

Registration number: 09281964

# **VUR Holdings (UK) Limited**

## **Report and Consolidated Financial Statements**

for the Year Ended 31 December 2018

# VUR Holdings (UK) Limited

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## Company information

<b>Directors</b>	C J Brennan S Siegel R Weissmann
<b>Registered number</b>	09281964
<b>Registered office</b>	One Fleet Place London EC4M 7WS
<b>Auditors</b>	Ernst & Young LLP 2 St Peter's Square Manchester M2 3EY

# VUR Holdings (UK) Limited

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# VUR Holdings (UK) Limited

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## **Strategic Report**

**for the Year Ended 31 December 2018**

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

The Company VUR Holdings (UK) Limited is part of the Village Group, defined as VUR Holdings (UK) Limited and its subsidiaries ("the Group" or "Village"). The entities that comprise the Group are shown in Note 15.

Post-acquisition, to the date of signing of the 2018 report and accounts the Group has received a further £41m injection of equity.

The Group is ultimately owned and operated by investment funds managed by KSL Capital Partners.

KSL is a private equity firm specialising in travel and leisure enterprises in five primary sectors: hospitality, recreation, clubs, real estate, and travel services. KSL has offices in Denver, Colorado; Stamford, Connecticut; and London, United Kingdom.

The Company is considered a "portfolio company" having been acquired by KSL a private equity firm. The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.



## Strategic Report

for the Year Ended 31 December 2018

### Business model

Village currently operate 30 hotels around the UK, which are located on the outskirts of cities or major towns and benefit from good access to major arterial roads, a high residential density and the ability to provide adequate car-parking for a high volume of customers concurrently.

#### *The offering*

Each hotel comprises several distinct businesses ‘under one roof’ with the key income streams being the 120-bedrooms\* which predominantly service the mid-week corporate guest for 1 or 2 night stays, and the full-service health & fitness club which provide a service to the local residential population and hotel guests alike.

A typical range of facilities within a Village hotel include:

- 120-bedroom\* hotel and New Development 153 bedrooms
- Pub & Grill / Restaurant
- Starbucks coffee shop\*\*
- Function suite and meeting rooms
- Full-service health & fitness Club (together with full-size swimming pool)
- Health & beauty\*\*\*

*\*120 represents the average no. of bedrooms for a Village hotel*

*\*\*All Village properties contain a Starbucks coffee shop franchise with the exception of Village Liverpool*

*\*\*\*Health & beauty services are offered at 18 of the 30 trading properties*

#### *High footfalls and cross-selling*

High volumes of both residents and members are a key feature of the business model, with hotel occupancies reaching an average of 87% and average memberships of 3,200 per property. In turn, food & beverage (F&B) income streams benefit from the cross-selling opportunities afforded from the resulting very high level of foot traffic.

#### *“Village” – a Community meeting point*

A further key - and unique - feature of the business model is the importance of the local community with a significant proportion of income derived from customers who live within a relatively small radius of each hotel. In addition to those local residents who visit our hotels as health & fitness members, Village also serves as a place for people to meet for both business and pleasure. Village actively encourage use of the hotels by both non-members and non-residents alike.

### Strategy

The Group’s objective is to build value both organically and through the development of new hotels around the UK and build greater UK market share, in turn building greater national awareness of the Village Brand.

## Strategic Report

for the Year Ended 31 December 2018

### **Organic growth**

With investment during 2018 focused on the roll out of our new combined food and beverage (F&B) offering "Pub & Grill" and repurposing of the previously underutilised space into Business Clubs the Group's strategy for organic growth centres around building demand through the delivery of service excellence to enhance repeat custom, member retention and the introduction of new clientele.

Accordingly, the wider connected business is focused on the following five strategies:

- **Hotel**  
Our Hotel operation is essential to the business formula and we compete with many household brand names within this marketplace. Our goal is to become the number one choice as the place to stay for midweek corporate guests and leisure breaks in the local area and to maintain our high occupancies in order to showcase our product and build awareness.
- **Community**  
Village thrives on a strong relationship with the local community and actively seeks to become a key social and business hub within each community as well as providing for its health and well-being.
- **Team**  
The Group acknowledges the singular importance of its employees in delivering a great customer journey and the key role that they play in ensuring customers return and recommend Village. Our teams also represent our greatest advocates within our community.
- **Technology**  
The Group places huge value on keeping pace with technology, not just in bringing efficiencies to ensure that our pricing remains competitive, but in bringing new business to Village and enhancing the guest-journey once they become a customer.
- **Product**  
Consistent development and investment in our products to align with what our customers want is the final cornerstone of Village's strategy. The business is consistently seeking ways to enhance the customer journey offering to deliver a better experience to our guests, members and business users alike.

### **Development of new hotels**

With 30 hotels in the UK, Village Bristol having opened in December 2018, and potentially a further 100\* UK locations identified where the Village business model would succeed, the Group sees great potential to add more Village hotels to the portfolio and in doing so extend awareness of the Village brand to locations where it is relatively unknown, particularly across Southern England.

The development economics and building design of the prototype business model have been re-engineered and the first new model opened in Portsmouth in November 2017 with the second opened in December 2018 in Bristol.

Further locations in Basingstoke and Southampton have also been secured with construction on the Basingstoke commencing in December. The Group's target is to secure several further locations before the end of 2019.

*\*OC&C Research March 2017*

# VUR Holdings (UK) Limited

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## Strategic Report

for the Year Ended 31 December 2018

### ***Tax strategy***

The Group's strategic objectives to expand and build the value of the Village business are key. The Group seeks to implement its strategy for growth within the most tax efficient structure to achieve its commercial goals by applying both the letter and spirit of all tax legislation.

The Group's Tax strategy can be found at <https://www.village-hotels.co.uk/tax-strategy/>

### **Operating review**

The Group made a loss after taxation of £709,000 (2017: profit after taxation £14,112,000) which included £1,509,000 property impairment (2017: £9,860,000 reversal of prior year property impairment) in respect of the directors fair value assessment of assets.

At 31 December, the directors value the Group's hotel property portfolio at £730,896,000 (2017: £646,404,000), an up lift of 13.1% on the prior year.

The Group generated a cash inflow from operations of £23,129,000 (2017: £62,143,000).

For the twelve months to 31 December 2018, the Group generated sales of £208,389,000 (2017: £195,051,000) and operating profit of £28,771,000 (2017: £41,636,000).

The Group operated 30 hotels at the following locations:

Aberdeen	Edinburgh	Newcastle
Ashton Moss	Farnborough	Nottingham
Blackpool	Glasgow	Portsmouth
Bristol (opened December 2018)	Hyde	St David's nr Chester
Bournemouth	Hull	Solihull
Bury	Leeds North	Swansea
Cardiff	Leeds South	Swindon
Cheadle	Liverpool	Walsall
Coventry	London Watford	Warrington
Dudley	Maidstone	Wirral

# VUR Holdings (UK) Limited

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## Strategic Report

for the Year Ended 31 December 2018

For 2018, Village delivered another year of solid growth. Revenue at £208m was 7% up versus the prior year with Group EBITDA (including developing hotels) up £4.1m (+8%) to £54.8m (before £2.7m of hotel pre-opening, new site search and other non-recurring costs) versus prior year. In December, the Group also opened its second 'next generation' property in Bristol, following the successful opening of Portsmouth in December 2017.

