	27,544	32,956	91,048	115,239
Rest of world	25,842	26,767	85,522	88,605
Total owned hotels	162,774	156,381	386,531	384,616
Owned trains and cruises	26,365	23,674	57,936	50,583
Part-owned/managed hotels	1,055	(405)	1,954	368
Part-owned/managed trains	2,967	3,323	8,067	8,138
Total management fees	4,022	2,918	10,021	8,506
Revenue	193,161	182,973	454,488	443,705

Reconciliation of consolidated losses from continuing operations to adjusted EBITDA:

	Three months ended September 30, 2018 $'000	Three months ended September 30, 2017 $'000	Nine months ended September 30, 2018 $'000	Nine months ended September 30, 2017 $'000
Adjusted EBITDA				
Owned hotels:				
Europe	54,808	48,714	79,876	71,507
North America	5,110	2,245	25,159	21,790
Rest of world	3,840	3,544	14,359	15,899
Total owned hotels	63,758	54,503	119,394	109,196
Owned trains and cruises	8,343	5,342	11,535	5,289

Part-owned/managed hotels	2,802	2,502	5,880	5,266
Part-owned/managed trains	8,395	8,201	19,935	18,135

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Total adjusted share of earnings from unconsolidated companies and management fees	11,197	10,703	25,815	23,401
Unallocated corporate:				
Central costs	(6,538)	(6,911)	(27,493)	(24,822)
Share-based compensation	(1,615)	(1,471)	(4,910)	(5,025)
Adjusted EBITDA	75,145	62,166	124,341	108,039
Reconciliation from earnings/(losses) from continuing operations to adjusted EBITDA:				
Earnings/(losses) from continuing operations	12,602	7,673	(3,865)	(15,403)
Depreciation and amortization	14,963	17,052	45,600	45,862
Interest income	(204)	(240)	(765)	(582)
Interest expense	8,397	8,993	24,906	24,536
Foreign currency, net	700	1,486	4,282	2,727
Provision for income taxes	14,476	20,732	5,905	17,608
Share of provision for income taxes of unconsolidated companies	2,371	2,026	5,099	4,079
	53,305	57,722	81,162	78,827
Insurance gains and deductibles	1,224	—	(9,976)	—
Labor restructuring cost	—	—	14,896	—
Net operating losses at two closed Caribbean properties	4,406	1,977	11,390	1,977
Cost to terminate right of first refusal and purchase option	13,066	—	13,066	—
Cost of Company's review of strategic alternatives	2,368	—	2,368	—
Other restructuring and special items (1)	639	2,338	3,703	5,437
Acquisition-related costs (2)	61	279	830	14,032
Gain on disposal of property, plant and equipment	(150)	(150)	(450)	(450)
Loss on disposal of property, plant and equipment in unconsolidated joint venture	226	—	226	—
Impairment of goodwill, property, plant and equipment and other assets	—	—	7,126	8,216
Adjusted EBITDA	75,145	62,166	124,341	108,039

(1) Represents costs in relation to restructuring, severance and redundancy costs, pre-opening costs, and other items, net.
(2) Represents acquisition fees in relation to the purchase of Castello di Casole in February 2018 and Cap Juluca in May 2017.

Earnings from unconsolidated companies, net of tax:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Part-owned/managed hotels	751	747	1,418	1,213
Part-owned/managed trains	3,292	3,192	7,418	6,576

Total earnings from unconsolidated companies, net of tax	4,043	3,939	8,836	7,789

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

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$'000	$'000	$'000	$'000
Owned hotels:				
Europe	3,823	4,269	23,822	17,043
North America	30,528	3,404	75,740	6,351
Rest of world	5,972	5,510	16,866	10,316
Total owned hotels	40,323	13,183	116,428	33,710
Owned trains and cruises	1,728	1,055	6,693	6,542
Unallocated corporate	945	1,359	2,754	2,760
Total capital expenditure to acquire property, plant and equipment	42,996	15,597	125,875	43,012

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

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$'000	$'000	$'000	$'000
Bermuda	—	—	—	—
Italy	91,177	70,704	166,291	120,322
United Kingdom	13,082	19,089	31,856	43,572
United States	24,771	24,597	78,250	82,879
Brazil	11,409	11,994	41,155	41,910
All other countries	52,722	56,589	136,936	155,022
Total revenue	193,161	182,973	454,488	443,705

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 interest. In the three and nine months ended September 30, 2018, Belmond earned management fees from Eastern and Oriental Express Ltd. of $2,000 (September 30, 2017 - $1,000) and $192,000 (September 30, 2017 - $137,000), which are recorded in revenue. The amount due to Belmond from Eastern and Oriental Express Ltd. at September 30, 2018 was $7,002,000 (December 31, 2017 - $6,302,000).

Belmond manages, under long-term contracts in Peru, Belmond Hotel Monasterio, Belmond Palacio Nazarenas, Belmond Sanctuary Lodge, Belmond Hotel Rio Sagrado, Belmond Las Casitas del Colca, PeruRail and Ferrocarril Transandino, in all of which Belmond has a 50% ownership interest. Belmond provides loans, guarantees and other credit accommodation to these joint ventures. In the three and nine months ended September 30, 2018, Belmond earned management and guarantee fees from its Peruvian joint ventures of $4,610,000 (September 30, 2017 - $4,757,000) and $11,680,000 (September 30, 2017 - $11,464,000), which are recorded in revenue. The amount due to Belmond from its Peruvian joint ventures at September 30, 2018 was $7,658,000 (December 31, 2017 - $6,029,000).

Belmond owns 50% of a company holding real estate in Buzios, Brazil. The amount due to Belmond from the joint venture at September 30, 2018 was $389,000 (December 31, 2017 - $431,000).

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ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking statements

Forward-looking statements concerning the operations, performance, financial condition, plans and prospects of the Company and its subsidiaries are based on the current expectations, assessments and assumptions of management, are not historical facts, and are subject to various risks and uncertainties.

Forward-looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe” or other words of simil meaning.

Actual results could differ materially from those anticipated in the forward-looking statements due to a number of factors, including those described in Item 1—Business, Item 1A—Risk Factors, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations, Item 7A—Quantitative and Qualitative Disclosures about Market Risk, and Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, and Item 1A of Part II in the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018.

Investors are cautioned not to place undue reliance on these forward-looking statements which are based on currently available operational, financial, and competitive information and as such, are not guarantees of future performance. Except as otherwise required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Introduction

Belmond currently owns, partially-owns or manages 46 properties (excluding one scheduled for a future opening, the Belmond Cadogan Hotel, in London, England).

Belmond has six reportable segments: owned hotels in (1) Europe, (2) North America (including one stand-alone restaurant) and (3) Rest of world, (4) Owned trains and cruises, (5) Part-owned/managed hotels and (6) Part-owned/managed trains.

Hotels represent the largest part of Belmond’s business with the vast majority of the Company's revenues in 2018 and 2017 derived primarily from the Europe, North America and Rest of world segments.

Hotels consists of 30 deluxe hotels which were wholly or majority owned by Belmond or, in the case of Belmond Charleston Place, South Carolina, owned by a consolidated variable interest entity. Twelve of the owned hotels are located in Europe, six in North America and twelve in the rest of the world. In addition, Belmond owns and operates the stand-alone restaurant ‘21’ Club in New York which is included within the North America owned hotels segment. In February 2018, the Company acquired the Castello di Casole resort and estate in Tuscany, Italy. See Note 4.

Belmond's part-owned/managed hotels segment consists of six hotels which Belmond operates under management contracts in Peru and the United States. Belmond has unconsolidated equity interests in five of the managed hotels.

In recent years, Belmond has sold to third parties a number of properties not considered key to Belmond’s portfolio of unique, high-valued properties as part of management's long-term strategy to reduce leverage and redeploy the capital in properties with higher potential returns.

Belmond's owned trains and cruises segment consists of four European tourist trains, one river cruise ship in Myanmar and one French canal cruise business.

Belmond's part-owned/managed trains segment consists of three train businesses in Southeast Asia and Peru which Belmond operates under management contracts. Belmond has unconsolidated equity interests in each of these train businesses.

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Hotel RevPAR, ADR and occupancy

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

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

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

ADR and RevPAR are measures for a point in time (a day, month or year) and are most often compared across like time periods. Current ADR and RevPAR are not necessarily indicators of future performance.

Constant currency

Belmond analyzes certain key financial measures on a constant currency basis as this helps identify underlying business trends, without distortion from the effects of currency movements. Measurement on a constant currency basis means the results exclude the effect of foreign currency translation and are calculated by translating prior period results at current period exchange rates.

