

Registration number: 09281964

VUR Holdings (UK) Limited

Report and Consolidated Financial Statements

for the Year Ended 31 December 2019

VUR Holdings (UK) Limited

Company information

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VUR Holdings (UK) Limited

Strategic Report

for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

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.

The Group is ultimately owned and operated by investment funds managed by KSL Capital Partners ("KSL"). 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; Singapore 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.

Business model

Village currently operate 31 hotels and Leisure Clubs across the UK, which are located on the outskirts of cities and major towns with the benefit of good access to major arterial roads, a high residential density and the ability to provide substantial car-parking for a high volume of customers concurrently.

The offering

Each hotel comprises several distinct businesses 'under one roof' with the key business drivers being the average of 120 bedrooms in each property with new build properties having 153 bedrooms which predominantly supports the mid-week corporate traveller and the weekend leisure demand 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 (New Development hotels 153 bedrooms)
- Pub & Grill - Village restaurant & bar concept
- Starbucks coffee shop**
- Function suite and meeting rooms
- Full-service health & fitness Club (together with full-size swimming pool and associated facilities)
- Health & beauty***
- During 2019, 18 of our hotels opened "V Works", a membership based co-working space.

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

***All Village properties contain a Starbucks coffee shop franchise except for Village Liverpool*

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

High footfall supported by the Leisure Membership base

High volumes of both residents and leisure members are a key feature of the business model, with hotel occupancies reaching an average of 86% and average memberships of 3,300 per property, this benefits the food & beverage (F&B) including Starbucks and Pub & Grill.

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“Village” – a Community meeting point

A further key feature of the business model is the focus for each property on its local community with a significant proportion of income derived from customers who live within a short 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, in stimulating and vibrant new co working space V-Works and new all-day dining areas Pub & Grill. 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.

Organic growth

Investment throughout 2019 continued with the roll out of the new combined all day dining "Pub & Grill" and re-purposing of the redundant space as part of the development of the Pub & Grill concept into co-working space VWorks, 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 business segments.

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 international brands as well as local operators, a key objective for each Village hotel is to perform at the top of its respective competitor set index. Village properties are able to drive a significant premium occupancy to its competitors due to the strong corporate mid-week market and high levels of leisure demand.
- ***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***
Village 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 today’s customers want is the cornerstone of Village’s strategy. The business is consistently seeking ways to enhance our service offering and customer journey to deliver a better more intuitive experience to our guests, members and business users alike.

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Development of new hotels

With 31 hotels trading well in the UK, Village Basingstoke was in the final stages of construction and opened in February 2020. Village sees a significant number of opportunities across the UK where the Village business model would be successful, with great potential to add more hotels to the portfolio.

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. Construction on new developments at Basingstoke and Eastleigh near Southampton started during 2019, with Basingstoke opening February 2020 and Eastleigh due to open in May 2021. Village continues to target and actively pursue further development opportunities.

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>.

Operating review

The Group made a profit after taxation of £4,066,000 (2018 loss: £709,000) which included £9,762,000 loss on revaluation (2018: £1,509,000) in respect of the directors' fair value assessment of assets.

At 31 December, the director's value the Group's hotel property portfolio at £730,739,000 (2018: £730,896,000), a decrease of 0.02% on the prior year.

The Group generated a cash inflow from operations of £34,086,000 (2018: £23,289,000).

For the twelve months to 31 December 2019, the Group generated sales of £215,544,000 (2018: £208,389,000) and operating profit of £22,088,000 (2018: £28,771,000).

The Group operated 31 hotels, with one under construction, at the following locations:

Aberdeen	Edinburgh	Nottingham
Ashton Moss	Farnborough	Portsmouth
Basingstoke (opened February 2020)	Glasgow	St David's nr Chester
Blackpool	Hyde	Solihull
Bristol	Hull	Southampton Eastleigh (under construction)
Bournemouth	Leeds North	Swansea
Bury	Leeds South	Swindon
Cardiff	Liverpool	Walsall
Cheadle	London Watford	Warrington
Coventry	Maidstone	Wirral
Dudley	Newcastle	

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For 2019, Village delivered a strong result, in the face of softening market trends and increasing costs including increases across utilities, property taxes and labour. Revenue at £215m was 3.4% up versus the prior year with EBITDA**** (including developing hotels) £1.2m lower (-2.2%) to £ 53.6m (before £1.9m pre-opening, new site search and other non-recurring costs) versus prior year.

On a Like-for-like basis* Total Revenue remained stable at £202m (2018 : 4% growth) with Hotel EBITDA** falling by 4 % due to the increasing costs (2018: +4%).

Accommodation, although performed well, resulted in a fall in Revenue per available room (RevPar) of 3.4% due to flat top line revenue with an increased number of rooms available. During Q4 Village took the decision to embark on a significant technology platform upgrade that had impacted marginally its RevPar over the installation period. However, Village once again outperformed its direct local competitor set with both occupancy and RevPar higher by 10.29% and 12% respectively at December 2019.

Health & Fitness continued to report good growth for a fifth consecutive year, with membership numbers up 3.3% to 99,916.

Yield increased 1.5% compared to prior year, benefitting from the prior year labour restructure, whilst Like-for-like* fitness revenue grew by 2.7%.

Like-for-like* Food & Beverage (F&B) revenues grew by 0.3%, lower growth than expected due to the temporary closure of the pub & restaurants whilst conversion continued to the 'Pub & Grill' all day dining concept continued in the remainder of the estate.

**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 benchmarking December 2019*

*****Group EBITDA is defined as hotel revenue less recurring hotel operating costs after corporate overhead costs (£9.7m) and management contract income net of costs (£1.4m) but before profit on disposal £0.01m, management fees, pre-opening costs, new site search and other non-recurring costs of £2.5m*

Covid-19 - 2020 update

In March 2020, the UK implemented mandatory measures in response to the Covid-19 pandemic. Initially, this resulted in complete closure of the groups 31 hotels from 23 March 2020, with a phased return to re-opening from 4 July 2020. The Group was swift to act to minimise costs both during the closure period and on subsequent re opening. As the hotels closed, all but a skeleton staff were placed on furlough and the Group was able to pass the benefit of the Coronavirus Job Retention Scheme payments on to them accordingly. The Group sought to preserve cash by entering into agreements with its 3rd party landlords to pay rents in instalments. In line with HMRC guidance, VAT liabilities were deferred and the Group approached HMRC to defer its payroll related liabilities for February and March 2020. In September 2020, all payroll related liabilities were cleared, and the Group will pay its outstanding VAT liability in instalments under the VAT Deferral New Payment Scheme.