On a Like-for-like basis\* Total Revenue grew 4% (2017 : 5%) with Hotel EBITDA\*\*also reporting growth of 4%, a very credible result given the known cost pressures facing the industry (2017: 10%).

Accommodation performed well with Revenue per available room (RevPar) growing by 4% and occupancy growing 1%. Against the market, Village RevPar growth outperformed direct local competitor set by 2.1%-points, driven by sustained Average Daily Room Rate (ADR) growth from the half-way point of the year with little adverse impact on our market-leading occupancy levels.

Health & Fitness continued to report good growth for a fourth consecutive year, with membership numbers up by 5% to 97,000 despite the prolonged bout of record-breaking weather that dampened industry-wide joiner volumes through Spring and Summer. Yield remained in line with prior year, the result of a highly-successful closer-user promotion during June. Tight cost controls, including savings from the restructuring of Club reception & sales teams, meant that Like-for-like\* profit closed 7% up on prior year, whilst Like-for-like\* Fitness revenues grew by 3.4%.

Like-for-like\* Food & Beverage (F&B) revenues grew by 4%, with the new all day dining 'Pub & Grill' concept implemented at 9 properties throughout the year and delivering excellent revenue growth. The World Cup during June and July also delivered strong audiences and liquor spends.

In December the business opened its second next generation 'Blackbox' property in Bristol, following the opening of Portsmouth in December 2017, which is trading very well. The model boasts 153 bedrooms, full service health & fitness club, Pub & Grill, Starbucks and meetings & events space. The next opening is set for Basingstoke in Quarter 1 2020 with openings planned in a further 4 locations during 2021.

\*Like-for-like basis is defined as 28 trading properties excluding Village Portsmouth and Village Bristol

\*\*Hotel EBITDA is defined as hotel revenue less recurring hotel operating costs, before corporate overhead, management contract income and other non recurring costs

\*\*\*STR Competitor set bench marking December 2018

\*\*\*\*Group EBITDA is defined as hotel revenue less recurring hotel operating costs after corporate overhead costs and management contract income but before management fees, pre-opening costs, new site search and other non recurring costs.

# VUR Holdings (UK) Limited

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## Strategic Report

for the Year Ended 31 December 2018

### Key Performance Indicators (KPI's)

#### Financial

The Groups Financial KPI's in the context of the Group's strategy are shown below. The development of new hotels (Village Portsmouth and Village Bristol) is a key driver in establishing Village as a national brand, whilst high customer volumes (occupancy and membership) remain the essential ingredients to the Village business model. Coupled with the key associated price measures (ADR & Membership Yield), these four measures provide the key insight into the Group's success at building demand in these two areas.

F&B Revenue Per Available Room (F&BPar) provides the appropriate measure around the Group's success at building on-spend from residents and members and from the wider local community.

	<i>Unit</i>	<i>2018</i>	<i>2017</i>
Total Revenue	£m	208	195
Total Hotel EBITDA	£m	62	58
EBITDA as a % of revenue	%	30	30
No of Trading Hotels @ 31st Dec		30	29
No of Bedrooms (At Year End)		3,814	3,644
Average Occupancy	%	87	86
Average Daily Room Rate (ADR)	£	68	67
Revenue Per Available Room (RevPar)	£	59	57
Membership No's at Year-end		96,716	91,933
Membership Yield	£	34	34
F&B Revenue Per Available Room (F&BPar)	£	57	56

#### Non-Financial

- **Number of locations secured for new development properties**

In line with the Group's strategy to develop new hotels throughout the UK, the success with which suitable new sites are identified and secured is a key driver for future growth of the business. The Group has recently opened its new hotel in Bristol in December 2018. Two further locations have also been secured in Basingstoke and Southampton.

- **Hotel competitor benchmarking**

The success with which the Group is improving market share within its hotel operation is monitored through ongoing comparison with direct local hotel competitors using Smith Travel Research (STR) independent benchmarking.

- **Guest satisfaction & online review scores**

All guests who stay at a Village hotel are asked to complete an online Guest Satisfaction Survey. The surveys covers all areas of the guest journey.

- **Employee turnover and engagement**

The Group values its employees and actively promotes growth from within to retain its teams. Key measures of this are Employee Attrition Rates and its annual Employee Engagement Survey.

# VUR Holdings (UK) Limited

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## Strategic Report

for the Year Ended 31 December 2018

### Financial Review & Capital Structure

#### **Financing arrangements**

At 31 December 2018, the Group's long-term liabilities as shown in note 19 were:

Liability	£000's
Senior Loan	375,000
Debt finance fees (unamortised)	(1,632)
Total long term liabilities	373,368

#### **Senior Loan**

Senior borrowing is provided by Wells Fargo Bank leveraged against the Group's property portfolio. The Facility was amended and restated in May 2018 and a further £25m was drawn down as described in note 19.

The Group monitors and reports its trading position and financial covenants to its Lender on a monthly and quarterly basis.

The Group has a related party loan of £78m which is due to mature in November 2019. During the year, the Group paid off £45m of accrued interest on its related party loan. Interest accrued but not paid at the year end amounted to £6.3m. KSL has confirmed its intention to convert the loan and any outstanding interest to ordinary share capital before the maturity date.

#### **Liquidity & Capital Resources**

Strong financial management is integral to the Group's strategy to develop new hotels, funded where possible through the utilisation of free cash flow generated by operating activities.

#### **Treasury Policies**

The Group's Treasury function is controlled by senior finance management who operate in line with guidelines as agreed by the Board. This ensures that there is sufficient liquidity to fulfil day-to-day operational needs as well as capital project requirements.

Further funding requirements over and above cash generated through operating activities and loan finance, are provided by way of equity injection from fellow Group companies, financed by investment funds managed by KSL Capital Partners.

In its liquidity forecasts through 2018 and 2019, the Group recognises that an equity injection will be required to meet the pace of the required new build and refurbishment programmes.

During 2018 and 2019, the Group received equity injections of £34m.

In its liquidity forecasts through 2019 and 2020, the Group recognises that further equity injections and increased borrowing will be required to meet the pace of the required new build and refurbishment programmes.

#### **Capital Structure**

The Company has issued share capital comprising 130,000,000 Ordinary Shares of £1 each as shown in note 22. VUR Holdings II Sarl holds 100% of the share capital. The ultimate controlling party is disclosed in note 26.

## Strategic Report

for the Year Ended 31 December 2018

### Business risks

As well as reviewing performance and considering strategy, directors and senior management identify business risks and ensure that risk mitigation plans and controls are in place. The principal risks faced by the business are:

#### **Financial loss**

With a large number of geographically dispersed business units, the Group is continuously exposed to the risk of financial loss and the directors seek to mitigate these risks by providing clear guidelines and operating control standards. These are set out within the Group's Financial Control Policy which ensures that management understand what is expected in this context.

The Group's internal audit function visits every location unannounced, at least annually and reports to both management at the hotel and to the Group's Finance Director. The Group has also formalised its risk management processes with a detailed risk control framework.

#### **Personal health, safety and security**

Thousands of people stay in the hotels and visit our leisure and food & beverage offerings every day. The Group employs a dedicated Health and Safety team to ensure that robust processes are in place at all times to protect our customers and employees, whose wellbeing is our paramount concern and to maintain the highest hygiene standards.