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Results of Operations

Operating information for Belmond's owned hotels for the three and nine months ended September 30, 2018 and 2017 is as follows:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Rooms available				
Europe	90,895	86,817	224,516	214,135
North America	57,531	66,872	170,837	198,270
Rest of world	94,392	94,392	278,286	280,818
Worldwide	242,818	248,081	673,639	693,223
Rooms sold				
Europe	70,334	66,974	148,749	143,262
North America	37,302	43,210	119,137	134,914
Rest of world	47,360	43,767	146,755	144,944
Worldwide	154,996	153,951	414,641	423,120
Occupancy (percentage)				
Europe	77	77	66	67
North America	65	65	70	68
Rest of world	50	46	53	52
Worldwide	64	62	62	61
Average daily rate (in U.S. dollars)				
Europe	1,018	928	887	791
North America	368	383	410	432
Rest of world	335	376	360	378
Worldwide	653	618	563	535
RevPAR (in U.S. dollars)				
Europe	788	716	588	529
North America	239	248	286	294
Rest of world	168	174	190	195
Worldwide	417	383	347	327

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Same Store RevPAR (in dollars)				
Europe	793	716	589	529
North America	239	245	286	276
Rest of world	168	174	188	194
Worldwide	413	388	344	323

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Same store RevPAR data for the three and nine months ended September 30, 2018 and September 30, 2017 excludes the operations of Belmond Castello di Casole that was acquired in February 2018. Its operations are included in the Europe segment. Same store RevPAR also excludes the operations of Belmond Cap Juluca, Anguilla, British West Indies, which was acquired in May 2017 and Belmond La Samanna, St Martin, French West Indies, which is closed for refurbishment following Hurricanes Irma and Jose in September 2017. Both of these operations are included in the North America segment. In addition, same store RevPAR excludes the operations of Belmond Savute Elephant Lodge, Chobe Reserve, Botswana, which was closed for refurbishment from November 2017 to June 2018. Its operations are included in the Rest of world segment.

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Revenue

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	$ millions	$ millions	$ millions	$ millions
Revenue:				
Owned hotels:				
Europe	109.4	96.7	210.0	180.8
North America	27.5	32.9	91.0	115.2
Rest of world	25.8	26.8	85.5	88.6
Total owned hotels	162.7	156.4	386.5	384.6
Owned trains and cruises	26.4	23.7	57.9	50.6
Part-owned/managed hotels	1.1	(0.4)	2.0	0.4
Part-owned/managed trains	3.0	3.3	8.1	8.1
Total management fees	4.1	2.9	10.1	8.5
Revenue	193.2	183.0	454.5	443.7

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Revenue was $193.2 million for the three months ended September 30, 2018, an increase of $10.2 million, or 6%, from $183.0 million for the three months ended September 30, 2017. Owned hotels revenue was $162.7 million for the three months ended September 30, 2018, an increase of $6.3 million or 4% from $156.4 million for the three months ended September 30, 2017. In constant currency, revenue for owned hotels for the three months ended September 30, 2018 increased $7.3 million or 5% from the prior-year period. The increase in owned hotels revenue was primarily due to a $2.3 million increase in revenue at Belmond Grand Hotel Europe, St Petersburg, Russia, where the football World Cup was hosted in July, a $1.7 million increase at Belmond Hotel Cataratas, Iguassu Falls, Brazil, where the destination has received positive media coverage, and a $7.2 million increase across Belmond's Italian portfolio due to enhanced revenue management initiatives and the impact of recent capital investments including the addition of new keys. In addition, Belmond Castello di Casole in Tuscany contributed $4.1 million to the increase in owned hotels revenue. These increases are offset by declines of $2.7 million at Belmond La Samanna, and $1.5 million at Belmond Cap Juluca, which were both closed in the third quarter of 2018 following damage sustained from the 2017 hurricanes that hit the region. Revenue from owned trains and cruises was $26.4 million for the three months ended September 30, 2018, an increase of $2.7 million or 11% from $23.7 million for the three months ended September 30, 2017. In constant currency, revenue for owned trains and cruises for the three months ended September 30, 2018 increased $2.1 million or 8% from the prior-year period. Excluding Belmond Northern Belle that was sold last year, revenue was up $4.2 million or 20% over the three months ended September 30, 2017. The increase is driven by a $3.3 million increase in revenue for Venice Simplon-Orient-Express, which has continued a strong year as it benefits from recent capital improvements, and to a lesser extent Belmond Afloat in France where two new barges were brought into operation earlier this year.

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Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenue was $454.5 million for the nine months ended September 30, 2018, an increase of $10.8 million, or 2%, from $443.7 million for the nine months ended September 30, 2017. Owned hotels revenue was $386.5 million for the nine months ended September 30, 2018, an increase of $1.9 million from $384.6 million for the nine months ended September 30, 2017. In constant currency, revenue for owned hotels for the nine months ended September 30, 2018 decreased $4.2 million or 1% from the prior-year period. The decrease in owned hotels revenue was primarily due to a $16.1 million decrease in revenue for Belmond La Samanna and $2.4 million at Belmond Cap Juluca, which were both closed for refurbishment throughout the nine months ended September 30, 2018 following hurricane damage, and a $7.8 million decrease in revenue for ‘21’ Club, which was closed for the majority of the nine months ended September 30, 2018 following water damage. This decline was offset by a $13.3 million increase across Belmond’s Italian portfolio, predominantly driven by the introduction of Belmond Castello di Casole, which was acquired in the first quarter of 2018 and opened under the Belmond flag in May 2018, a $4.3 million increase at Belmond Hotel das Cataratas, following positive media coverage of the destination, and a $3.2 million increase at Belmond Grand Hotel Europe, which has benefited from recent capital investments and the football World Cup in July 2018. Revenue from owned trains and cruises was $57.9 million for the nine months ended September 30, 2018, an increase of $7.3 million, or 14%, from $50.6 million for the nine months ended September 30, 2017. In constant currency, revenue for owned trains and cruises for the nine months ended September 30, 2018 increased $4.2 million or 8% from the nine months ended September 30, 2017. The increase in owned trains and cruises revenue was primarily due to a $7.9 million rise in revenue for the Venice Simplon-Orient-Express, which has continued a strong year as it benefits from recent capital improvements. This increase was offset by the sale of the Belmond Northern Belle in November 2017 which contributed revenue of $4.0 million in the nine months ended September 30, 2017.

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Segment performance

Segment performance is evaluated by the chief operating decision maker based upon adjusted EBITDA, which excludes gains/(losses) on disposal, impairments, restructuring and other special items, interest income, interest expense, foreign currency, tax (including tax on earnings from unconsolidated companies), depreciation and amortization and gains/(losses) on extinguishment of debt.

Segment performance for the three and nine months ended September 30, 2018 and 2017 is analyzed as follows:

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	Three months ended September 30, 2018 $ millions	Three months ended September 30, 2017 $ millions	Nine months ended September 30, 2018 $ millions	Nine months ended September 30, 2017 $ millions
Adjusted EBITDA:				
Owned hotels:				
Europe	54.8	48.7	79.9	71.5
North America	5.1	2.3	25.2	21.8
Rest of world	3.8	3.5	14.4	15.9
Total owned hotels	63.7	54.5	119.5	109.2
Owned trains and cruises	8.3	5.4	11.5	5.3
Part-owned/managed hotels	2.8	2.5	5.9	5.3
Part-owned/managed trains	8.4	8.2	19.9	18.1
Total adjusted share of earnings from unconsolidated companies and management fees	11.2	10.7	25.8	23.4
Unallocated corporate costs:				
Central costs	(6.5)	(6.9)	(27.6)	(24.9)
Share-based compensation	(1.6)	(1.5)	(4.9)	(5.0)
Adjusted EBITDA	75.1	62.2	124.3	108.0
Reconciliation from earnings/(losses) from continuing operations to adjusted EBITDA:				
Earnings/(losses) from continuing operations	12.6	7.8	(3.9)	(15.4)
Depreciation and amortization	15.0	17.1	45.6	45.9
Interest income, interest expense and foreign currency, net	8.9	10.2	28.4	26.7
Provision for income taxes	14.5	20.7	5.9	17.6
Share of provision for income taxes of unconsolidated companies	2.4	2.0	5.1	4.1
	53.4	57.8	81.1	78.9
Insurance gains and deductibles	1.2	—	(10.0)	—
Labor restructuring cost	—	—	14.9	—
Net operating losses at two closed Caribbean properties	4.4	2.0	11.4	2.0
Cost to terminate right of first refusal and purchase option	13.1	—	13.1	—
Cost of Company's review of strategic alternatives	2.4	—	2.4	—
Other restructuring and special items (1)	0.5	2.3	3.7	5.3
Acquisition-related costs (2)	0.1	0.3	0.9	14.1
Gain on disposal of property, plant and equipment	(0.2)	(0.2)	(0.5)	(0.5)
Loss on disposal of property, plant and equipment in unconsolidated joint venture	0.2	—	0.2	—
Impairment of goodwill, property, plant and equipment and other assets	—	—	7.1	8.2
Adjusted EBITDA	75.1	62.2	124.3	108.0

(1) Represents costs in relation to restructuring, severance and redundancy costs, pre-opening costs, and other items, net.
(2) Represents acquisition fees in relation to the purchase of Castello di Casole in February 2018 and Cap Juluca in May 2017.