The Group was proactive in its approach to owners and its Lender group in order to address its liquidity need and potential covenant breach due to the enforced complete closure followed by restricted trade which continued throughout 2020.

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As trading restrictions began to lift in July, the hotels reopened and began achieving positive EBITDA from August through to October 2020, taking full advantage of the opening of the leisure market for UK Staycations. Hotels in leisure destinations saw occupancy levels between 80% to 93%. Out of city hotels benefited from guests choosing to avoid public transport and drive themselves. During August through October, Village continued to consistently outperform its competitor set on both Occupancy and RevPar.

Food & Beverage revenue benefited from both the high occupancy levels in some hotels and the UK Government's Eat Out to Help Out scheme during August.

On closure of the hotels back in March, leisure memberships were suspended. Since then there has been both a significant number of both leavers and new joiners. Despite the fall in membership, there is a clear trend in attracting younger-than-average member age group in terms of new sales. Despite this, membership is anticipated to fall by 25.5% from the start of year position.

An encouraging return to profitability was then hampered by further increased trading restrictions which were implemented during October in England, Scotland and Wales, followed by a second national lockdown in England from 5th November. Village took the decision to continue to operate within the government guidelines, making hotel accommodation available to essential workers and necessary business travel, although the hotels remained open, limited occupancy and the closure of the gym facilities and Pub & Grill's meant that severely reduced revenue was not sufficient to cover operating costs and capital expenditure on its development at Southampton Eastleigh so resulted in a further equity call in order to maintain the Group's self-imposed minimum funding levels.

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

Section 172(1) of the Companies Act 2006 requires a director of a company to act in a way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as whole (having regard to the stakeholders and matters set out in S172(1) (a-f) of the Act).

Continuous and secure development and growth is a priority for the Group, underpinned by a vision to ensure the business is developed to operate as efficiently as possible and with an expectation of the highest standards. This ensures a secure business model with a focus on guest satisfaction, people and quality that place the Village the heart of its community.

Structure and Key Stakeholders

The Group has a structure that allows for regular dialogue between Directors and the Executive Committee for any matters that arise, and key business priorities are regularly discussed and updated as part of the long-term business plan.

The Group recognises its key stakeholders as shareholders, employees, guests, leisure members, suppliers, the local community and regulatory authorities.

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Shareholders

The Group holds a Main Board meeting three times a year attended by the Directors, Executive Committee and its shareholders and their representatives. At every meeting the Board receives a full report on financial and operational performance, sales and marketing, compliance, key business opportunities and ESG (Environmental and Social Governance), at these Board meetings approval is sought for key decisions that will impact the business.

In addition to main Board meetings, shareholders are updated as to the financial status of the Company every month by the Directors.

The Group's strategy for organic growth centres around building demand through the delivery of service excellence to enhance repeat custom, leisure member retention and the introduction of new business segments. Key feedback from stakeholders is essential in order to develop and build on this growth model.

Employees

Employees are a key stakeholder in the Group and communication and engagement with them is a key focus. Regular updates about changes to the business, management of the business and key developments such as new hotel openings are communicated through various channels.

Engagement ensures loyalty, and employee longevity with the business and ensures employees are immersed within the Group's values and vision. It ensures employees have a sense of purpose, value and belonging. Strong engagement ultimately drives delivery of product and brand and ultimately the profitability of the business.

The Directors identify that engagement is key to the success of the Company. Engagement is driven through training & development and the Company has multiple development programmes at grass roots level and for both middle and senior management in hotels.

Communication is a key driver to deliver a sense of belonging, value & sense of purpose. This is driven through such events as "GM Good morning & GM good night" where employees get a chance for monthly forums with their leader to have business updates as well as an open question time to address any issues, ideas or questions.

Guests

The Group considers guests to be a priority and has in the past year trained its management team on the importance of service and standards. Providing guests with high standards of service is a priority, by understanding the guest journey Village can look to improve its offering.

The Group engages with third party providers such as Review Pro (Guest reviews capture product) to understand how guests feel about their experience. In addition, reviews on TripAdvisor, Booking.com are closely monitored to produce a Global Review Index (GRI) that gives each property a score to measure guest satisfaction.

Village has been able to adapt and change its brand procedures and policies based on suggested comments from guests, these insights gives management and the Directors transparency of the top performing hotels and best practices that can be shared.

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Leisure members

With almost 100,000 leisure club members, health & fitness accounts for approximately 20% of the Group's revenue. Ensuring that each leisure club delivers the highest quality of member's health and fitness experience is a priority. Village sees member engagement as one of the key elements in ensuring member retention and liaises with members on a national basis with direct marketing and member communications and regular updates in clubs that appeal to a more local base.

Suppliers

Village considers itself to be in partnership with its suppliers, it operates an Ethical Code of Conduct and regular audits are undertaken of all material suppliers to ensure good practice and accountability.

The Procurement team undertake visits to key suppliers on their premises and meet with their senior teams to jointly engage in regular dialogue, scoping out the needs for both parties to ensure ethical, commercially viable and sustainable continuity of the supply chain.

The Procurement team also obtains feedback from the Hotels to ensure that they stay close to the observations and requirements of the hotel operators and jointly agree plans and shared objectives to continually improve goods and services.

Financial and Ethical controls are put in place and are backed by Directors, this ensures that Directors have visibility over the key contractual relationships that exist.

Community

The location of the hotels being outside of city centre locations means that the hotel is very much a part of the community in which it is located. Village has implemented several initiatives over the past year including the Village Green initiative to engage with both local and national communities, from charitable events, regular sporting clubs and networking events that ensure the local community is engaged as possible.

Regulators

Village actively engages with local and national regulators to ensure compliance is dealt with in an open and transparent manner. This involves regular engagement with Environmental Health Officers, Police, Licensing Authorities, the ICO and HMRC.

The Directors recognise that compliance and transparency are key to the growth of the Company.

Decisions and impact

In line with the Group's vision for growth, Village opened its 31st hotel at Basingstoke in February 2020, development continues with the build of Southampton Eastleigh due to open in May 2021.

Both hotels support the local market with job opportunities and provide accommodation as well as a local bar and grill and health and fitness facilities to the local community.

Sustainability is a focus for the Village, and it continues to work with a third party in targeting a reduction in energy use across the group. The Directors encourage and support an approach to new initiatives and have encouraged members of the Executive Committee to oversee and drive forward energy management across the Village Group.