#### **UK Economy and Brexit**

The Group's revenues are significantly influenced by the level of UK economic activity. The effect of the UK's decision to leave the European Union is unlikely to become clear until negotiated terms are finalised and the impact on consumer disposable income and spending patterns begins to feed through the economic cycle. The Group's businesses are all subject to a regular and comprehensive cycle of budgeting, forecasting and peer group competitive analysis that facilitates the identification of market trends so that early action can be taken to mitigate potential shortfalls or identify new revenue growth opportunities.

#### **Cyber Security**

The Group recognises the potential threat of unauthorised access to personal and financial information held within its many interlinking and stand-alone systems. The Group actively conducts frequent penetration testing of its infrastructure and updates its hardware to ensure that its security remains as robust as possible against potential attack.

#### **Information Technology**

The Group relies on up-to-date hardware and software to run all areas of its business both customer facing - point of sale systems, guest check in, leisure memberships, and administrative - booking systems, financial systems etc.

Contingency plans are in place to ensure that the impact of any potential system failures on the day-to-day operations of the business is minimised as far as possible.

# VUR Holdings (UK) Limited

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## Strategic Report

for the Year Ended 31 December 2018

### Financial instrument risks

The Group makes little use of financial instruments. The Group is financed by Bank borrowings (Senior Loan) and unsecured debt (Related Party Loan) and equity provided by funds managed by KSL Capital Partners. Exposure to price risk is not material to the assessment of assets, liabilities or loss of the Group.

### Foreign exchange risk

The Group's trading exposure to currencies other than Sterling has been and remains extremely low, as to be expected for a Group whose trading activities are all UK-based. The Group does not use derivatives to manage its currency exposure.

### Cash flow interest rate risk

The Group's policy is to manage its cost of borrowing using short-term debt at fixed rates. The Group's objective is to reduce exposure to cash flow interest rate risk.

### Liquidity risk

The Group aims to mitigate cash flow risk by carefully managing and monitoring its cash generation from its operations. Wells Fargo Bank provide the Senior Facility (from November 2016) amended and restated in May 2018.

### Credit risk

The Group's objective is to reduce the risk of financial loss due to a counter party's failure to honour its obligations. Standard payment terms of 21 days are quoted to customers for credit contracts.

Credit management procedures are performed in line with Group guidelines including a weekly review of debtor ageing by senior finance management to ensure that the Group's exposure is appropriately managed.

### Going concern

Borrowing facilities granted to the Company are secured against properties owned and operated by the Group. Borrowing facilities granted to the Group's parent entity VUR Holdings (UK) Limited are unsecured. The related party loan and interest accrued but not paid are due to mature in November 2019. KSL has confirmed its intention to convert the loan and any outstanding interest to ordinary share capital before the maturity date.

The net current liability position is driven by short term unsecured intercompany loans, the counterparty lender being other UK group companies within the wider Village group.

After making enquiries and preparing financial projections for the year ended 2019 and 2020, the directors identified the need for additional financial support from the fund managed by KSL Capital Partners. KSL have confirmed that the fund has sufficient unfunded capital commitments from its investors available for such a capital contribution.

With additional funding confirmed, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.



## Strategic Report

for the Year Ended 31 December 2018

### Trends and factors affecting future performance

The Group envisages the following challenges to continue into the following year:

#### ***Leaving the European Union***

With the negotiations regarding the UK's departure from the European Union (Brexit) still not having been concluded this ongoing uncertainty continues to have an adverse impact on the whole of the hospitality industry. Until the position is finalised the final effects are still unclear.

#### ***Pressure from the High Street***

The continuing pressures on the High Street F&B market will ensure that retailers will be continuing to compete for customers via tactical marketing and aggressive discounting.

Through 2018, the Group has rolled out its new Pub & Grill F&B all day dining concept to counter these pressures. During 2018 9 hotels benefited from this new concept.

#### ***Changing culture pattern of working environments***

With a growing number of businesses discarding large expensive offices in favour of hot-desking, home working and flexible working hours for employees, the Group views this as a great opportunity to offer and promote a membership-based Business Club which aligns with these trends and will utilise prime floor-space created by the re-modelling of core F&B model. At December 2018 the Group had opened 9 Business Clubs, including those in its new build properties Portsmouth and Bristol.

#### ***Future health club demand***

With increasing awareness of how important fitness is to our overall health and wellbeing, the Group is well placed to capture an increased share of the leisure market despite facing competition from the heavy discount based clubs. By bringing the latest technology and equipment into its clubs, the Group is actively encouraging participation by all members of the community residents and non-residents alike, in physical and social activities to enhance overall wellbeing.

### Environmental & Social Governance

The Group is committed to being a responsible and environmentally friendly business and continues to undertake key initiatives to support the environment.

Since 2016, the Group has engaged a 3rd party environmental consultant, to incorporate monitoring systems onto our Building Management systems (BMS) to evaluate energy usage and advise on actions to be taken to reduce energy consumption. The Group have also invested in the re-commissioning of its existing BMS to ensure all building services plant and equipment running efficiently.

An e-learning module on our staff training platform is also in development to ensure all staff are aware of energy usage and the impact of their actions and workflows, including regular communications in back-of-house areas to remind staff to conserve energy.

## Strategic Report

for the Year Ended 31 December 2018

### ***New development hotels***

For new hotels that are being developed, the Group's aim is to achieve a Building Research Establishment Environmental Assessment Method (BREAM) rating of "Very Good" on all hotels built from 2015 onwards.

This rating is only awarded on the basis that the development is designed and managed with the environmental impacts in mind and the award requires ecological surveys to minimise impacts on land and natural habitats, energy efficient lighting and plant, thermally efficient external envelop, natural ventilation, as well as a day-to-day 'travel plan' to understand how customers and staff will access the hotel.

The Group also engages a construction contractor, who is certified by The Carbon Trust Supply Chain Standard for reducing CO2 through their supply chain.

### ***Waste disposal and recycling***

In 2018, the Group met the requirements of the European Union Directive on packaging and packaging waste (94/62/EC) and regular internal benchmarking is used to measure each hotels volume of recycled waste versus landfill. The Group's aim is to divert 60% of its waste away from landfill and for 2018 the business achieved 48%.

The Group is also compliant with Recycle Pak, a National Compliance Scheme registered to serve companies under the Packaging Waste Regulations.

### ***General Data Protection Regulations (GDPR) Statement***

The Group is committed to ensuring that all personal data held is both necessary and relevant and is held securely in accordance with the Group's Data Protection Strategy.

The Group worked steadfastly towards ensuring compliance with the implementation of GDPR, which came into force on 25 May 2018. The Group seeks to ensure that we adopt the approach sought by this Regulation and are as transparent as possible with both customers and employees in advising on the data we are collecting from them and for what purpose. The Group has appointed internal Data Guardians who meet on a quarterly basis to reassess and reevaluate controls over data security.

The Group's privacy policy can be found at <https://www.village-hotels.co.uk/privacy-policy/>

### ***Procurement Policy***

The Procurement team works closely with the Risk & Safety Manager to ensure that Government legislation is applied and guidelines are being followed throughout the Village portfolio. Examples of this are:

- The availability and update of allergen information for customers and employees.
- Due diligence checks for new suppliers to ensure they are meeting the legal risk and safety requirements as well as being ethically, environmentally and socially responsible.
- The reduction of waste to landfill, introduction of recycling initiatives and management of waste notes.

The Procurement team together with all nominated suppliers within the Village supply chain, work within the Bribery Act 2010 guidelines.