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Owned hotels - Europe

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Rooms available	90,895	86,817	224,516	214,135
Rooms sold	70,334	66,974	148,749	143,262
Occupancy (percentage)	77	77	66	67
Average daily rate (in U.S. dollars)	1,018	928	887	791
RevPAR (in U.S. dollars)	788	716	588	529
Same store RevPAR (in U.S. dollars)	793	716	589	529

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Revenue was $109.4 million for the three months ended September 30, 2018, an increase of $12.7 million, or 13%, from $96.7 million for the three months ended September 30, 2017. In constant currency, revenue for the region for the three months ended September 30, 2018 increased $10.0 million or 10% from the prior-year period due to growth across the majority of the portfolio led by double digit percentage growth at Belmond Grand Hotel Europe, Belmond Hotel Caruso, Amalfi Coast, Italy, and Belmond Grand Hotel Timeo, Taormina, Sicily. Belmond Grand Hotel Europe benefited from the positive image of the football World Cup held in Russia in July and all of the properties have benefited from enhanced revenue management strategies including improved management of room types, targeted sales activities and focus on driving group business to shoulder seasons. The growth included revenue of $4.0 million at Belmond Castello di Casole, which was acquired in the first quarter of 2018 and was opened under a Belmond flag in May. ADR in U.S. dollar terms for the European owned hotels segment increased to $1,018 in the three months ended September 30, 2018 from $928 in the three months ended September 30, 2017. Occupancy remained flat at 77% in the three months ended September 30, 2018 and September 30, 2017. Same store RevPAR increased by 11% in U.S. dollars, to $793 in the three months ended September 30, 2018 from $716 in the three months ended September 30, 2017, an increase of 7% on a constant currency basis.

Adjusted EBITDA for the region for the three months ended September 30, 2018 was $54.8 million, representing an increase of $6.1 million, or 13%, from an adjusted EBITDA of $48.7 million for the three months ended September 30, 2017. In constant currency, adjusted EBITDA for the region for the three months ended September 30, 2018 increased $3.8 million or 7% from the three months ended September 30, 2017, driven by Belmond Grand Hotel Europe and all of the Italian properties with the exception of Belmond Hotel Cipriani, Venice, Italy, which is in a non-Biennale year. As a percentage of European owned hotels revenue, adjusted EBITDA remained flat at 50% for the three months ended September 30, 2018 and September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenue was $210.0 million for the nine months ended September 30, 2018, an increase of $29.2 million, or 16%, from $180.8 million for the nine months ended September 30, 2017. In constant currency, revenue for the region for the nine months ended September 30, 2018 increased $18.7 million, or 10%, due to growth across the portfolio, with the exception of Belmond Hotel Cipriani, which is in a non-Biennale year. This growth was led by increases of $8.8 million at Belmond Castello di Casole, which was acquired in the first quarter of 2018 and was opened under the Belmond flag in May, $3.2 million at Belmond Grand Hotel Europe which has benefited from recent capital investments and the football World Cup in July, and $3.1 million at Belmond Grand Hotel Timeo which has benefited from the closure of their main competitor in the nine months ended September 30, 2018. ADR in U.S. dollar terms for the European owned hotels segment increased to $887 in the nine months ended September 30, 2018 from $791 in the nine months ended September 30, 2017. Occupancy decreased to 66% in the nine months ended September 30, 2018 from 67% in the nine months ended September 30, 2017. Same store RevPAR increased by 11% in U.S. dollars, to $589 in the nine months ended September 30, 2018 from $529 in the nine months ended September 30, 2017, an increase of 5% on a constant currency basis.

Adjusted EBITDA for the region for the nine months ended September 30, 2018 was $79.9 million, representing an increase of $8.4 million, or 12%, from adjusted EBITDA of $71.5 million for the nine months ended September 30, 2017. In constant currency, adjusted EBITDA for the region for the nine months ended September 30, 2018 increased $4.2 million or 6% from the nine months ended September 30, 2017. This was driven by an adjusted EBITDA increase of $1.8 million at Belmond Grand Hotel Timeo, a $1.7 million increase at Belmond Grand Hotel Europe, and a $1.1 million increase at Belmond Le Manoir aux Quat'Saisons,

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Oxfordshire, United Kingdom, due to increased cost control, offset by a $1.9 million decrease at Belmond Hotel Cipriani. As a percentage of European owned hotels revenue, adjusted EBITDA decreased to 38% for the nine months ended September 30, 2018 compared to 40% for the nine months ended September 30, 2017.

Owned hotels - North America

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Rooms available	57,531	66,872	170,837	198,270
Rooms sold	37,302	43,210	119,137	134,914
Occupancy (percentage)	65	65	70	68
Average daily rate (in U.S. dollars)	368	383	410	432
RevPAR (in U.S. dollars)	239	248	286	294
Same store RevPAR (in U.S. dollars)	239	245	286	276

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Revenue was $27.5 million for the three months ended September 30, 2018, a decrease of $5.4 million, or 16%, from $32.9 million for the three months ended September 30, 2017. In constant currency, revenue for the region for the three months ended September 30, 2018 also decreased $5.4 million from the three months ended September 30, 2017. The decrease is attributable to a $4.2 million fall in revenue at Belmond La Samanna and Belmond Cap Juluca, which were both closed for the entire quarter following damage sustained from the 2017 hurricanes that hit the region. Revenue from Belmond Charleston Place was flat year-over-year but would have been higher had it not been for the impact of $2.1 million lost revenue as the city was evacuated with the approach of Hurricane Florence. ADR for the North American owned hotels segment decreased to $368 in the three months ended September 30, 2018 from $383 in the three months ended September 30, 2017. Occupancy remained flat at 65% for the three months ended September 30, 2018 and September 30, 2017. Same store RevPAR decreased 2% in U.S. dollars, to $239 for the three months ended September 30, 2018 from $245 in the three months ended September 30, 2017.

Adjusted EBITDA for the region for the three months ended September 30, 2018 was $5.1 million, an increase of $2.8 million, or 122%, from an adjusted EBITDA of $2.3 million for the three months ended September 30, 2017. In constant currency, adjusted EBITDA for the region for the three months ended September 30, 2018 increased $2.9 million from the three months ended September 30, 2017 due to improvements of $1.1 million at Belmond Charleston Place and losses of $2.7 million in the three months ended September 30, 2017 at Belmond La Samanna and Belmond Cap Juluca. Operating losses of $2.7 million at Belmond La Samanna and $1.7 million at Belmond Cap Juluca have been added back to adjusted EBITDA for the three months ended September 30, 2018 while the properties are closed for renovation. Also added back to adjusted EBITDA in the three months ended September 30, 2018 is a $1.2 million deductible related to the insurance cover at Belmond Charleston Place. As a percentage of North American owned hotels revenue, adjusted EBITDA increased to 19% for the three months ended September 30, 2018 from 7% for the three months ended September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenue was $91.0 million for the nine months ended September 30, 2018, a decrease of $24.2 million, or 21%, from $115.2 million for the nine months ended September 30, 2017. In constant currency, revenue for the region for the nine months ended September 30, 2018 also decreased $24.2 million or 21% from the nine months ended September 30, 2017. The decrease is attributable to a $16.1 million fall in revenue at Belmond La Samanna and a $2.4

million fall in revenue at Belmond Cap Juluca, which were closed for all of the nine months ended September 30, 2018. Revenue at '21' Club decreased $7.8 million after it was closed for part of the nine months ended September 30, 2018 following water damage from burst pipes in January. This decline was offset by improvements in the nine months ended September 30, 2018 of $1.2 million or 7% at Belmond El Encanto, Santa Barbara, which faced reduced competition as two competitor hotels were closed for refurbishment after the December 2017 mudslides that occurred in the area. ADR for the North American owned hotels segment decreased to $410 in the nine months ended September 30, 2018 from $432 in the nine months ended September 30, 2017. Occupancy increased to 70% for the nine months ended September 30, 2018 from 68% for the nine months ended September 30, 2017. Same store RevPAR increased 4% in U. S. dollars, to $286 for the nine months ended September 30, 2018 from $276 in the nine months ended September 30, 2017.