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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, Bristol and Basingstoke) 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>2019</i>	<i>2018</i>
Total Revenue	£m	216	208
Total Hotel EBITDA	£m	62	62
EBITDA as a % of revenue	%	29	30
No of Trading Hotels @ 31st Dec		30	30
No of Bedrooms (At Year End)		3,865	3,814
Average Occupancy	%	84	87
Average Daily Room Rate (ADR)	£	68	68
Revenue Per Available Room (RevPar)	£	58	59
Membership No's at Year-end		99,916	96,716
Membership Yield	£	36	34
F&B Revenue Per Available Room (F&BPar)	£	56	57

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. During the year, construction commenced on two new hotels Basingstoke and Southampton Eastleigh. At the year-end a further 4 sites were being actively pursued, with further opportunities also in the pipeline.

- **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 cover 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 ongoing performance management programmes. During the year, the Group introduced Staff Appreciation days held in all hotels and the support centre, where employees were treated to items of food & beverage to celebrate and thank employees for their continued efforts to make Village a success.

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Financial Review & Capital Structure

Financing arrangements

At 31 December 2019, the Group's long-term liabilities as shown in note 19 were:

Liability	£000's
Senior Loan	400,000
Debt finance fees (unamortised)	(2,221)
Total long term liabilities	397,779

Senior Loan

Senior borrowing is provided by Wells Fargo Bank leveraged against the Group's property portfolio. The Facility was amended and restated in October 2019 and a further £25m was drawn down as described in note 19, with an additional £10m also drawn in June 2020. The Group monitors and reports its trading position and financial covenants to its lender on a monthly and quarterly basis.

The group had a related third-party loan of £78m which was due to mature in November 2019. During 2018, the group paid off £45m of accrued interest on its related party loan. Interest continued to accrue until 28 June 2019 when the loan and accrued interest were converted to 1 £1 ordinary share for a value of £84,691,000.

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 injections from fellow Group companies, financed by investment funds managed by KSL Capital Partners.

During 2018 and 2019, the Group received equity injections of £34m in total, being £12m in 2018 and £22m in 2019.

In its liquidity forecasts through 2020 and 2021, 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 152,000,000 Ordinary Shares of £1 each as shown in note 21. VUR Holdings II Sarl holds 100% of the share capital. The ultimate controlling party is disclosed in note 27.

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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 are minimised as far as possible.

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Covid-19

The Group's ability to trade is dependent on both national and localised trading restrictions imposed on it, and the hospitality sector generally, by the UK Government. The Group cannot predict with certainty the impact of these restrictions on its trading outlook. The potential of further local and national restrictions poses a liquidity risk which the Group mitigates by daily cashflow monitoring and open dialogue with its owners and lender group.

The spread and transference of the Covid-19 virus presents a risk to both employees and customers. The Group has taken steps to minimize these risks by ensuring that all Government guidance on health & safety and social distancing is strictly adhered to. Both employees and guests are temperature checked on arrival, additional hygiene and cleaning routines have been introduced and PPE kit provided to employees. Village offers key-less room check-in, ordering in F&B areas via the Village app with tables and seating arranged to allow social distancing. Gym kit has been spaced out with perspex screens in between to ensure members and guests can safely exercise.

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. A consortium of lenders led by Wells Fargo Bank provide the Senior Facility (from November 2016) amended and restated in October 2019. The facility expires in November 2021, with the option to extend for a further 24 months in two tranches, November 2022 and November 2023.

Open dialogue between Village and KSL and its lender group and a detailed treasury model updated with sufficient regularity ensure potential liquidity challenges are addressed and resolved quickly enabling the Group to maintain a self-imposed minimum cash holding as a buffer.

The Group is in current discussion with its lender group requesting extension of the loan as afforded under the Facility Agreement.

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.

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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) carried on throughout 2019 leading to an outline agreement for the UK to leave the EU in January 2021. As such, uncertainty in the market still remains until the actual and final agreed exit terms are fully disclosed, understood and assessed.

All of the Group's sales are made in the UK and will not be affected by any change in legislation. The Group does not directly import goods, and has engaged with all of its main suppliers to ensure that they have taken the necessary steps to be able to continue to fulfill the Group's purchase requirements.

Pressure from the High Street

During 2019 the Group continued with the roll out of its new Pub & Grill all day dining concept completing refurbishments at a further 18 of its premises, with 29 out of 31 trading properties having been converted to this concept, Village Basingstoke and Village Southampton Eastleigh also feature this model.

This new concept has enabled it to offer a new dining experience to customers. The impact of Covid 19 has resulted in some main chains leaving the High Street retail F&B market. Heavy discounting and tactical marketing are still as prevalent in the post Covid era, despite the restrictions on trade.

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 its membership-based Business Club "V Works" which aligns with these trends and will utilise prime floor-space created by the re-modelling of core F&B facilities. At December 2019 the Group had opened 18 V Works, including those in its new build properties Portsmouth and Bristol. V Works is also offered at Village Basingstoke and planned for Village Southampton Eastleigh.

With home working mandatory for those who could do so during the 1st and 2nd lock down and additional pressure on employers to create a safer working environment, V Works presents the ideal product to allow individuals to take workspace on a flexible basis as a break from the home environment and corporates to offer a safe working environment with on site gym and food & beverage facilities. With V Works, Village is poised to take advantage of the change in direction of the the working environment and increased focus on employee health and wellbeing.

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 discount operators. 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.

Village has invested heavily in technology, including development of the Village Leisure App which allows members direct access to book classes, take advantage of member discounts and promotions and join in the increased sense of being part of a club due to instant, frequent, wider and relevant communication. Village views member engagement a priority and a key tool to enhance member retention in the face of a competitive market.

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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.

New development hotels

Village continues to improve its model for new-build hotels. For new-build 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 mechanical/electrical plant, thermally efficient external envelop, natural ventilation where possible, as well as an active 'travel management plan' to understand how customers and staff will access and utilise the hotel in the surrounding local environment.

The Group also engages competent and experienced construction contractors, who have achieved the Carbon Trust Supply Chain Standard. This focuses on reducing CO2 emissions throughout the supply chain by engaging likeminded competent and experienced supply chain partners.

Waste disposal and recycling

In 2019, 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 2019 the business achieved 89%.

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/>

Strategic Report

for the Year Ended 31 December 2019

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.

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 on-going performance management programmes. A full engagement programme which embraces, reward, recognition, motivation, inclusion and communication is in operation throughout the Group in order to drive the results of employee feedback and recognise the needs of its people.

VUR Holdings (UK) Limited

Strategic Report

for the Year Ended 31 December 2019

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 free to all staff and at a discounted rate to their families to encourage an active and healthy lifestyle. The Group offers & provides as standard, mental health awareness training via an online platform to raise awareness of how it's employees can support both themselves and others. A confidential Employee Assistance programme is also provided to support employees in dealing with all aspects of life's challenges.