## Strategic Report

for the Year Ended 31 December 2018

### ***Modern Slavery Statement***

The Group recognise that although slavery, servitude, forced labour and human trafficking ('Modern Slavery'), is illegal it remains a growing issue in the UK. In an increasingly global marketplace, the Group also recognise that all businesses have a responsibility to understand whether modern slavery and human trafficking is taking place within their businesses and supply chains and this is a responsibility that the Group takes seriously. Human rights is not a material issue for the Group.

The Groups Modern Slavery statement can be found at:  
<https://www.village-hotels.co.uk/modern-slavery-statement/>

### ***Employees***

The Group recognises that employees are our future and Village offers a number of opportunities for our teams to help them develop their true potential.

### ***Equal opportunities***

The Group is committed to being an equal opportunities employer and to maintaining a working environment free from discrimination, victimisation, harassment and bullying. During recruitment, transfer, promotion, training or in the assessment of salary and benefits, the Group aims to ensure that all applicants, employees and workers receive equal treatment irrespective of their sex, marital or civil partnership status, sexual orientation, race, colour, ethnic or national origins, religion or belief, working hours, disability, age or temporary agency status.

### ***Training & identifying talent***

The Group provides training to all employees on how to deliver excellent service to all of our guests and uses an annual appraisal system to identify further training needs around our core values and to build succession plans. The Group encourages growth from within all of its employees and identifies team members who have the qualities for future senior roles within the business. Development programmes are in operation to enable those employees to achieve their full potential within Village.

### ***Employee engagement***

The Group encourages honest feedback from all its employees and carries out annual Employee Engagement Surveys to gather views on various topics covering employee wellbeing and their affinity to the Village brand.

### ***Employee health & wellbeing***

The Group understands how important it is to look after the health and wellbeing of its employees. Gym memberships are therefore offered to all staff and their families to encourage an active and healthy lifestyle. A confidential Employee Assistance programme is also provided to support employees in dealing with all aspects of life's challenges.

# VUR Holdings (UK) Limited

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## Strategic Report

for the Year Ended 31 December 2018

### **Gender Diversity Information**

The Group strives to create a transparent, inclusive and egalitarian culture that recognises diversity not just in terms of gender, but all colleagues regardless of their race, religion or background.

At December 2018, the table below shows the breakdown of roles by gender:

	Company Directors	Senior Leadership Team	Employees
Female	-	5	2,914
Male	2	8	2,048

The Group carried out its Gender Pay Gap review for 2018 with the results shown below.


Difference between men & women	Mean	Median
Gender Pay Gap	18%	3%
Gender Bonus Gap	37%	0%

The Group is confident that the gender pay gap does not represent an issue and commits to ensuring that the approach to pay remains gender-indifferent.

The Group's full Gender Pay Gap Statement can be found at:

<https://www.village-hotels.co.uk/media/5011/village-hotel-club-gender-pay-gap-report.pdf>

28/06/19  
Approved by the board on ..... and signed on its behalf by:

  
.....  
**C J Brennan**  
**Director**

# VUR Holdings (UK) Limited

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## Directors' Report

for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

### Principal activity

The principal activity of the Company is that of a holding company of the Village Group. The principal activity of the Village Group is the ownership and operation of hotels and their associated health and fitness clubs.

These financial statements present the consolidated results and financial position for VUR Holdings (UK) Limited and all of its subsidiaries ("the Group").

### Results and dividends

The loss for the year, after taxation, amounted to £709,000 (2017 - profit of £14,112,000). This result includes impairment of tangible assets of £1,509,000 (2017: reversal of prior year impairment £29,860,000).

The directors do not recommend the payment of a final dividend (2017: £nil).

### Directors of the Group

The Group considers its Board to comprise of the directors who held office during the year, the Executive Chairman and the Chief Executive Officer:

C J Brennan

S Siegel

R Weissmann

G R Davies - Executive Chairman

P Roberts - Chief Executive Officer

### ***Coley Brennan – Partner & Head of Europe KSL Capital Partners***

Coley joined KSL in May 2005, after spending 5 years in the Real Estate, Gaming, Lodging & Leisure Group of Deutsche Bank Securities. He holds a B.S. in Real Estate and Finance from Cornell University's School of Hotel Administration.

### ***Steven Siegel – Partner & Chief Operating Officer KSL Capital Partners***

Steven joined KSL in March 2005 after serving as their outside counsel since 2002. He is the former Chairman of the Board of Directors of Special Olympics Colorado and holds a J.D. from the University of Chicago and a B.A. in Economics from the Wharton School of the University of Pennsylvania. He began his legal career as an associate with Cravath Swaine & Moore in 1987.

From 1990 through to 1995, he was with the New York office of Kirkland & Ellis LLP, becoming a partner in 1993. In 1995, he was a partner of Brownstein Hyatt & Farber, P.C., where he served as chair of the Corporate and Securities Department and as a member of the firm's executive committee.

# VUR Holdings (UK) Limited

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## Directors' Report

for the Year Ended 31 December 2018

### ***Richard Weissmann – Partner KSL Capital Partners***

Richard joined KSL in March 2008. Previously, he was a Managing Director in the Investment Banking Division of Goldman Sachs & Co., where he led Goldman's Hospitality and Gaming Practice. Prior to joining Goldman in 1998, he was an attorney in the real estate and corporate groups with the law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York City.

He began his career in 1984 as a real estate developer in the New York metropolitan area.

He has a B.A. from Tufts University and a J.D. from Columbia University School of Law.

### ***Gary Davis – Executive Chairman Village Group***

Following the acquisition of Village in November 2014, Gary Davis re-joined the Village Group as Chief Executive Officer from hotel chain Malmaison and Hotel du Vin where he had held the position of CEO since January 2012. It was a welcome home to Gary having previously held the Village CEO position during its De Vere ownership from 2007 to 2012. Gary brought with him a wealth of experience in hotel operations. In July 2017, Gary moved up to the role of Executive Chairman to focus on the strategic development of the business and new build roll out plans.

### ***Paul Roberts – Chief Executive Officer Village Group***

Paul joined the Village Group in July 2017 as CEO to support and strengthen the leadership structure in its focus to ensure the fast pace growth of Village, having previously held the position of CEO and formerly finance director at Malmaison and Hotel du Vin. Paul joined Malmaison in 2012 from De Vere Group where he was finance director of the De Vere Hotels portfolio. Prior to De Vere, Paul held senior positions at Morgans Hotel Group, MacDonald Hotels and Raffles International.

### **Matters covered in the strategic report**

The Group's key business and going concern risks and use of financial instruments are disclosed within the Strategic report. The report also discloses the Groups policies on employee opportunities and welfare, as well as health and safety of guests and staff.

### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

### **Post balance sheet events**

In January 2019 and April 2019, the company issued £12,000,000 and £10,000,000 ordinary shares to its parent in exchange for cash.

# VUR Holdings (UK) Limited

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## Directors' Report

for the Year Ended 31 December 2018

### Reappointment of auditors

Ernst & Young LLP, have expressed their willingness to continue as auditors in accordance with section 487(2) of the Companies Act 2006.