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Adjusted EBITDA for the region was $25.2 million for the nine months ended September 30, 2018, an increase of $3.4 million or 16% from $21.8 million for the nine months ended September 30, 2017. In constant currency, adjusted EBITDA for the region for the nine months ended September 30, 2018 increased $3.4 million or 15% from the nine months ended September 30, 2017 driven by improvements of $2.2 million at Belmond Charleston Place and losses of $1.7 million at Belmond La Samanna and Belmond Cap Juluca in the nine months ended September 30, 2017. Operating losses of $7.3 million at Belmond La Samanna, $4.1 million at Belmond Cap Juluca, and $1.6 million at '21' Club, have been added back to adjusted EBITDA for the nine months ended September 30, 2018 while the properties are closed for renovation. Also added back to adjusted EBITDA for the nine months ended September 30, 2018 is a $1.2 million deductible related to the insurance cover at Belmond Charleston Place. As a percentage of North American owned hotels revenue, adjusted EBITDA increased to 28% for the nine months ended September 30, 2018 from 19% for the nine months ended September 30, 2017.

Owned hotels - Rest of World

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Rooms available	94,392	94,392	278,286	280,818
Rooms sold	47,360	43,767	146,755	144,944
Occupancy (percentage)	50	46	53	52
Average daily rate (in U.S. dollars)	335	376	360	378
RevPAR (in U.S. dollars)	168	174	190	195
Same store RevPAR (in U.S. dollars)	168	174	188	194

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Revenue was $25.8 million for the three months ended September 30, 2018, a decrease of $1.0 million, or 4%, from $26.8 million for the three months ended September 30, 2017. In constant currency, revenue for the three months ended September 30, 2018 increased $2.6 million or 10% from the three months ended September 30, 2017, principally as a result of a $1.7 million increase in revenue at Belmond Hotel das Cataratas following positive media coverage of the destination, and a $0.7 million increase at Belmond Copacabana Palace, Rio de Janeiro, Brazil. ADR in U.S. dollar terms for the Rest of world owned hotels segment decreased to $335 in the three months ended September 30, 2018 from $376 in the three months ended September 30, 2017. Occupancy increased to 50% for the three months ended September 30, 2018 from 46% for the three months ended September 30, 2017. Same store RevPAR decreased by 3% in U.S. dollars, to $168 for the three months ended September 30, 2018 from $174 for the three months ended September 30, 2017, an increase of 10% on a constant currency basis.

Adjusted EBITDA for the region for the three months ended September 30, 2018 was $3.8 million, an increase of $0.3 million, or 9%, from an adjusted EBITDA of 3.5 million for the three months ended September 30, 2017. In constant currency, adjusted EBITDA for the region increased by $0.7 million or 20% from the three months ended September 30, 2017. This is as a result of a $0.8 million increase at Belmond Hotel das Cataratas offset by a $0.3 million decrease in revenue across the Company's Asian portfolio. As a percentage of Rest of world owned hotels revenue, adjusted EBITDA increased to 15% for the three months ended September 30, 2018 from 13% for the three months ended September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenue was $85.5 million for the nine months ended September 30, 2018, a decrease of $3.1 million, or 3%, from $88.6 million for the nine months ended September 30, 2017. In constant currency, revenue for the nine months ended

September 30, 2018 increased $1.3 million or 2% from the nine months ended September 30, 2017. This is principally as a result of a $4.3 million increase in revenue at Belmond Hotel das Cataratas, following positive media coverage of the destination and a weaker Brazilian real that also made the destination more attractive for non-Brazilian visitors. This increase was offset by decreases of $1.3 million at Belmond Mount Nelson, Cape Town, South Africa, and $1.1 million at Belmond's three safari camps in Botswana, all of which have been impacted by the adverse media coverage around the potential water crisis in Cape Town during the important second quarter booking window. ADR in U.S. dollar terms for the Rest of world owned hotels segment decreased to $360 in the nine months ended September 30, 2018 from $378 in the nine months ended September 30, 2017. Occupancy increased to 53% for the nine months ended September 30, 2018 from 52% for the nine months ended September 30, 2017. Same store RevPAR decreased by 3% in U.S. dollars, to $188 for the nine months ended September 30, 2018 from $194 for the nine months ended September 30, 2017, an increase of 2% on a constant currency basis.

Adjusted EBITDA for the region for the nine months ended September 30, 2018 of $14.4 million decreased $1.5 million, or 9%, from adjusted EBITDA of $15.9 million for the nine months ended September 30, 2017. In constant currency, adjusted EBITDA for the region decreased $1.2 million or 8% compared to the nine months ended September 30, 2017 as a result of an adjusted EBITDA decrease of $1.5 million at Belmond Mount Nelson Hotel, a $0.9 million decrease at Belmond Copacabana Palace, where the city has experienced reduced demand, along with a $0.8 million decrease in revenue across the Company's Asian portfolio. These declines are offset by a $2.0 million increase in adjusted EBITDA at Belmond Hotel das Cataratas. As a percentage of Rest of world owned hotels revenue, adjusted EBITDA decreased to 17% for the nine months ended September 30, 2018 from 18% for the nine months ended September 30, 2017.

Owned trains and cruises

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Revenue was $26.4 million for the three months ended September 30, 2018, an increase of $2.7 million, or 11%, from $23.7 million for the three months ended September 30, 2017. In constant currency, revenue increased $2.1 million or 8%. Excluding Belmond Northern Belle which was sold last year, revenue was up $4.2 million, or 20%, compared with the three months ended September 30, 2017. The increase is driven by a $3.3 million increase in revenue for Venice Simplon-Orient-Express which has continued a strong year as it benefits from recent capital improvements, and to a lesser extent Belmond Afloat in France where two new barges were brought into operation earlier this year.

Adjusted EBITDA for owned trains and cruises for the three months ended September 30, 2018 was $8.3 million, an increase of $2.9 million, or 54%, from an adjusted EBITDA of $5.4 million for the three months ended September 30, 2017. In constant currency, adjusted EBITDA for the segment increased by $2.7 million or 46%, primarily driven by growth at Venice Simplon-Orient-Express of $2.2 million.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenue was $57.9 million for the nine months ended September 30, 2018, an increase of $7.3 million, or 14%, from $50.6 million for the nine months ended September 30, 2017. In constant currency, revenue increased $4.2 million or 8%, primarily driven by an increase in revenue of $7.9 million for the Venice Simplon-Orient-Express which has continued a very strong year as it benefits from recent capital improvements. This increase was offset by the sale of the Belmond Northern Belle and the termination of the lease for Belmond Orcaella in the previous year, which contributed revenue of $4.0 million and $1.1 million, respectively, in the nine months ended September 30, 2017.

Adjusted EBITDA for owned trains and cruises for the nine months ended September 30, 2018 was $11.5 million, an increase of $6.2 million from an adjusted EBITDA of $5.3 million for the nine months ended September 30, 2017. In constant currency, adjusted EBITDA for the segment increased by $5.8 million primarily due to an increase of $5.1 million at Venice Simplon-Orient-Express, and the removal of Belmond Orcaella, which had losses of $0.8 million in the nine months ended September 30, 2017.

Part-owned/managed hotels

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Revenue was $1.1 million for the three months ended September 30, 2018, an increase of $1.5 million from the three months ended September 30, 2017, largely due to the increase in the provision made in the prior-year quarter against management and reservation fees at Inn at Perry Cabin by Belmond, Saint Michaels, Maryland in respect of an agreement entered into on April 7, 2017 pursuant to which Belmond agreed to guarantee specified budgeted EBITDA levels earned by the owner for each of the 2017 and 2018 fiscal years.

Adjusted EBITDA for Part-owned/managed hotels for the three months ended September 30, 2018 was $2.8 million, an increase of $0.3 million or 12% from $2.5 million for the three months ended September 30, 2017 due to improved operating performance at the Peruvian hotel joint venture.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenue was $2.0 million for the nine months ended September 30, 2018, an increase of $1.6 million from $0.4 million for the nine months ended September 30, 2017, due to the increase in the provision made in the prior-year against management and reservation fees at Inn at Perry Cabin by Belmond, in respect of an agreement entered into on April 7, 2017 pursuant to which

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Belmond agreed to guarantee specified budgeted EBITDA levels earned by the owner for each of the 2017 and 2018 fiscal years.