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.

Village employs over 2500 employees and is committed to gender diversity. Through development and internal training, Village will continue to grow all employees in their chosen career paths and supported by an enhanced recruitment process, will continue to be best in class in recruiting employees who match the values of the Village brand. Village will commit to continue to attract women to through the continual review of the benefits packages and equal access to development opportunities for all.

At December 2019, the table below shows the breakdown of roles by gender:

	2019			2018		
	Company directors	Senior leadership team	Employees	Company directors	Senior leadership team	Employees
Female	-	7	2,896	-	5	2,914
Male	2	4	1,931	2	8	2,048

The Group carried out its Gender Pay Gap review for 2019 with the results shown below.

	2019		2018	
	Mean	Median	Mean	Median
Gender Pay Gap	11%	0%	18%	3%
Gender Bonus Gap	72%	0%	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.

Flexible working

Village operates a flexible working policy and recognises the requirement for flexible working options and work life balance. A great number of requests have been approved and supported ensuring a positive impact for employees and those returning from maternity leave at all levels within the business. The introduction of homeworking & video conferencing has allowed further flexibility and retention of both male and female employees.

Strategic Report

for the Year Ended 31 December 2019

Remuneration and incentive policy

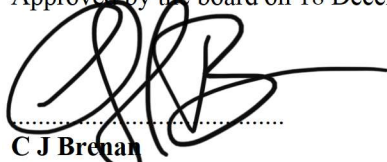
Village has a consistent approach to remuneration aimed at ensuring all employees are paid fairly based on hotel performance and market conditions. A monthly salary increase policy allows for a continued review of all rates of pay across the UK for all employees. The business commits monthly to reviewing all promotions and salary increases for fairness and consistency via a senior HR & management check. Village operates a wide incentive and commission structure at all levels of the business.

Promotion and progression

Village is committed to promoting from within and has numerous examples of internal moves across the brand showing a strength in progressing employees through career paths. Village operates a Rising Star & Aspiring Leader programme which focuses on the promotion of Heads of Department into General Management roles. The programme began in 2019 and currently has over 20 employees participating. Village is committed to driving more females into General Management roles.

The Group's full Gender Pay Gap Statement can be found on Village hotels website: <https://www.village-hotels.co.uk>

Approved by the board on 18 December 2020 and signed on its behalf by:



C J Brennan
Director

VUR Holdings (UK) Limited

Directors' Report

for the Year Ended 31 December 2019

The directors present their report and the for the year ended 31 December 2019.

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 profit for the year, after taxation, amounted to £4,066,000 (2018 loss: £709,000). This result includes impairment of tangible assets of £9,762,000 (2018: £1,509,000).

The directors do not recommend the payment of a final dividend (2018: £nil).

Directors of the Company

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

S V S Walker (appointed 3 December 2019)

G R Davies

P Roberts

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. Coley runs the European office for KSL Capital based in London.

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

Directors' Report

for the Year Ended 31 December 2019

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

Stephen Walker – Principal, Strategic Operations, KSL Capital Partners

Steve joined KSL in January 2008, and he is currently the Strategic Operations Team lead in Europe. During his tenure at KSL, he has been responsible for the asset management of iconic resorts in the US as well as the UK and he has led strategic initiatives for KSL's operating platforms. Prior to KSL, he held positions at HEI Hotels & Resorts, HVS International, and Four Seasons Hotels and Resorts. He holds a B.S. from Cornell University's School of Hotel Administration.

Gary Davis – Chief Executive Officer 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 Finance 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 Morgan's Hotel Group, MacDonald Hotels and Raffles International.

Employees

The Group is committed to employee involvement throughout the business and seeks to keep employees informed about the Group's progress and affairs by way of various internal communications.

The Group is a strong supporter of equal opportunities in all aspects of employment, including recruitment, and encouragement of employees to develop their full potential regardless of gender, marital status, social class, age, colour, national or ethnic origin, religious belief, sexual orientation or disability. The Group welcomes applications for employment from disabled persons and gives such applications full and fair consideration. The Group is proactive in providing training and career development for all employees.

The Group has implemented appropriate procedures to ensure that we comply with the provisions of the Bribery Act which became law in July 2011.

Health and safety

The health and safety of guests and staff continues to be of fundamental importance to the Company and the Company's risk management processes remain central to, and an integral part of, everyday work activity.

VUR Holdings (UK) Limited

Directors' Report

for the Year Ended 31 December 2019

Going concern

The Group is funded by both third-party loans and equity. Borrowing facilities are provided by Wells Fargo bank under a syndicated arrangement and granted to VUR Investment (UK) Ltd, a wholly owned subsidiary of VUR Holdings (UK) Ltd. Borrowings are secured against properties owned and operated by the Group. The Group previously had a loan of £78m from a related third party which was unsecured and due to mature in November 2019. On 28 June 2019 the loan and accrued interest were converted to 1 £1 ordinary share for a value of £84,691,000.

In October 2019, the Group's Facility Agreement was amended and restated, the amended facility was increased to £450m with £400m drawn down at December 2019. The loan covenant tests were reset for the five-year period to December 2023. The Facility Agreement has an initial termination date of November 2021, but provides for 24 months extension in two tranches, subject to covenant tests and other specified conditions being met.

In March 2020, the UK implemented mandatory measures in response to the Covid-19 pandemic. Initially, this resulted in complete closure of the groups 31 hotels from 23 March 2020, with a phased return to re-opening from 4 July 2020. The Group was swift to act to minimise costs taking up government support schemes including furlough, business rates suspension and PAYE and VAT deferrals both during the closure period and on subsequent re opening and proactive in its approach to owners and its lender group in order to address its liquidity needs and potential covenant breaches due to severely restricted trade.

Funding was provided in the form of a drawdown against Facility D of the loan agreement for £10m and equity injections of £22.5m from KSL. A temporary waiver was obtained for the period June 2020 to June 2021 against covenant defaults which occurred as a direct result of the Group's inability to trade due to Covid-19. Covenant tests were also reset for the period through to December 2021.

As trading restrictions began to lift in July 2020, the hotels reopened and began achieving positive EBITDA from August through to October 2020 across 83% of the portfolio. Further increased trading restrictions were implemented during October in England, Scotland and Wales, followed by a second national lockdown in England from 5 November 2020. Village took the decision to continue to operate within the government guidelines, making hotel accommodation available to essential workers and necessary business travel. Although the hotels remained open, limited occupancy and the closure of the gym facilities and Pub & Grill's hampered the recovery and resulted in a further equity call of £4.5m in order to maintain the Group's self-imposed minimum funding levels.