Approved by the board on <sup>28/06/19</sup>..... and signed on its behalf by:



C J Brennan  
Director

## Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



## Independent Auditor's Report to the Members of VUR Holdings (UK) Limited

### Opinion

We have audited the financial statements of VUR Holdings (UK) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

## Independent Auditor's Report to the Members of VUR Holdings (UK) Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities [set out on page 17], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

## Independent Auditor's Report to the Members of VUR Holdings (UK) Limited

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

.....  
Jamie Dixon (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor

2 St Peter's Square  
Manchester  
M2 3EY

28/06/19  
Date:.....

# VUR Holdings (UK) Limited

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## Consolidated Profit and Loss Account for the Year Ended 31 December 2018

	<i>Note</i>	<i>2018</i> <i>£ 000</i>	<i>2017</i> <i>£ 000</i>
<b>Turnover</b>	3	208,389	195,051
Cost of sales		<u>(103,913)</u>	<u>(97,687)</u>
<b>Gross profit</b>		104,476	97,364
Administrative expenses		(76,015)	(67,235)
Exceptional items - impact of revaluation of fixed assets	8	(1,509)	9,860
Other operating income	4	<u>1,819</u>	<u>1,647</u>
<b>Operating profit</b>	5	<u>28,771</u>	<u>41,636</u>
Interest receivable and similar income	9	40	92
Interest payable and similar expenses	10	<u>(28,253)</u>	<u>(26,194)</u>
		<u>(28,213)</u>	<u>(26,102)</u>
<b>Profit before tax</b>		558	15,534
Taxation	11	<u>(1,267)</u>	<u>(1,422)</u>
<b>(Loss)/profit for the financial year</b>		<u><u>(709)</u></u>	<u><u>14,112</u></u>

The above results were derived from continuing operations.

The notes on pages 28 to 46 form an integral part of these financial statements.

# VUR Holdings (UK) Limited

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## Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2018

	<i>2018</i> <i>£ 000</i>	<i>2017</i> <i>£ 000</i>
<b><i>(Loss)/profit for the year</i></b>	(709)	14,112
Unrealised surplus on revaluation of tangible fixed assets	<u>50,636</u>	<u>38,133</u>
<b><i>Total comprehensive income for the year</i></b>	<u><u>49,927</u></u>	<u><u>52,245</u></u>

The notes on pages 28 to 46 form an integral part of these financial statements.


# VUR Holdings (UK) Limited

## Consolidated Balance Sheet

as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
<b>Fixed assets</b>			
Intangible assets	12	773	1,546
Tangible assets	14	<u>730,896</u>	<u>646,404</u>
		<u>731,669</u>	<u>647,950</u>
<b>Current assets</b>			
Stocks	16	1,734	1,650
Debtors: amounts falling due after more than one year	17	5,099	5,099
Debtors: amounts falling due within one year	17	15,953	9,985
Cash at bank and in hand		<u>9,625</u>	<u>6,870</u>
		32,411	23,604
<b>Creditors: amounts falling due within one year</b>	18	<u>(124,490)</u>	<u>(28,193)</u>
<b>Net current liabilities</b>		<u>(92,079)</u>	<u>(4,589)</u>
<b>Total assets less current liabilities</b>		639,590	643,361
<b>Creditors: Amounts falling due after more than one year</b>	18, 19	(373,368)	(439,227)
<b>Provisions for liabilities</b>	20	<u>(161)</u>	<u>-</u>
<b>Net assets</b>		<u>266,061</u>	<u>204,134</u>
<b>Capital and reserves</b>			
Called up share capital	22	130,000	118,000
Revaluation reserve	21	153,102	102,466
Profit and loss account	21	<u>(17,041)</u>	<u>(16,332)</u>
<b>Shareholders' funds</b>		<u>266,061</u>	<u>204,134</u>

Approved and authorised by the board on 28/06/19 and signed on its behalf by:

  
 .....  
**C J Brennan**  
 Director

The notes on pages 28 to 46 form an integral part of these financial statements.

# VUR Holdings (UK) Limited

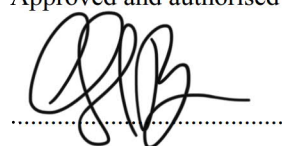
## Company Balance Sheet

as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
<b>Fixed assets</b>			
Investments	15	208,000	196,000
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	17	824	824
Debtors: amounts falling due within one year	17	967	34
		1,791	858
<b>Creditors: Amounts falling due within one year</b>	18	(129,675)	-
<b>Net current (liabilities)/assets</b>		(127,884)	858
<b>Total assets less current liabilities</b>		80,116	196,858
<b>Creditors: Amounts falling due after more than one year</b>	18	-	(116,774)
<b>Net assets</b>		80,116	80,084
<b>Capital and reserves</b>			
Called up share capital	22	130,000	118,000
Profit and loss account	21	(49,884)	(37,916)
<b>Shareholders' funds</b>		80,116	80,084

The company made a loss after tax for the financial year of £11,968,000 (2017 - loss of £12,480,000).

Approved and authorised by the board on 28/06/19 and signed on its behalf by:



**C J Brennan**  
Director

The notes on pages 28 to 46 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2018

Equity attributable to the parent company

	Share capital £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2017	118,000	64,333	(30,444)	151,889
Profit for the year	-	-	14,112	14,112
Other comprehensive income	-	38,133	-	38,133
Total comprehensive income	-	38,133	14,112	52,245
At 31 December 2017	118,000	102,466	(16,332)	204,134

	Share capital £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2018	118,000	102,466	(16,332)	204,134
Loss for the year	-	-	(709)	(709)
Other comprehensive income	-	50,636	-	50,636
Total comprehensive income	-	50,636	(709)	49,927
New share capital subscribed	12,000	-	-	12,000
At 31 December 2018	130,000	153,102	(17,041)	266,061

The notes on pages 28 to 46 form an integral part of these financial statements.



# VUR Holdings (UK) Limited

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## Company Statement of Changes in Equity

for the Year Ended 31 December 2018

	<i>Share capital</i> £ 000	<i>Profit and loss</i> <i>account</i> £ 000	<i>Total</i> £ 000
At 1 January 2017	118,000	(25,436)	92,564
Loss for the year	-	(12,480)	(12,480)
Other comprehensive income	-	-	-
Total comprehensive income	-	(12,480)	(12,480)
At 31 December 2017	<u>118,000</u>	<u>(37,916)</u>	<u>80,084</u>
	<i>Share capital</i> £ 000	<i>Profit and loss</i> <i>account</i> £ 000	<i>Total</i> £ 000
At 1 January 2018	118,000	(37,916)	80,084
Loss for the year	-	(11,968)	(11,968)
Total comprehensive income	-	(11,968)	(11,968)
New share capital subscribed	<u>12,000</u>	<u>-</u>	<u>12,000</u>
At 31 December 2018	<u>130,000</u>	<u>(49,884)</u>	<u>80,116</u>

The notes on pages 28 to 46 form an integral part of these financial statements.