Adjusted EBITDA for Part-owned/managed hotels for the nine months ended September 30, 2018 of $5.9 million represented an increase of $0.6 million, or 11% from earnings of $5.3 million for the nine months ended September 30, 2017 due to occupancy-driven growth and improved performance at the Peruvian hotel joint venture of $0.8 million.

Part-owned/managed trains

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Revenue was $3.0 million for the three months ended September 30, 2018, a decrease of $0.3 million, or 9% compared with the three months ended September 30, 2017.

Adjusted EBITDA for Part-owned/managed trains for the three months ended September 30, 2018 of $8.4 million represented an increase of $0.2 million, or 2% from earnings of $8.2 million for the three months ended September 30, 2017 due to improved operating performance at the Company's PeruRail joint venture.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenue was $8.1 million in the nine months ended September 30, 2018, flat compared with the nine months ended September 30, 2017.

Adjusted EBITDA for Part-owned/managed trains for the nine months ended September 30, 2018 was $19.9 million, an increase of $1.8 million or 10% from $18.1 million for the nine months ended September 30, 2017 due to an insurance recovery and improved operating performance at the Company's PeruRail joint venture.

Unallocated corporate costs

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Adjusted central costs were $8.1 million for the three months ended September 30, 2018 (including $1.6 million of non-cash share-based compensation expense), an decrease of $0.3 million, or 4%, from $8.4 million for the three months ended September 30, 2017 (including $1.5 million of non-cash share-based compensation expense). As a percentage of revenue, adjusted central costs reduced to 4% for the three months ended September 30, 2018 compared with 5% for the three months ended September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Adjusted central costs were $32.5 million for the nine months ended September 30, 2018 (including $4.9 million of non-cash share-based compensation expense), an increase of $2.6 million, or 9%, from $29.9 million for the nine months ended September 30, 2017 (including $5.0 million of non-cash share-based compensation expense). This increase is mainly due to increased development and other corporate headcount to support the Company's strategic growth plan. As a percentage of revenue, adjusted central costs were 7% for both the nine months ended September 30, 2018 and September 30, 2017.

Depreciation and amortization

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Depreciation and amortization was $15.0 million for the three months ended September 30, 2018, a decrease of $2.1 million, or 12%, from $17.1 million for the three months ended September 30, 2017. Depreciation and amortization as a percentage of revenue decreased to 8% for the three months ended September 30, 2018 from 9% for the three months ended September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Depreciation and amortization was $45.6 million for the nine months ended September 30, 2018, a decrease of $0.3 million from $45.9 million for the nine months ended September 30, 2017. Depreciation and amortization as a percentage of revenue remained flat at 10% for the nine months ended September 30, 2018 and September 30, 2017.

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Impairment of goodwill

Three months ended September 30, 2018 compared to three months ended September 30, 2017

There were no impairments of goodwill in the three months ended September 30, 2018 and September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

A goodwill impairment charge of $2.2 million was recorded in the nine months ended September 30, 2018 at Belmond Governor's Residence as a result of the fall in tourist arrivals in Myanmar due to negative perceptions of the country related to the Rohingya crisis. There were no impairments of goodwill in the nine months ended September 30, 2017.

Impairment of property, plant and equipment

Three months ended September 30, 2018 compared to three months ended September 30, 2017

There were no impairments of property, plant and equipment in the three months ended September 30, 2018 and September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

A property, plant and equipment charge of $4.9 million was recorded in the nine months ended September 30, 2018, compared with a charge of $8.2 million in the nine months ended September 30, 2017. This consisted of $2.6 million at Belmond Governor's Residence and $2.3 at Belmond Road to Mandalay as a result of a fall in tourist arrivals in Myanmar due to negative perceptions of the country. In the nine months ended September 30, 2017 this consisted of $7.1 million at Belmond Road to Mandalay as a result of increased competition and anticipated lower occupancy levels and $1.1 million at the Belmond Northern Belle due to forecasted lower demand.

Other operating income

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Other operating income was $1.2 million for the three months ended September 30, 2018, an increase of $1.2 million from the three months ended September 30, 2017 due to the change in fair value of contingent consideration recognized on the acquisition of Belmond Castello di Casole. See Note 4.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Other operating income was $14.2 million for the nine months ended September 30, 2018, an increase of $14.2 million, from the nine months ended September 30, 2017 due to a business interruption gain of $11.2 million at Belmond La Samanna and $0.8 million at Belmond Charleston Place following lost profits during Hurricanes Irma and Jose, in addition to the change in fair value of contingent consideration described above. Belmond El Encanto and Belmond's three safari camps also recorded income from combined business interruption insurance gains of $0.7 million.

Interest income, interest expense and foreign currency, net

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Interest income, interest expense and foreign currency, net was an expense of $8.9 million for the three months ended September 30, 2018, a decrease of $1.3 million, or 13%, from an expense of $10.2 million for the three months ended September 30, 2017. The decrease in net expense was primarily due to a foreign exchange loss of $0.7 million that was recognized in the three months ended September 30, 2018 compared to a foreign exchange loss of $1.5 million recognized in the three months ended September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Interest income, interest expense and foreign currency, net was an expense of $28.4 million for the nine months ended September 30, 2018, an increase of $1.7 million or 6% from an expense of $26.7 million for the nine months ended September 30, 2017. The increase in net expense was primarily due to a foreign exchange loss of $4.3 million that was recognized in the nine months ended

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September 30, 2018 compared to a foreign exchange loss of $2.7 million recognized in the nine months ended September 30, 2017.

Provision for income taxes

Three months ended September 30, 2018 compared to three months ended September 30, 2017

The provision for income taxes was $14.5 million for the three months ended September 30, 2018, a decrease of $6.2 million, from a provision of $20.7 million for the three months ended September 30, 2017. The decrease in the tax provision and effective tax rate for the three months ended September 30, 2018 compared with the three months ended September 30, 2017 is mainly due to the jurisdictional profit mix of earnings from continuing operations.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

The provision for income taxes was $5.9 million in the nine months ended September 30, 2018, a decrease of $11.7 million from a provision of $17.6 million for the nine months ended September 30, 2017. The reduction in tax provision in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 is mainly as a result of recognizing a deferred tax credit of $8.1 million following the acquisition of Castello di Casole in February 2018. The deferred tax credit arises because the tax basis of property, plant and equipment is greater than the fair value attributed to those assets. See Notes 4 and 14 to the Financial Statements.

Gain on disposal of property, plant and equipment

Three months ended September 30, 2018 compared to three months ended September 30, 2017

A gain on disposal of $0.2 million was recorded in the three months ended September 30, 2018 compared to a $0.2 million gain in the three months ended September 30, 2017. The gain relates to the recognition of the deferred gain following the March 2014 sale of Inn at Perry Cabin by Belmond, which Belmond has continued to manage under a management contract. On April 27, 2018, the owner of Inn at Perry Cabin by Belmond notified the Company that the owner was exercising its special right to an early termination under the hotel's management agreement. Under this provision, the owner is entitled to an early termination of the ten year management agreement at December 31, 2018 without cause conditioned solely upon it repaying all remaining unamortized key money to Belmond. Belmond paid key money of $3.0 million in connection with the execution of the management agreement in March 2014 at which time Belmond sold the hotel to the owner. The amortization of the key money was suspended pending the owner’s completion of certain refurbishments and therefore, at year-end 2018 the total amount of unamortized key money will be approximately $1.9 million.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

A gain on disposal of $0.5 million was recorded in the nine months ended September 30, 2018 compared to a $0.5 million gain in the nine months ended September 30, 2017. The gain in the nine months ended September 30, 2018 and 2017 relates to the recognition of the deferred gain following the March 2014 sale of Inn at Perry Cabin by Belmond described above.

Earnings from unconsolidated companies

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Earnings from unconsolidated companies net of tax were $4.0 million for the three months ended September 30, 2018, an increase of $0.1 million from $3.9 million for the three months ended September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Earnings from unconsolidated companies net of tax were $8.8 million for the nine months ended September 30, 2018, an increase of $1.0 million from $7.8 million for the nine months ended September 30, 2017 due to an insurance recovery at the Company's PeruRail joint venture and improved operating performance at both PeruRail and Peru hotel joint ventures.

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Net (losses)/earnings from discontinued operations

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Net losses from discontinued operations for the three months ended September 30, 2018 were $Nil, compared with earnings of $Nil for the three months ended September 30, 2017.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Net losses from discontinued operations for the nine months ended September 30, 2018 were $Nil, compared with earnings of $0.1 million for the nine months ended September 30, 2017.