As the Group looks forward, it cannot predict with certainty the impact of continued Government restrictions either locally or nationally and the impact on the trading outlook for 2021. The full impact of Covid-19 on customer demand and potential implications in the wider economy is not yet fully understood and the UK Government's continuously changing response to the increase in Covid-19 cases seen in the autumn of 2020 is having a direct impact on the Groups ability to achieve its forecast. As a result, the Group have produced a set of forecasts which it believes to be probable based on an assumption that a successful roll out of a vaccine will be achieved across the population during the first half of 2021 along with downside scenarios, including a severe but plausible outlook. Each forecast shows a liquidity need to varying degrees which will need to be met by equity injection provided by the funds owned and managed by KSL. Funding through to the end of December 2020 has been confirmed by KSL and discussions are underway regarding further funding in 2021.

A base case cash flow forecast to December 2021 was prepared in November 2020 using the results from the first 10 months of the year and updating the forecast for the expected outturn and recovery. This base case takes account of November and December 2020 slowly coming out of the second national lockdown then facing local trading restrictions.

VUR Holdings (UK) Limited

Directors' Report

for the Year Ended 31 December 2019

As forecasting is inherently difficult in the current environment, management have then applied a number of sensitivities to the base case which assume a third national lockdown in January and February 2021. In a severe but plausible downside sensitivity it is assumed that post the third lockdown revenue in FY21 only returns to the levels experienced post the first national lockdown in August 2020.

Each forecast shows that Village will not meet the revised EBITDA to net debt covenant tests granted in the June 2020 waiver agreement. The current Facility Agreement is due to expire in November 2021 but is capable of extension for 24 months in two tranches, subject to meeting certain financial criteria including covenant tests. Village is currently in discussion with its lender group on agreeing the first extension and waiving the covenant obligations over the period to December 2021. Discussions have been positive with lenders supportive of the position. At the date of signing, the extension has not been confirmed as agreed. In all scenarios further cash injections are required throughout the forecast period from the shareholder investor KSL and the extent of these injections increases significantly in the severe but plausible downside sensitivity. KSL have continued to be supportive throughout the period to 31 December 2019 and continue to be so during 2020 and the COVID pandemic. Based on ongoing discussions with KSL, the Directors are confident that further funds will be forthcoming as required.

Village is a solid property backed business, it has very limited exposure to external rents which impact EBITDA. Its ability to provide several different revenue streams and adapt to changing customer preferences means that it holds a unique place in the hotel and leisure market. Village has demonstrated that both before and during the COVID pandemic, its performance is ahead of its competitor set, on this basis the directors consider it is appropriate to prepare the accounts on a Going Concern basis.

However, the directors consider that the need to negotiate an extension to the debt facility, secure further EBITDA to net debt covenant waivers throughout 2021 and obtain further cash injections from its shareholder throughout the period results in material uncertainties which may cast significant doubt upon the company's ability to continue as a going concern. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on a basis other than going concern.

Post balance sheet events

Since the balance sheet date, the Group has drawn down £10m of its banking facility D and has received £25.2m of equity funding.

The Covid-19 pandemic has had a significant impact on the Group's operations. The business continues to adjust its operations in response to the ongoing changing environment.

The Group considers the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the full impact of Covid-19 on the Group or to provide a quantitative estimate of this impact. Refer to note 28.

Matters covered in the strategic report

The Group's key business 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.

Directors' liabilities

Directors' and officers' insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company. The indemnities constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2019 financial year and remain in force for the Directors of the Company.

VUR Holdings (UK) Limited

Directors' Report

for the Year Ended 31 December 2019

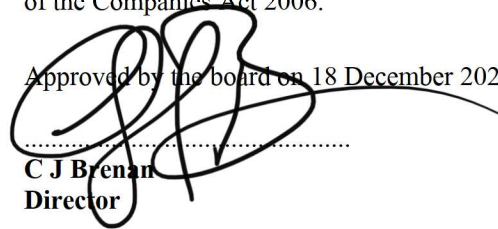
Disclosure of information to the auditor

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.

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 18 December 2020 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 and Company 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 Group and 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 2019, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company 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 2019 and of the Group's profit 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 below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material uncertainty

We draw attention to note 2 in the financial statements, which details that the ability of the business to pay its debts and meet its liabilities as they fall due in the next 12 months is dependent on the following:

- Obtaining an extension to its lending facilities beyond an initial termination date in November 2021;
- Obtaining covenant waivers for the period June 21 to December 21; and a
- Receipt of further cash injections from the shareholders.

These events and conditions along with other matters in note 2 constitute a material uncertainty that may cast significant doubt on the group's and parent company's ability to continue as a going concern.

Our opinion is not modified in respect of these matters.

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

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.

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.

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

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 22, 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.

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. This description forms part of our auditor's report.

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

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

18 December 2020

VUR Holdings (UK) Limited

Consolidated Profit and Loss Account

for the Year Ended 31 December 2019

	<i>Note</i>	<i>2019</i> <i>£ 000</i>	<i>2018</i> <i>£ 000</i>
Turnover	3	215,544	208,389
Cost of sales		<u>(109,654)</u>	<u>(103,913)</u>
Gross profit		105,890	104,476
Administrative expenses		(75,843)	(76,015)
Exceptional items - impact of revaluation of fixed assets	8	(9,762)	(1,509)
Other operating income	4	<u>1,803</u>	<u>1,819</u>
Operating profit	5	<u>22,088</u>	<u>28,771</u>
Interest receivable and similar income	9	111	40
Interest payable and similar expenses	10	<u>(16,096)</u>	<u>(28,253)</u>
		<u>(15,985)</u>	<u>(28,213)</u>
Profit before tax		6,103	558
Taxation	11	<u>(2,037)</u>	<u>(1,267)</u>
Profit/(loss) for the financial year		<u><u>4,066</u></u>	<u><u>(709)</u></u>

The above results were derived from continuing operations.

VUR Holdings (UK) Limited

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2019

	<i>2019</i> <i>£ 000</i>	<i>2018</i> <i>£ 000</i>
<i>Profit/(loss) for the year</i>	4,066	(709)
Unrealised (deficit)/surplus on revaluation of tangible fixed assets	<u>(41,744)</u>	<u>50,636</u>
<i>Total comprehensive (loss)/income for the year</i>	<u><u>(37,678)</u></u>	<u><u>49,927</u></u>

The notes on pages 34 to 55 form an integral part of these financial statements.