# VUR Holdings (UK) Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

	2018 £ 000	2017 £ 000
<b><i>Cash flows from operating activities</i></b>		
(Loss)/profit for the year	(709)	14,112
Adjustments to cash flows from non-cash items		
Amortisation of intangible assets	772	772
Depreciation of tangible assets	21,134	16,364
Impairment/(reversal of impairment)/ of tangible assets	1,509	(9,860)
Profit on disposal of tangible assets	(51)	(75)
Interest paid	28,253	26,194
Interest received	(40)	(92)
Taxation credit	1,267	1,422
Increase in stocks	(84)	(227)
Decrease in debtors	1,503	816
(Decrease)/increase in creditors	(28,102)	12,717
Increase in provisions	161	-
Corporation tax paid	(2,324)	-
Net cash flow from operating activities	23,289	62,143
<b><i>Cash flows from investing activities</i></b>		
Purchase of tangible fixed assets	(55,287)	(42,924)
Sale of tangible fixed assets	51	75
Interest received	40	92
Net cash flows from investing activities	(55,196)	(42,757)
<b><i>Cash flows from financing activities</i></b>		
New secured loans	50,000	2,779
Increase in unamortised loan finance fees	915	-
Issue of ordinary shares	12,000	-
Interest paid	(28,253)	(26,194)
Net cash flows from financing activities	34,662	(23,415)
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>	2,755	(4,029)
Cash and cash equivalents at 1 January	6,870	10,899
<b><i>Cash and cash equivalents at 31 December</i></b>	9,625	6,870

The notes on pages 28 to 46 form an integral part of these financial statements.

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

#### 1 General information

The company is a private company limited by shares, incorporated in England and Wales.

The address of its registered office is:

One Fleet Place  
London  
EC4M 7WS

#### 2 Accounting policies

##### ***Summary of significant accounting policies and key accounting estimates***

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### ***Statement of compliance***

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

##### ***Basis of preparation***

These financial statements have been prepared using the historical cost convention except as disclosed in the accounting policies certain items are shown at fair value.

##### ***Basis of consolidation***

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2018.

The consolidated financial statements incorporate the results of the business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at the fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of Comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

# VUR Holdings (UK) Limited

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## Notes to the Financial Statements for the Year Ended 31 December 2018

### ***Judgements and key sources of estimation and uncertainty***

The preparation of financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Management do not consider there to have been any judgements having a significant effect on the financial statements. The following are the Group's key sources of estimation uncertainty:

#### *Revaluation of tangible fixed assets*

The Group carries its operating properties at fair value, with changes in fair value being recognised in profit or loss or revaluation reserve as applicable. The directors estimated the fair value of the Group's tangible fixed assets using an Income Approach using the Discounted Cash Flow Method. The valuation assumes that the highest and best use of the assets is as trading hotels.

#### *Impairment of non-financial assets*

Investments are accounted for at cost less impairment. The Group performs its impairment review annually at the balance sheet date and whenever events occur that may be an indication of impairment.

The following principal accounting policies have been applied:

### ***Going concern***

The Group secures its funding requirements from equity injection and borrowings from fellow group companies financed by investment funds managed by KSL Capital Partners. Borrowing facilities granted to VUR Holdings (UK) Limited are unsecured.

The net current liability position is driven by short term unsecured intercompany loans, the counterparty lender being other UK group companies within the wider Village group.

After making enquiries and preparing financial projections for the year ended 2019 and 2020, the directors identified the need for additional financial support from the fund managed by KSL Capital Partners. KSL have confirmed that the fund has sufficient unfunded capital commitments from its investors available for such a capital contribution.

With additional funding confirmed, the directors have a reasonable expectation that the Group has adequate resources to continue in the operational existence for the foreseeable future.

### ***Revenue recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### *Sale of goods*

The Group operates restaurants and bars at all of its hotels. Sales of goods are recognised when a hotel restaurant or bar sells a product to a customer.

## Notes to the Financial Statements for the Year Ended 31 December 2018

### *Rendering of services*

The Village Group supplies conference and event facilities as well as hotel rooms to business and private customers. Sales of rooms and conference and event facilities are recognised on the dates those facilities are used. Deposits received in advance are not recognised as revenue until the day of the stay or event.

Revenue from hotel management services is recognised as other operating income when the group obtains the right to consideration in exchange for its performance.

### ***Intangible assets***

Goodwill represents the difference between purchase consideration and the fair value of the assets and liabilities acquired. After initial recognition, goodwill is stated at cost less amortisation less any impairment losses, with the original carrying value being reviewed for impairments annually and whenever events or circumstances indicate that the carrying value may be impaired.

Goodwill is amortised on a straight line basis over 5 years, the period over which the directors estimate that the benefit will be derived.

### ***Tangible assets***

Tangible fixed assets are carried at valuation. The basis of valuation is an annual valuation at each balance sheet date on a fair value basis by the Directors. The valuation therefore assumes that the assets continue in their current use as hotels.

Depreciation of freehold buildings is provided to write off valuation less any estimated residual values over their estimated useful lives of 50 years. Leasehold properties are depreciated over the shorter of 50 years and the remaining lease term.

Other tangible fixed assets includes fixtures and fittings, plant and machinery and other equipment including computers.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Plant and equipment	25% per annum
Small operating equipment	50% per annum

Assets under construction are not depreciated until they are ready to use. When an asset is fully depreciated and no longer in use both the gross amount and the aggregate depreciation are eliminated from the financial statements.

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

#### **Revaluation of tangible fixed assets**

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Revaluation gains are recognised in other comprehensive income and accumulated in the revaluation reserve, unless they are reversing a revaluation loss on the same asset that was previously recognised in profit and loss, in which case they are recognised in profit and loss. Revaluation losses are recognised in profit and loss, except to the extent that they reverse an increase previously recorded in other comprehensive income.

#### **Impairment of fixed assets and goodwill**

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that those values may not be recoverable. For the purposes of an impairment review, and in accordance with FRS 102, fixed assets are first grouped into cash generating units (CGU's). Each individual hotel is considered to be a separate CGU.

The carrying value of each CGU is then compared to its recoverable value amount, which is defined as the higher of value in use or fair value less costs to sell.

Value in use is calculated for each cash generating unit by preparing a discounted cash flow valuation using the projections prepared by management for business planning purposes. The discount rate used is based on advice by an independent qualified valuers based on prevailing market conditions. The valuation in use calculation assumes that the assets continue in their current use and does not consider how a third party may choose to operate such assets.

Fair value less costs to sell is based on the directors' estimates of the current market value of the income generating unit.

If the carrying value of the cash generating unit exceeds the recoverable value so calculated, the excess is immediately charged to the profit and loss account.

#### **Valuation of investments**

Investments are measured at cost less impairment. Impairment reviews of the recoverable amount of investments are carried out annually at the balance sheet date and whenever events occur that may be an indicator of impairment

#### **Stocks**

Stock is valued at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing stock.

#### **Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

#### **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

#### **Creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Short term creditors are measured at the transaction price. Other financial liabilities, including amounts due to group undertakings, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### **Foreign currency transactions and balances**

Foreign currency denominated purchases or sales of goods and services are initially translated at the exchange rate ruling at the transaction date. Any exchange differences arising on subsequent settlement of those transaction or upon the retranslation of foreign currency assets and liabilities at the balance sheet date are taken immediately to the profit and loss account.