Net earnings/(losses)

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Net earnings attributable to Belmond for the three months ended September 30, 2018 were $12.6 million ($0.12 per common share) on revenue of $193.2 million, compared with net earnings of $7.8 million ($0.08 per common share) on revenue of $183.0 million for the three months ended September 30, 2017. The increase is due to increased revenue of $10.2 million, other operating income of $1.2 million and a $6.2 million decrease in the tax provision for the three months ended September 30, 2018, offset by increases of $8.1 million and $7.7 million in costs of services and selling, general and administrative expenses, respectively. The increase in selling, general and administrative expenses includes the cost to terminate the right of first refusal and purchase option, see Note 21 to the Financial Statements.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Net losses attributable to Belmond for the nine months ended September 30, 2018 were $3.9 million ($0.04 per common share) on revenue of $454.5 million, compared with net losses of $15.3 million ($0.15 per common share) on revenue of $443.7 million for the nine months ended September 30, 2017. The decrease in losses is due to a $10.8 million increase in revenue, insurance gains of $13.0 million in the nine months ended September 30, 2018, mainly from Belmond La Samanna and Belmond Charleston Place as a result of Hurricanes Irma and Jose, and a decrease of $11.7 million in the tax provision for the Company for the nine months ended September 30, 2018. This increase is offset by a charge of $14.9 million to restructure the Company’s labor force at Belmond La Samanna. Additionally there is a non-cash impairment charge of $7.1 million at the Company’s businesses in Myanmar ($8.2 million in the nine months ended September 30, 2017 related to Belmond Northern Belle and Belmond Road to Mandalay).

Other comprehensive income: Foreign currency translation adjustments, net

Foreign currency translation adjustments for the nine months ended September 30, 2018 were a loss of $32.7 million, compared to a gain of $46.9 million for the nine months ended September 30, 2017, arising from the retranslation of the Company’s net investment in subsidiary accounts denominated in foreign currencies into the Company’s reporting currency of U.S. dollars.

The loss in the nine months ended September 30, 2018 was due to the depreciation of all of Belmond's operating currencies against the U.S. dollar from the rates at December 31, 2017. In particular, the 17%, 4% and 3% depreciation of the Brazilian Real, British pound, and euro against the U.S. dollar, respectively, negatively impacted the carrying value of Belmond’s net investments denominated in those currencies.

The gain in the nine months ended September 30, 2017 was due to the appreciation of the majority of Belmond's operating currencies against the U.S. dollar from the rates at December 31, 2016. In particular, the 12%, 9% and 5% appreciation of the euro, British pound and Russian rouble against the U.S. dollar, respectively, positively impacted the carrying value of Belmond’s net investments denominated in those currencies.

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Liquidity and Capital Resources

Overview

Belmond's primary short-term cash needs include payment of compensation, general business expenses, capital commitments and contractual payment obligations, which include principal and interest payments on its debt facilities. Long-term liquidity needs may include existing and ongoing property refurbishments, potential investment in strategic acquisitions, and the repayment of long-term debt. At September 30, 2018, total debt and obligations under capital leases, including debt of consolidated variable interest entities, amounted to $760.8 million (December 31, 2017 - $724.2 million), including a current portion of $6.4 million (December 31, 2017 - $6.4 million). See Note 11 to the Financial Statements. Additionally, Belmond had capital commitments at September 30, 2018 amounting to $38.1 million (December 31, 2017 - $19.5 million).

Belmond had cash and cash equivalents of $145.5 million at September 30, 2018, compared to $180.2 million at December 31, 2017. In addition, Belmond had restricted cash of $4.8 million (of which $3.9 million was classified as current restricted cash on the condensed consolidated balance sheets and $0.9 million was classified in other assets) and $3.9 million (of which $3.1 million was classified in restricted cash on the condensed consolidated balance sheets and $0.8 million was classified in other assets) as at September 30, 2018 and December 31, 2017, respectively. At September 30, 2018, there were undrawn amounts available to Belmond under committed lines of credit of $100.6 million (December 31, 2017 - $100.6 million), bringing total cash availability at September 30, 2018 to $246.1 million (December 31, 2017 - $280.8 million), excluding restricted cash. When assessing liquidity, management considers the availability of those cash resources held within local business units to meet the strategic needs of Belmond.

At September 30, 2018, Belmond had $6.4 million of scheduled debt repayments due within one year. Belmond expects to meet these repayments and fund working capital and capital expenditure commitments for the foreseeable future from cash resources, operating cash flow and available committed borrowing.

In order to ensure that Belmond has sufficient liquidity for the future, Belmond's cash flow projections and available funds are reviewed with the Company's board of directors on a regular basis.

Recent Events Affecting Belmond's Liquidity and Capital Resources

On June 22, 2018, Charleston Center LLC amended its secured loan of $112.0 million increasing the amount of the loan to $160.0 million and extending its maturity from August 27, 2019 to June 22, 2021. The amended loan continues to bear interest at a rate of LIBOR plus 2.35% per annum. The loan has no amortization and is non-recourse to Belmond.

In March 2018, Belmond made drawdowns totaling $38.9 million on its revolving credit facility (the "Revolving Credit Facility"). In May 2018, Belmond repaid $1.2 million leaving an undrawn balance of $62.3 million on the Revolving Credit Facility. In July 2018, all outstanding borrowings under the Revolving Credit Facility were repaid leaving the undrawn balance at $100.0 million.

On February 7, 2018, Belmond acquired Castello di Casole, a 39-key resort and estate in Tuscany, Italy for a total transaction value of €40.2 million (equivalent to $49.3 million at February 7, 2018), including a cash purchase price of €38.3 million ($46.9 million), contingent consideration of €1.0 million ($1.2 million) and acquisition-related costs of €0.9 million ($1.1 million). The acquisition was funded from existing cash reserves. See Note 4 to the Financial Statements.

On July 3, 2017, Belmond entered into an amended and restated credit agreement with its senior lenders, (the "Amended and Restated Credit Agreement"). The Amended and Restated Credit Agreement provides the Company with

(i) a seven-year $603.4 million secured term loan (the “Term Loan Facility”) that matures on July 3, 2024 and (ii) the $100.0 million Revolving Credit Facility that matures on July 3, 2022 (together the “Secured Credit Facilities”). The proceeds from the Term Loan Facility were recognized as cash and used to repay all outstanding funded debt, but not the debt of Charleston Centre LLC, a consolidated VIE, or the debt of Belmond’s unconsolidated joint venture companies.

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Covenant Compliance

At September 30, 2018, Belmond was financed with a $600.1 million Term Loan Facility and a $100.0 million Revolving Credit Facility. The Amended and Restated Credit Agreement limits Belmond's ability to incur additional debt unless a covenant is met. The covenant is measured on the performance of the consolidated group. The Amended and Restated Credit Agreement removed a minimum interest coverage ratio covenant that had previously applied to the Company and increased the net leverage ratio permitted in the covenant test. The maximum net leverage test is measured quarterly based on Belmond's trailing 12 months' results. In addition, there is third party bank debt held by consolidated variable interest entities of $160.7 million relating to Charleston Center LLC. This loan contains two financial covenants, a minimum interest cover test and minimum debt service ratio, both measured quarterly based on the trailing 12 months' results of Charleston Center LLC. Belmond was in compliance with its covenants as at September 30, 2018.
If Belmond does not comply with its financial covenant and the banks that provide the Revolving Credit Facility declare a default and accelerate the repayment of their debt, this will permit the lenders under the Term Loan Facility to cross accelerate their loans under the Amended and Restated Credit Agreement.
Belmond regularly monitors projected covenant compliance, and if there was a likely prospective non-compliance with a covenant, Belmond would as a general rule meet with the agent or lending bank or banks of the relevant facility to seek an amendment or waiver. If such an amendment or waiver is available, obtaining it may result in additional bank fees or an increase in the interest cost. See Recent Events Affecting Belmond's Liquidity and Capital Resources for a description of drawdowns and repayments on the Revolving Credit Facility.

Based on its current financial forecasts, Belmond believes it will comply with all of the financial covenants in its loan facilities.

Working Capital

Current assets less current liabilities, including the current portion of long-term debt, resulted in a working capital surplus of $59.9 million at September 30, 2018 (December 31, 2017 - $132.3 million).

Cash Flow - Sources and Uses of Cash

Belmond had cash and cash equivalents of $145.5 million at September 30, 2018, compared to $180.2 million at December 31, 2017. In addition, Belmond had restricted cash of $4.8 million (of which $3.9 million was classified as current restricted cash on the condensed consolidated balance sheets and $0.9 million was classified in other assets) and $3.9 million (of which $3.1 million was classified in restricted cash on the condensed consolidated balance sheets and $0.8 million was classified in other assets) as at September 30, 2018 and December 31, 2017, respectively.