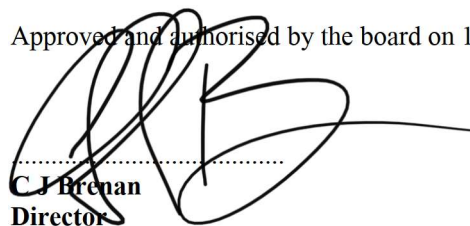
VUR Holdings (UK) Limited

Consolidated Balance Sheet

as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	12	-	773
Tangible assets	14	730,739	730,896
		<u>730,739</u>	<u>731,669</u>
Current assets			
Stocks	16	1,885	1,734
Debtors: amounts falling due after more than one year	17	4,275	5,099
Debtors: amounts falling due within one year	17	18,215	15,953
Cash at bank and in hand		12,699	9,625
		<u>37,074</u>	<u>32,411</u>
Creditors: amounts falling due within one year	18	<u>(34,291)</u>	<u>(124,490)</u>
Net current assets/(liabilities)		<u>2,783</u>	<u>(92,079)</u>
Total assets less current liabilities		733,522	639,590
Creditors: Amounts falling due after more than one year	18, 19	(397,779)	(373,368)
Provisions for liabilities	20	<u>(669)</u>	<u>(161)</u>
Net assets		<u>335,074</u>	<u>266,061</u>
Capital and reserves			
Called up share capital	21	152,000	130,000
Share premium reserve	22	84,691	-
Revaluation reserve	22	111,358	153,102
Profit and loss account	22	<u>(12,975)</u>	<u>(17,041)</u>
Shareholders' funds		<u>335,074</u>	<u>266,061</u>

Approved and authorised by the board on 18 December 2020 and signed on its behalf by:


C J Brennan
Director

The notes on pages 34 to 55 form an integral part of these financial statements.

VUR Holdings (UK) Limited

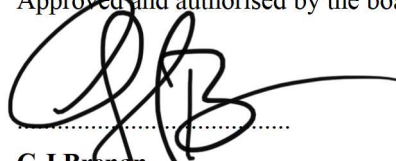
Company Balance Sheet

as at 31 December 2019

	<i>Note</i>	<i>2019</i> <i>£ 000</i>	<i>2018</i> <i>£ 000</i>
Fixed assets			
Investments	15	230,000	208,000
Current assets			
Debtors: amounts falling due after more than one year	17	-	824
Debtors: amounts falling due within one year	17	<u>793</u>	<u>967</u>
		793	1,791
Creditors: Amounts falling due within one year	18	<u>(45,189)</u>	<u>(129,675)</u>
Net current liabilities		<u>(44,396)</u>	<u>(127,884)</u>
Net assets		<u>185,604</u>	<u>80,116</u>
Capital and reserves			
Called up share capital	21	152,000	130,000
Share premium reserve		84,691	-
Profit and loss account	22	<u>(51,087)</u>	<u>(49,884)</u>
Shareholders' funds		<u>185,604</u>	<u>80,116</u>

The company made a loss after tax for the financial year of £1,203,000 (2018: loss of £11,968,000).

Approved and authorised by the board on 18 December 2020 and signed on its behalf by:


C J Brennan
Director

The notes on pages 34 to 55 form an integral part of these financial statements.

VUR Holdings (UK) Limited

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2019

Equity attributable to the parent company

	<i>Share capital</i> £ 000	<i>Share premium</i> £ 000	<i>Revaluation reserve</i> £ 000
At 1 January 2018	118,000	-	102,466
Loss for the year	-	-	-
Other comprehensive income	-	-	50,636
Total comprehensive income/(loss)	-	-	50,636
New share capital subscribed	12,000	-	-
At 31 December 2018	130,000	-	153,102

	<i>Share capital</i> £ 000	<i>Share premium</i> £ 000	<i>Revaluation reserve</i> £ 000
At 1 January 2019	130,000	-	153,102
Profit for the year	-	-	-
Other comprehensive income/(loss)	-	-	(41,744)
Total comprehensive income/(loss)	-	-	(41,744)
New share capital subscribed	22,000	84,691	-
At 31 December 2019	152,000	84,691	111,358

The notes on pages 34 to 55 form an integral part of these financial statements.

VUR Holdings (UK) Limited

Company Statement of Changes in Equity

for the Year Ended 31 December 2019

	<i>Share capital</i> £ 000	<i>Share premium</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 loss	-	-	(11,968)	(11,968)
New share capital subscribed	12,000	-	-	12,000
At 31 December 2018	130,000	-	(49,884)	80,116
	<i>Share capital</i> £ 000	<i>Share premium</i> £ 000	<i>Profit and loss</i> <i>account</i> £ 000	<i>Total</i> £ 000
At 1 January 2019	130,000	-	(49,884)	80,116
Loss for the year	-	-	(1,203)	(1,203)
Total comprehensive loss	-	-	(1,203)	(1,203)
New share capital subscribed	22,000	84,691	-	106,691
At 31 December 2019	152,000	84,691	(51,087)	185,604

The notes on pages 34 to 55 form an integral part of these financial statements.

VUR Holdings (UK) Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Cash flows from operating activities		
Profit/(loss) for the year	4,066	(709)
Adjustments to cash flows from non-cash items		
Amortisation of intangible assets	773	772
Depreciation of tangible assets	18,538	21,134
Impairment of tangible assets	9,762	1,509
Profit on disposal of tangible assets	(16)	(51)
Interest paid	16,096	28,253
Interest received	(111)	(40)
Taxation	2,037	1,267
Increase in stocks	(151)	(84)
Movement in debtors	(3,393)	1,503
Decrease in creditors	(11,511)	(28,102)
Increase in provisions	-	161
Corporation tax paid	(2,004)	(2,324)
Net cash flow from operating activities	34,086	23,289
Cash flows from investing activities		
Purchase of tangible fixed assets	(69,256)	(55,287)
Sale of tangible fixed assets	16	51
Interest received	111	40
Net cash flows from investing activities	(69,129)	(55,196)
Cash flows from financing activities		
New secured loans	25,000	50,000
(Decrease)/increase in unamortised loan finance fees	(1,690)	915
Issue of ordinary shares	22,000	12,000
Interest paid	(13,884)	(28,253)
Proceeds from issue of ordinary shares, net of issue costs	84,691	-
Capitalisation of intercompany loans	(78,000)	-
Net cash flows from financing activities	38,117	34,662
Net increase in cash and cash equivalents	3,074	2,755
Cash and cash equivalents at 1 January	9,625	6,870
Cash and cash equivalents at 31 December	12,699	9,625

The notes on pages 34 to 55 form an integral part of these financial statements.

Notes to the Financial Statements

for the Year Ended 31 December 2019

1 General information

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

The address of its registered office is:

Myo
123 Victoria Street
London
SW1E 6DE

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.