#### **Finance costs**

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the using the effective interest method so that the amount charged is at a constant rate on the carrying amount costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **Interest income**

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

#### **Borrowings**

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

#### **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

### **3 Turnover**

An analysis of turnover by class of business is as follows:

	<i>2018</i> <i>£ 000</i>	<i>2017</i> <i>£ 000</i>
Sale of goods	71,181	66,519
Services rendered	<u>137,208</u>	<u>128,532</u>
	<u>208,389</u>	<u>195,051</u>

### **4 Other operating income**

	<i>2018</i> <i>£ 000</i>	<i>2017</i> <i>£ 000</i>
Hotel management services	<u>1,819</u>	<u>1,647</u>



# VUR Holdings (UK) Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 5 Operating profit

The operating profit is stated after charging/(crediting):

	2018 £ 000	2017 £ 000
Depreciation of tangible fixed assets	21,134	16,364
Impairment of tangible fixed assets (note 8)	1,509	-
Amortisation of goodwill	772	772
Reversal of prior year impairment (note 8)	-	(9,860)
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	93	86
Other non-audit services	25	25
Operating lease rentals - plant and machinery	612	586
Operating lease rentals - other operating leases	5,198	5,246
Profit on disposal of fixed asset	<u>(51)</u>	<u>(75)</u>

The auditors' fee of £93,000 (2017: £86,000) which included £1,000 (2017: £1,000) in respect of the Company was settled by a fellow subsidiary company VUR Village Trading No 1 Limited.

### 6 Employees

Staff costs were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	61,776	56,704
Social security costs	4,037	3,754
Cost of defined contribution scheme	<u>787</u>	<u>606</u>
	<u>66,600</u>	<u>61,064</u>

The average number of persons employed by the group (including directors) during the year, all of whom were engaged in hotel operations, was as follows:

2018 No.	2017 No.
<u>4,813</u>	<u>4,110</u>

The company has no staff costs for the year ended 31 December 2018 nor for the year ended 31 December 2017.

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 7 Directors' remuneration

Charges for the directors are made by way of a management charge from outside of the Village group of companies. It is not practicable to identify the element of their remuneration that relates to their services as directors of the Company or its subsidiaries.

### 8 Exceptional items

	<i>2018</i> <i>£ 000</i>	<i>2017</i> <i>£ 000</i>
Reversal of impairment of tangible fixed assets	-	(9,860)
Impairment of tangible fixed assets	<u>1,509</u>	<u>-</u>
	<u>1,509</u>	<u>(9,860)</u>

### 9 Interest receivable

	<i>2018</i> <i>£ 000</i>	<i>2017</i> <i>£ 000</i>
Bank interest received	<u>40</u>	<u>92</u>

### 10 Interest payable and similar expenses

	<i>2018</i> <i>£ 000</i>	<i>2017</i> <i>£ 000</i>
Interest on bank overdrafts and borrowings	<u>28,253</u>	<u>26,194</u>

# VUR Holdings (UK) Limited

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## Notes to the Financial Statements for the Year Ended 31 December 2018

### 11 Taxation

Tax charged/(credited) in the profit and loss account

	2018 £ 000	2017 £ 000
<b>Current taxation</b>		
UK corporation tax	1,106	1,422
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	161	-
Tax expense in the profit and loss account	<u>1,267</u>	<u>1,422</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	<u>558</u>	<u>15,534</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	106	2,990
<b>Effects of:</b>		
Capital allowances for year in excess of depreciation	(1,609)	(2,320)
Non-taxable impairments	287	(1,898)
Other non-taxable items	2,483	2,667
Transfer pricing not reflected in the financial statements	<u>-</u>	<u>(17)</u>
Total tax charge	<u>1,267</u>	<u>1,422</u>

A deferred tax asset of £18,583,000 calculated at a rate of 17% (2017: £21,541,000), being the excess of tax losses over accelerated capital allowances, is unrecognised because the likelihood of realisation fails to meet the "more likely than not" criterion.

### Factors that may affect future tax charges

The UK corporation tax was reduced to 19% from 1 April 2017. The UK corporation tax rate is now set to fall to 17% with effect from 1 April 2020 in accordance with legislation that was substantively enacted by 31 December 2017.

# VUR Holdings (UK) Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 12 Intangible assets

#### Group

	<i>Goodwill</i> <i>£ 000</i>	<i>Total</i> <i>£ 000</i>
<b><i>Cost or valuation</i></b>		
At 1 January 2018	<u>3,945</u>	<u>3,945</u>
At 31 December 2018	<u>3,945</u>	<u>3,945</u>
<b><i>Amortisation</i></b>		
At 1 January 2018	2,400	2,400
Amortisation charge	<u>772</u>	<u>772</u>
At 31 December 2018	<u>3,172</u>	<u>3,172</u>
<b><i>Carrying amount</i></b>		
At 31 December 2018	<u><u>773</u></u>	<u><u>773</u></u>
At 31 December 2017	<u><u>1,546</u></u>	<u><u>1,546</u></u>

Goodwill arising on the acquisition of VUR Village Hotels Ltd is being amortised evenly over the directors' estimate of its useful life of 5 years.

### 13 Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

# VUR Holdings (UK) Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 14 Tangible assets

#### Group

	<i>Land and buildings £ 000</i>	<i>Fixtures and fittings £ 000</i>	<i>Total £ 000</i>
<b>Cost or valuation</b>			
At 1 January 2018	622,820	67,415	690,235
Additions	41,811	14,688	56,499
Revaluations	49,127	-	49,127
At 31 December 2018	713,758	82,103	795,861
<b>Depreciation</b>			
At 1 January 2018	18,281	25,550	43,831
Charge for the year	16,690	4,444	21,134
At 31 December 2018	34,971	29,994	64,965
<b>Carrying amount</b>			
At 31 December 2018	678,787	52,109	730,896
At 31 December 2017	604,539	41,865	646,404

The cumulative revaluation of £134,886,000 in 2018 below shows the net movement in relation to the valuations from 2015 to 2018.

The Group's tangible fixed assets were valued at 31 December 2018 on a fair value basis (as defined and in accordance with FRS 102) by the directors.

In arriving at their valuation, the directors used an income approach using discounted cash flows based on five year cash flow forecasts.

As the result of the valuation an impairment charge of £1,509,000 (2017: reversal of prior year impairment losses £9,860,000) has been recognised in the income statement during the year with £50,636,000 (2017: £38,133,000) recognised in the revaluation reserve.

There is no material difference between the depreciation that would have been charged under the historical cost convention and actual amounts charged.

# VUR Holdings (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2018

Cost or valuation at 31 December 2018 is represented by:

	<i>Land and buildings £ 000</i>	<i>Fixtures and fittings £ 000</i>	<i>Total £ 000</i>
Cost	578,872	82,103	660,975
Cumulative revaluation	134,886	-	134,886
	<u>713,758</u>	<u>82,103</u>	<u>795,861</u>

### 15 Investments

#### Company

**Subsidiaries** £ 000

#### Cost or valuation

At 1 January 2018	196,000
Additions	<u>12,000</u>
At 31 December 2018	<u>208,000</u>

#### Provision

#### Carrying amount

At 31 December 2018	<u>208,000</u>
At 31 December 2017	<u>196,000</u>

#### Details of undertakings

The following were subsidiary undertakings of the company:

<i>Undertaking</i>	<i>Principal activity</i>	<i>Class of shares</i>	<i>Proportion of voting rights and shares held</i>	
			<i>2018</i>	<i>2017</i>
VUR Mezzanine I (UK) Limited	Holding Company	Ordinary	100%	100%
VUR Mezzanine II (UK) Limited	Holding Company	Ordinary	100%	100%
VUR Investment (UK) Limited	Holding Company	Ordinary	100%	100%
VUR Village Hotels Limited	Holding Company	Ordinary	100%	100%

# VUR Holdings (UK) Limited

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## Notes to the Financial Statements for the Year Ended 31 December 2018

VUR Village Properties Limited	Property investment company	Ordinary	100%	100%
VUR Village Hotels and Leisure Limited	Property investment company	Ordinary	100%	100%
VUR Village Trading No 1 Limited	Hotel and leisure club operators	Ordinary	100%	100%
VUR Village Trading No 2 Limited	Dormant company	Ordinary	100%	100%
VUR St Davids Hotel Limited	Dormant company	Ordinary	100%	100%
VUR Village Hotel Holdings Limited	Holding company	Ordinary	100%	100%
VUR Village Holdings No 2 Limited	Holding company	Ordinary	100%	100%
VUR Village Holdings No 3 Limited	Holding company	Ordinary	100%	100%
VUR Swindon Limited	Hotel management	Ordinary	100%	100%

All subsidiary undertakings are registered in England and Wales and share the same registered office, 1st Floor, Lakeview, 600 Lakeside Drive, Centre Park, Warrington, WA1 1RW and operate principally in the United Kingdom.