Operating Activities. Net cash provided by operating activities for the nine months ended September 30, 2018 was $90.1 million, compared to $68.7 million for the nine months ended September 30, 2017.

The primary driver of operating cash flows is the result for the period, adjusted for any non-cash components. Net losses from continuing operations were $3.9 million for the nine months ended September 30, 2018, an improvement of $11.5 million from net losses of $15.4 million for the nine months ended September 30, 2017 primarily due to insurance-related other operating income of $13.0 million recorded in the nine months ended September 30, 2018. Non-cash items affecting the calculation of net cash used in operating activities included the reduction in tax provision in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 as a result of the receipt of a deferred tax credit of $8.1 million following the acquisition of Castello di Casole in February 2018. See Note 14 to the Financial Statements. Operating cash flows were also affected by insurance proceeds relating to business interruption losses that totaled $15.1 million in the nine months ended September 30, 2018.

Investing Activities. Net cash used in investing activities was $164.0 million for the nine months ended September 30, 2018, compared to net cash used in investing activities of $111.6 million for the nine months ended September 30, 2017.

During the nine months ended September 30, 2018, $45.4 million, net of cash acquired, was used for the acquisition of Belmond Castello di Casole. See Note 4 to the Financial Statements. During the nine months ended September 30, 2017, $68.6 million, net of cash acquired, was used for the acquisition of Belmond Cap Juluca. In addition, proceeds from insurance settlements relating to property damage totaled $7.3 million in the nine months ended September 30, 2018, and did not occur in the nine months ended September 30, 2017.

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Capital expenditure to acquire property, plant and equipment totaled $125.9 million during the nine months ended September 30, 2018 including $70.0 million on the refurbishment of Belmond Cap Juluca; $6.0 million on the refurbishment of Belmond La Samanna; $5.3 million on refurbishment and the addition of new suites at Belmond Hotel Splendido, Portofino, Italy; $4.8 million on the full refurbishment of Belmond Savute Elephant Lodge; $4.8 million at Belmond Grand Hotel Europe, primarily for improvements to the hotel's elevators and renovation of its deluxe rooms; and $3.4 million for the construction of two new barges for Belmond Afloat in France; with the balance being for routine capital expenditures.

Capital expenditure to acquire property, plant and equipment of $43.0 million during the nine months ended September 30, 2017 included $3.8 million at Belmond Copacabana Palace on the full refurbishment of the Pergula Restaurant; $3.7 million for the Venice Simplon-Orient-Express related to statutory maintenance works; $3.0 million at Belmond Grand Hotel Europe for improvements to the hotel's heating and air conditioning system and renovation of its deluxe rooms; $2.9 million on corporate projects, which included the Company's new enterprise resource planning system and website, with the balance being for routine capital expenditures; $2.7 million at Belmond La Residencia for the addition of six new suites and $2.6 million at Belmond Hotel Cipriani for works related to the renovation of two existing junior suites and the addition of a new junior suite.

Financing Activities. Net cash provided by financing activities for the nine months ended September 30, 2018 was $43.1 million, compared to net cash provided by financing activities of $91.0 million for the nine months ended September 30, 2017.

During the nine months ended September 30, 2018, Belmond made drawdowns totaling $40.0 million on its Revolving Credit Facility and Charleston Center LLC amended its secured loan of $112.0 million, increasing the amount of the loan to $160.0 million. The proceeds from the additional borrowing were used to repay the outstanding balance on the Revolving Credit Facility in July 2018.

During the nine months ended September 30, 2017, Belmond entered into an Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement provides the Company with (i) a seven-year $603.4 million Term Loan Facility that matures on July 3, 2024 and (ii) a $100.0 million Revolving Credit Facility that matures on July 3, 2022. The proceeds from the Term Loan Facility were recognized as cash and used to repay all outstanding funded debt including the $45.0 million that had been drawn during the nine months ended September 30, 2017 under the prior revolving credit facility, but not the debt of Charleston Center LLC, a consolidated VIE, or the debt of Belmond’s unconsolidated joint venture companies.

Principal repayments under long-term debt were $43.7 million for the nine months ended September 30, 2018 compared to $548.8 million for the nine months ended September 30, 2017.

Cash Flows from Discontinued Operations. The results of Ubud Hanging Gardens and Porto Cupecoy have been presented as discontinued operations for all periods presented. See Notes 5 and 19 to the Financial Statements.

Capital Commitments

Belmond routinely makes capital expenditures to enhance its business. These capital expenditures relate to maintenance, improvements to existing properties and investment in new properties. These capital commitments are expected to be funded through current cash balances, cash flows from operations and existing debt facilities.

There were $38.1 million of capital commitments outstanding at September 30, 2018 (December 31, 2017 - $19.5 million) relating to project developments and refurbishment for existing properties. The increase in capital commitments outstanding from year-end 2017 primarily relates to the refurbishment of Belmond La Samanna and

Belmond Cap Juluca. Total project costs are currently expected to be in the range of approximately $20 million to $25 million at Belmond La Samanna, and approximately $95 million to $105 million at Belmond Cap Juluca. These estimated costs for both properties exclude any offsetting insurance proceeds, which are expected to be approximately $36 million in aggregate from property damage and business interruption coverage for these two Caribbean properties. To date, the Company has received $32.6 million of insurance proceeds related to these two properties and expect the remaining amount to be recovered during the course of this year.

At Belmond La Samanna as a restructuring plan was agreed with the Works Council at the property and approved by the labor authorities in St Martin, the Company met the criteria to recognize a liability for restructuring costs. During the three and nine months ended September 30, 2018, restructuring costs at Belmond La Samanna of $14.9 million were recognized within costs of services and selling, general and administrative expenses in the statements of condensed consolidated operations. The expected completion date for the workforce restructuring is August 2019. See Note 19 to the Financial Statements.

On July 6, 2018, the Company entered into an agreement with Mr. James Sherwood, the founder, Chairman Emeritus and a former director of the Company to terminate certain purchase rights of Mr. Sherwood in respect of the Belmond Hotel Cipriani. Specifically,

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Mr. Sherwood's right of first refusal in the case of a sale of the hotel and his purchase option in the event of a change in control of the Company were terminated under the agreement in exchange for a cash payment of $3.0 million, payable over a period of two years in three installments. Moreover, in the event of a sale of the hotel or a change in control of the Company within a ten year period following execution of the agreement, the Company would pay to Mr. Sherwood $10.0 million if such an event happens within a year of the agreement, stepping down by $1.0 million a year to zero after ten years. Mr. Sherwood would also receive a payment of $25.0 million, less any payments already made under the agreement and with no additional payments due to him thereafter under the agreement, in the event of either (1) a public offer for the Company being made within six months after the execution of the agreement and the closing of a change of control transaction for the Company occurring within six months after such offer was made or (2) a sale of the hotel within one year after the execution of the agreement. See Note 19 to the Financial Statements.

Indebtedness

As at September 30, 2018, Belmond has $760.8 million (December 31, 2017 - $724.2 million) of consolidated debt and obligations under capital leases, including the current portion and including debt held by consolidated variable interest entities. Total debt on the consolidated balance sheets at September 30, 2018 is net of the unamortized original issue discount of $2.8 million (December 31, 2017 - $3.1 million) and unamortized debt issuance costs of $11.6 million (December 31, 2017 - $14.0 million), both of which will be amortized through interest expense over the term of the loans.

The Amended and Restated Credit Agreement provides the Company with (i) a seven-year $603.4 million Term Loan Facility that matures on July 3, 2024 and (ii) a $100.0 million Revolving Credit Facility that matures on July 3, 2022.

The Term Loan Facility has two tranches, a U.S. dollar tranche ($395.0 million currently outstanding) and a euro-denominated tranche (€176.8 million currently outstanding, equivalent to $205.1 million as at September 30, 2018). The dollar tranche bears interest at a rate of LIBOR plus 2.75% per annum, and the euro tranche bears interest at a rate of EURIBOR plus 3.00% per annum. Both tranches are subject to a 0% interest rate floor. The annual mandatory amortization is 1% of the principal amount.

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

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

As at September 30, 2018, Belmond was financed with a $600.1 million Term Loan Facility and a $100.0 million Revolving Credit Facility. In March 2018, Belmond made drawdowns totaling $38.9 million on its Revolving Credit Facility. In May 2018, Belmond repaid $1.2 million leaving an undrawn balance of $62.3 million on the Revolving Credit Facility. In July 2018, all outstanding borrowings under the Revolving Credit Facility were repaid leaving the undrawn balance at $100.0 million.