All amounts in these financial statements are stated in GBP and rounded to the nearest £1,000.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2019. Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

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.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

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 based on a valuation performed in August 2019 by Savills Chartered Surveyors on behalf of the lenders and updated by the directors for conditions existing at the balance sheet date. The valuation used an Income Approach using the Discounted Cash Flow Method and assumed 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 is funded by both third-party loans and equity. Borrowing facilities are provided by Wells Fargo bank under a syndicated arrangement and granted to VUR Investment (UK) Ltd, a wholly owned subsidiary of VUR Holdings (UK) Ltd. Borrowings are secured against properties owned and operated by the Group. The Group previously had a loan of £78m from a related third party which was unsecured and due to mature in November 2019. On 28 June 2019 the loan and accrued interest were converted to 1 £1 ordinary share for a value of £84,691,000.

In October 2019, the Group's Facility Agreement was amended and restated, the amended facility was increased to £450m with £400m drawn down at December 2019. The loan covenant tests were reset for the five-year period to December 2023. The Facility Agreement has an initial termination date of November 2021, but provides for 24 months extension in two tranches, subject to covenant tests and other specified conditions being met.

In March 2020, the UK implemented mandatory measures in response to the Covid-19 pandemic. Initially, this resulted in complete closure of the groups 31 hotels from 23 March 2020, with a phased return to re-opening from 4 July 2020. The Group was swift to act to minimise costs taking up government support schemes including furlough, business rates suspension and PAYE and VAT deferrals both during the closure period and on subsequent re opening and proactive in its approach to owners and its lender group in order to address its liquidity needs and potential covenant breaches due to severely restricted trade.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

Funding was provided in the form of a drawdown against Facility D of the loan agreement for £10m and equity injections of £22.5m from KSL. A temporary waiver was obtained for the period June 2020 to June 2021 against covenant defaults which occurred as a direct result of the Group's inability to trade due to Covid-19. Covenant tests were also reset for the period through to December 2021.

As trading restrictions began to lift in July 2020, the hotels reopened and began achieving positive EBITDA from August through to October 2020 across 83% of the portfolio. Further increased trading restrictions were implemented during October in England, Scotland and Wales, followed by a second national lockdown in England from 5 November 2020. Village took the decision to continue to operate within the government guidelines, making hotel accommodation available to essential workers and necessary business travel. Although the hotels remained open, limited occupancy and the closure of the gym facilities and Pub & Grill's hampered the recovery and resulted in a further equity call of £4.5m in order to maintain the Group's self-imposed minimum funding levels.

As the Group looks forward, it cannot predict with certainty the impact of continued Government restrictions either locally or nationally and the impact on the trading outlook for 2021. The full impact of Covid-19 on customer demand and potential implications in the wider economy is not yet fully understood and the UK Government's continuously changing response to the increase in Covid-19 cases seen in the autumn of 2020 is having a direct impact on the Groups ability to achieve its forecast. As a result, the Group have produced a set of forecasts which it believes to be probable based on an assumption that a successful roll out of a vaccine will be achieved across the population during the first half of 2021 along with downside scenarios, including a severe but plausible outlook.

Each forecast shows a liquidity need to varying degrees which will need to be met by equity injection provided by the funds owned and managed by KSL. Funding through to the end of December 2020 has been confirmed by KSL and discussions are underway regarding further funding in 2021.

A base case cash flow forecast to December 2021 was prepared in November 2020 using the results from the first 10 months of the year and updating the forecast for the expected outturn and recovery. This base case takes account of November and December 2020 slowly coming out of the second national lockdown then facing local trading restrictions.

As forecasting is inherently difficult in the current environment, management have then applied a number of sensitivities to the base case which assume a third national lockdown in January and February 2021. In a severe but plausible downside sensitivity it is assumed that post the third lockdown revenue in FY21 only returns to the levels experienced post the first national lockdown in August 2020.

Each forecast shows that Village will not meet the revised EBITDA to net debt covenant tests granted in the June 2020 waiver agreement. The current Facility Agreement is due to expire in November 2021 but is capable of extension for 24 months in two tranches, subject to meeting certain financial criteria including covenant tests. Village is currently in discussion with its lender group on agreeing the first extension and waiving the covenant obligations over the period to December 2021. Discussions have been positive with lenders supportive of the position. At the date of signing, the extension has not been confirmed as agreed. In all scenarios further cash injections are required throughout the forecast period from the shareholder investor KSL and the extent of these injections increases significantly in the severe but plausible downside sensitivity. KSL have continued to be supportive throughout the period to 31 December 2019 and continue to be so during 2020 and the COVID pandemic. Based on ongoing discussions with KSL, the Directors are confident that further funds will be forthcoming as required.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

Village is a solid property backed business, it has very limited exposure to external rents which impact EBITDA. Its ability to provide several different revenue streams and adapt to changing customer preferences means that it holds a unique place in the hotel and leisure market. Village has demonstrated that both before and during the COVID pandemic, its performance is ahead of its competitor set, on this basis the directors consider it is appropriate to prepare the accounts on a Going Concern basis.

However, the directors consider that the need to negotiate an extension to the debt facility, secure further EBITDA to net debt covenant waivers throughout 2021 and obtain further cash injections from its shareholder throughout the period results in material uncertainties which may cast significant doubt upon the company's ability to continue as a going concern. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on a basis other than going concern.

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.

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.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

Tangible assets

Tangible fixed assets are carried at valuation. The basis of valuation is an annual valuation on a fair value basis carried out by the directors. The valuation assumes that the assets continue in their current use as hotels and does not consider how a third party may choose to operate such assets.

Plant and equipment contains items of plant, machinery, fixtures and fittings and equipment.

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.

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.

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.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

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.

Operating leases

Rental payments in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease subject to annual inflationary increases at the option of the landlord.

Rental charges in respect of operating leases with other parties are charged to the profit and loss account on a straight line basis over the term of the lease.

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 2019

2 Accounting policies (continued)

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.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the loan 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.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Interest income

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

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.

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.

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

3 Turnover

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

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Sale of goods	73,118	71,181
Services rendered	142,426	137,208
	<u>215,544</u>	<u>208,389</u>

The Group's turnover consists of income generated solely in the United Kingdom, net of VAT.