### 16 Stocks

	<i>Group</i>		<i>Company</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Food and wet stock	1,105	1,017	-	-
Shop	<u>629</u>	<u>633</u>	<u>-</u>	<u>-</u>
	<u>1,734</u>	<u>1,650</u>	<u>-</u>	<u>-</u>

The value of stock expensed during the year was £18,058,000 (2017: £16,857,000).

# VUR Holdings (UK) Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 17 Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<b>Due after more than one year</b>				
Other debtors	<u>5,099</u>	<u>5,099</u>	<u>824</u>	<u>824</u>
		<i>Group</i>		<i>Company</i>
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<b>Due within one year</b>				
Trade debtors	3,884	1,953	-	-
Amounts owed to group undertakings	-	-	967	-
Other debtors	6,242	2,340	-	34
Prepayments and accrued income	<u>5,827</u>	<u>5,692</u>	<u>-</u>	<u>-</u>
	<u>15,953</u>	<u>9,985</u>	<u>967</u>	<u>34</u>



# VUR Holdings (UK) Limited

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 18 Creditors

	<i>Group</i>		<i>Company</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<b><i>Due within one year</i></b>				
Trade creditors	11,673	4,640	-	-
Amounts owed to group undertakings	-	-	45,422	-
Other taxation and social security	979	4,605	-	-
Other creditors	6,421	3,211	-	-
Accruals and deferred income	27,417	15,737	6,253	-
Other borrowings (note 19)	78,000	-	78,000	-
	<u>124,490</u>	<u>28,193</u>	<u>129,675</u>	<u>-</u>
<b><i>Due after one year</i></b>				
Bank borrowings (note 19)	373,368	322,453	-	-
Other borrowings (note 19)	-	78,000	-	78,000
Accruals and deferred income	-	38,774	-	38,774
	<u>373,368</u>	<u>439,227</u>	<u>-</u>	<u>116,774</u>

# VUR Holdings (UK) Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 19 Loans and borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<b>Current loans and borrowings</b>				
Other loans wholly repayable < 1 year (note 25)	<u>78,000</u>	<u>-</u>	<u>78,000</u>	<u>-</u>
<b>Non-current loans and borrowings</b>				
Bank loans wholly repayable < 5 years	375,000	325,000	-	-
Other loans wholly repayable < 5 years (note 25)	-	78,000	-	78,000
Debt issue costs	<u>(1,632)</u>	<u>(2,547)</u>	<u>-</u>	<u>-</u>
	<u>373,368</u>	<u>400,453</u>	<u>-</u>	<u>78,000</u>

On 9 May 2018 the existing loan facility with Wells Fargo was amended and restated to provide a total facility of £400,000,000. During 2018 £50,000,000 of the additional facility was drawn down.

The finance facility is secured over all of the assets owned and operated by VUR Investment (UK) Limited and its subsidiaries. The loan is repayable in November 2020, although the Company has an option to extend for 24 months subject to certain financial conditions being satisfied.

Interest has been charged at an average rate over the period of 4.21% (2017: 4.22%).

Other loans are unsecured and interest is charged at 16% (2017: 16%). Interest on the unsecured loan is accrued but not paid and is due for payment at the end of the 5 year term of the loan in 2019.

KSL has confirmed its intention to convert the loan and any outstanding interest to ordinary share capital before the maturity date.

# VUR Holdings (UK) Limited

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## Notes to the Financial Statements

### for the Year Ended 31 December 2018

#### 20 Provisions for liabilities

The deferred tax liability included in the balance sheet is as follows:

	2018 £ 000	2017 £ 000
Other timing differences	161	-
	<u>161</u>	<u>-</u>
		2018 £ 000
At 1 January 2018		-
Charge to the statement of comprehensive income		<u>161</u>
		<u>161</u>

#### 21 Reserves

##### Revaluation reserve

This reserve is used to record increases in the fair values of tangible fixed assets and the decreases to the extent that such decrease relates to an increase on the same asset.

#### 22 Share capital

##### *Authorised, allotted, called up and fully paid shares*

	No. 000	2018 £ 000	No. 000	2017 £ 000
Ordinary shares of £1 each	<u>130,000</u>	<u>130,000</u>	<u>118,000</u>	<u>118,000</u>

On 17 September 2018, the Company issued 12,000,000 ordinary shares with aggregate nominal value of £12,000,000.

# VUR Holdings (UK) Limited

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## Notes to the Financial Statements for the Year Ended 31 December 2018

### 23 Contingent liabilities

#### *Group*

Under the terms of the loan facility agreement dated 9 May 2018 between VUR Investment (UK) Ltd and Wells Fargo Bank a charge exists over all of the assets owned and operated by the Group. Total borrowings under the loan facility agreement at the year-end amounted to £375,000,000 (2017 - £325,000,000).

### 24 Obligations under leases and hire purchase contracts

#### *Group*

#### *Operating leases*

The total of future minimum lease payments is as follows:

	2018 £ 000	2017 £ 000
Not later than one year	5,198	5,246
Later than one year and not later than five years	20,793	20,985
Later than five years	166,070	177,207
	<u>192,061</u>	<u>203,438</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £5,198,000 (2017 - £5,246,000).

### 25 Related party transactions

#### *Group*

The Group has unsecured borrowing from VUR Finance Sarl, a related party and subsidiary of the Group whose controlling party is Monroe Offshore Holdings V Limited, of £78,000,000 (2017: £78,000,000).

Interest charged for the year at a rate of 16% amounted to £12,480,000 (2017: £12,480,000).

Interest accrued but unpaid at the year end amounted to £6,253,000 (2017: £38,774,000). During the year £45,000,000 of interest accrued was paid.

During the year the group was charged management fees and recharged expenses disbursed on behalf of Village by KSL Capital Partners International LLP and KSL Advisors LLC, who provide management services and strategic advice to the investments funds that own and operate the Village Group, of £352,000 (2017: £264,000).

Amounts due to related parties at the year end amounted to £nil (2017: £nil).

## **Notes to the Financial Statements**

### **for the Year Ended 31 December 2018**

#### ***Key management personnel***

##### ***Summary of transactions with key management***

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £2,357,000 (2017: £2,250,000).

#### **26 Parent and ultimate parent undertaking**

In the opinion of the directors the ultimate parent and controlling party of the Company is Monroe Offshore Holdings V Limited, a company registered in the Cayman Islands.

#### **27 Post balance sheet events**

In January 2019 and April 2019, the company issued £12,000,000 and £10,000,000 ordinary shares to its parent in exchange for cash.