On June 22, 2018, Charleston Center LLC amended its secured loan of $112.0 million increasing the amount of the loan to $160.0 million and extending its maturity from August 27, 2019 to June 22, 2021. Proceeds from the additional borrowing were used to repay the outstanding balance on the Revolving Credit Facility in July 2018. The amended loan continues to bear interest at a rate of LIBOR plus 2.35% per annum. The loan has no amortization and is non-recourse to Belmond.

The weighted average duration of Belmond's debt, including debt held by consolidated variable interest entities, as at September 30, 2018 is 5.0 years, and the weighted average interest rate is 4.35% which incorporates derivatives used to mitigate interest rate risk. See Note 11 to the Financial Statements regarding the maturity of long-term debt.

Debt of consolidated variable interest entities as at September 30, 2018 included above comprises $160.7 million (December 31, 2017 - $112.9 million), including the current portion but before deduction of unamortized debt issuance costs, of debt obligations of Charleston Center LLC, owner of Belmond Charleston Place in which Belmond has a 19.9% equity investment.

Including debt of consolidated variable entities, approximately 27% of the outstanding principal was drawn in euros and the balance in U.S. dollars. At September 30, 2018, 49% of borrowings of Belmond are subject to floating interest rates.

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Belmond has contingently guaranteed debt obligations of certain of its joint ventures. The following table summarizes these commitments at September 30, 2018:

September 30, 2018	Contingent guarantee $ millions	Duration
Peruvian train joint venture:		
Concession performance	11.6	through May 2019
Peru hotel joint venture:		
Debt obligations	14.5	through 2021
Total	26.1	

Belmond has contingently guaranteed, through 2021, $14.5 million of debt obligations of the joint venture in Peru that operates five hotels. Belmond has contingently guaranteed the Ferrocarril Transandino S.A. ("FTSA") joint venture's obligations relating to the performance of its governmental rail concessions, in the amount of $11.6 million, through May 2019. The contingent guarantees for each Peruvian joint venture may only be enforced in the event there is a change in control of the relevant joint venture, which would occur only if Belmond's ownership of the economic and voting interests in the joint venture falls below 50%, an event which has not occurred and is not expected to occur.

Recent Accounting Pronouncements

As at September 30, 2018, Belmond had adopted all relevant accounting guidance, as reported in Note 1 to the Financial Statements. Accounting pronouncements to be adopted are also reported in Note 1.

Critical Accounting Policies and Estimates

For a discussion of these, see Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates in the Company's 2017 Annual Report on Form 10-K.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Belmond is exposed to market risk from changes in interest rates and foreign currency exchange rates. These exposures are monitored and managed as part of its overall risk management program, which recognizes the unpredictability of financial markets and seeks to mitigate material adverse effects on consolidated earnings and cash flow. Belmond does not hold market rate sensitive financial instruments for trading purposes.

The market risk relating to interest rates arises mainly from the financing activities of Belmond. Earnings are affected by changes in interest rates on floating rate borrowings, principally based on U.S. dollar LIBOR and EURIBOR. Belmond management assesses market risk based on changes in interest rates using a sensitivity analysis. If the rate to be paid by Belmond increased by 100 basis points with all other variables held constant and after taking into account the 0% floor on the corporate term loan, annual net finance costs of Belmond would increase by approximately $3.8 million based on borrowings outstanding at September 30, 2018.

The market risk relating to foreign currencies arises from holding assets, buying, selling and financing in currencies other than the U.S. dollar, principally the euro, British pound, South African rand, Russian ruble and Brazilian real. Some non-U.S. subsidiaries of the Company borrow in local currencies, and Belmond may in the future enter into forward exchange contracts relating to purchases denominated in foreign currencies.

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Thirteen of Belmond’s owned properties in 2018 operated in European euro territories, two in Brazilian real, one in South African rand, four in British pounds sterling, three in Botswana pula, two in Mexican peso, one in Peruvian nuevo sol, one in Russian ruble and six in various Southeast Asian currencies. Revenue derived by Venice Simplon-Orient-Express was recorded primarily in British pounds sterling, but its operating costs were mainly denominated in euros. Revenue derived by Belmond Maroma Resort and Spa, Belmond La Samanna and Belmond Miraflores Park was recorded in U.S. dollars, but the majority of the hotels’ expenses were denominated in Mexican pesos, European euros and Peruvian nuevo soles, respectively. Both revenue and the majority of expenses for Belmond Cap Juluca, Belmond Governor's Residence, Belmond La Résidence D'Angkor and Belmond Road to Mandalay were recorded in U.S. dollars.

Except for the specific instances described above, Belmond’s properties seek to match foreign currency earnings and costs as far as possible to provide a natural hedge against currency movements. The extent to which such a match is possible depends on the property, its guest base and the currency of the majority of its costs. Belmond hedges the U.S. dollar value of its euro denominated net assets by drawing part of its debt in euros and designating that debt as a net investment hedge. In addition, a significant proportion of the guests at Belmond hotels located outside of the United States originate from the United States. When a foreign currency in which Belmond operates depreciates against the U.S. dollar, Belmond has some flexibility to increase prices in local currency, or vice versa. Management believes that when these factors are combined, Belmond does not face a material exposure to its net earnings from currency movements, although the reporting of Belmond’s revenue and costs translated into U.S. dollars can, from period to period, be materially affected.

Belmond management uses a sensitivity analysis to assess the potential impact on net earnings of changes in foreign currency financial instruments from hypothetical changes in the foreign currency exchange rates. The primary assumption used in this model is a hypothetical 10% weakening or strengthening of the foreign currencies against the U.S. dollar. However, because Belmond does not have at September 30, 2018 any significant financial instruments in a currency other than the functional currency of the operation concerned, apart from the euro-denominated indebtedness designated as a net investment hedge discussed in Note 21, there is no material potential impact on net earnings at September 30, 2018 as a result of hypothetical changes in the foreign currency exchange rates.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

The Company’s chief executive officer and chief financial officer have evaluated the effectiveness of Belmond’s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) to ensure that the information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to Belmond management to allow timely decisions regarding required disclosure and to provide reasonable assurance that the information is recorded, processed, summarized and reported within the appropriate time periods. Based on that evaluation, Belmond management has concluded that these disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control over Financial Reporting

The Company is implementing an enterprise resource planning (“ERP”) system on a worldwide basis to replace disparate systems currently in place at each of the Company's businesses. The implementation is occurring in phases globally over the next 12 to 18 months and has been executed in a minority of our operations to date. The Company believes it is maintaining and monitoring appropriate internal controls during the implementation period and further believes that its internal control environment will be enhanced as a result of this implementation.

There have been no changes in Belmond's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the third quarter of 2018 that have materially affected, or are reasonably likely to materially affect, Belmond's internal control over financial reporting.

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PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings

The information set forth under Note 19 to the accompanying consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. Risk Factors

For information regarding factors that could impact our business, results of operations and financial condition, see the risk factors that were disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017 and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the period ended June 30, 2018.

ITEM 6. Exhibits

Exhibit No.	Incorporated by Reference to	Description
3.1	Exhibit 3.1 to July 2, 2014 Form 8-K Current Report	Memorandum of Association and Certificate of Incorporation of Belmond Ltd.
3.2	Exhibit 3.2 to June 21, 2007 Form 8-K Current Report	Bye-Laws of Belmond Ltd.
3.3	Exhibit 1 to April 23, 2007 Amendment No. 1 to Form 8-A Registration Statement	Rights Agreement dated June 1, 2000, and amended and restated April 12, 2007, between Orient-Express Hotels Ltd. and Computershare Trust Company N.A., as Rights Agent
3.4	Exhibit 4.2 to December 10, 2007 Form 8-K Current Report	Amendment No. 1 dated December 10, 2007 to Amended and Restated Rights Agreement (Exhibit 3.3)
3.5	Exhibit 4.3 to May 27, 2010 Form 8-K Current Report	Amendment No. 2 dated May 27, 2010 to Amended and Restated Rights Agreement (Exhibit 3.3)
10.1	Exhibit 10.1 to July 6, 2017 Form 8-K Current Report	Amended and Restated Credit Agreement dated July 3, 2017, among Belmond Ltd., Belmond Interfin Ltd., Barclays Bank PLC, and Credit Agricole Corporate and Investment Bank, HSBC Bank USA, National Association, Fifth Third Bank and JPMorgan Chase Bank, N.A.
10.2		Transaction Agreement dated July 6, 2018 between Belmond Ltd. and James B. Sherwood
31		Rule 13a-14(a)/15d-14(a) Certifications
32		Section 1350 Certification
101		Interactive data file

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 7, 2018

BELMOND LTD.

By: /s/ Martin O'Grady
Martin O'Grady
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)