4 Other operating income

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Hotel management services	<u>1,803</u>	<u>1,819</u>

5 Operating profit

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

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Depreciation of tangible fixed assets	18,538	21,134
Impairment of tangible fixed assets (note 8)	9,762	1,509
Amortisation of goodwill	773	772
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	95	93
Other non-audit services	25	25
Operating lease rentals - plant and machinery	357	612
Operating lease rentals - other operating leases	5,238	5,198
Profit on disposal of fixed asset	<u>(16)</u>	<u>(51)</u>

The auditors' fee of £95,000 (2018: £93,000) which included £1,000 (2018: £1,000) in respect of the Company was settled by a fellow subsidiary company VUR Village Trading No 1 Limited. This amount paid on behalf of the Company has not been recharged to it.

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

6 Employees

Staff costs were as follows:

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Wages and salaries	62,966	61,776
Social security costs	4,525	4,037
Cost of defined contribution scheme	1,138	787
	<u>68,629</u>	<u>66,600</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:

	<i>2019</i>	<i>2018</i>
	<i>No.</i>	<i>No.</i>
Hotel based employees	4,640	4,622
Support centre employees	185	177
Executive management team	14	14
	<u>4,839</u>	<u>4,813</u>

The group operates a defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the company in independently administered funds. The unpaid contributions outstanding at year end, included in other creditors are £214,000 (2018: £132,000).

The company has no staff costs for the year ended 31 December 2019 nor 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>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Impairment of tangible fixed assets	<u>9,762</u>	<u>1,509</u>

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

9 Interest receivable

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Bank interest received	<u>111</u>	<u>40</u>

10 Interest payable and similar expenses

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Interest on bank overdrafts and borrowings	<u>16,096</u>	<u>28,253</u>

11 Taxation

Tax charged in the profit and loss account

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Current taxation		
UK corporation tax	1,179	1,106
UK corporation tax adjustment to prior periods	<u>350</u>	<u>-</u>
	1,529	1,106
Deferred taxation		
Arising from origination and reversal of timing differences	<u>508</u>	<u>161</u>
Tax expense in the profit and loss account	<u>2,037</u>	<u>1,267</u>

VUR Holdings (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

11 Taxation (continued)

The tax on profit before tax for the year is different to (2018: different to) of 19% (2018: 19%).

The differences are reconciled below:

	<i>2019</i> <i>£ 000</i>	<i>2018</i> <i>£ 000</i>
Profit before tax	<u>6,103</u>	<u>558</u>
Profit multiplied by UK standard corporation tax rate - 19% (2018: 19%)	1,160	106
Effects of:		
Capital allowances for year in excess of depreciation	(1,919)	(1,609)
Non-taxable impairments	2,912	287
Other non-taxable items	(466)	2,483
Adjustments to tax charge in respect of prior periods	<u>350</u>	<u>-</u>
Total tax charge	<u>2,037</u>	<u>1,267</u>

A deferred tax asset of £17,302,000 calculated at a rate of 17% (2018: £18,583,000), 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 Finance Bill 2016 enacted provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget, it was announced that the cut in the rate to 17% will now not occur and the Corporation tax Rate will be held at 19%. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

12 Intangible assets

Group

	<i>Goodwill</i> <i>£ 000</i>	<i>Total</i> <i>£ 000</i>
Cost		
At 1 January 2019	<u>3,945</u>	<u>3,945</u>
At 31 December 2019	<u>3,945</u>	<u>3,945</u>
Amortisation		
At 1 January 2019	3,172	3,172
Amortisation charge	<u>773</u>	<u>773</u>
At 31 December 2019	<u>3,945</u>	<u>3,945</u>
Carrying amount		
At 31 December 2019	<u>-</u>	<u>-</u>
At 31 December 2018	<u>773</u>	<u>773</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

Notes to the Financial Statements

for the Year Ended 31 December 2019

14 Tangible assets

Group

	<i>Land and buildings £ 000</i>	<i>Fixtures and fittings £ 000</i>	<i>Total £ 000</i>
Cost or valuation			
At 1 January 2019	713,758	82,103	795,861
Additions	57,927	11,960	69,887
Revaluations	(51,506)	-	(51,506)
At 31 December 2019	<u>720,179</u>	<u>94,063</u>	<u>814,242</u>
Depreciation			
At 1 January 2019	34,971	29,994	64,965
Charge for the year	<u>10,045</u>	<u>8,493</u>	<u>18,538</u>
At 31 December 2019	<u>45,016</u>	<u>38,487</u>	<u>83,503</u>
Carrying amount			
At 31 December 2019	<u>675,163</u>	<u>55,576</u>	<u>730,739</u>
At 31 December 2018	<u>678,787</u>	<u>52,109</u>	<u>730,896</u>

The cumulative revaluation of £83,380,000 in 2019 below shows the net movement in relation to the valuations from 2015 to 2019.

As the result of the valuation an impairment charge of £9,762,000 (2018: £1,509,000) has been recognised in the income statement during the year with a loss of £41,744,000 (2018 gain: £50,636,000) recognised in the revaluation reserve.

The directors estimated the fair value of the Group's tangible fixed assets based on a valuation performed in August 2019 by Savills Chartered Surveyors on behalf of the lenders and updated by the directors for conditions existing at the balance sheet date. The valuation used an Income Approach using the Discounted Cash Flow Method and assumed that the highest and best use of the assets is as trading hotels.

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

14 Tangible assets (continued)

Cost or valuation at 31 December 2019 is represented by:

	<i>Land and buildings £ 000</i>	<i>Fixtures and fittings £ 000</i>	<i>Total £ 000</i>
Cost	636,799	94,063	730,862
Cumulative revaluation	83,380	-	83,380
	<u>720,179</u>	<u>94,063</u>	<u>814,242</u>

15 Investments

Company

Subsidiaries

£ 000

Cost

At 1 January 2019	208,000
Additions	<u>22,000</u>
At 31 December 2019	<u>230,000</u>

Carrying amount

At 31 December 2019	<u>230,000</u>
At 31 December 2018	<u>208,000</u>

On 7 January 2019 and 23 April 2019, the Company subscribed for 12,000,000 and 10,000,000 ordinary shares of £1 each for cash consideration. The aggregate value of the increase in investments is £22,000,000.

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>2019</i>	<i>2018</i>
VUR Mezzanine I (UK) Limited*	Holding Company	Ordinary	100%	100%
VUR Mezzanine II (UK) Limited*	Holding Company	Ordinary	100%	100%

VUR Holdings (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

15 Investments (continued)

VUR Investment (UK) Limited*	Holding Company	Ordinary	100%	100%
VUR Village Hotels Limited**	Holding Company	Ordinary	100%	100%
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**	Non-trading company	Ordinary	100%	100%
VUR St Davids Hotel Limited**	Non-trading 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%

*Direct holdings

**Indirect holdings

Subsidiaries VUR Mezzanine I (UK) Ltd, VUR Mezzanine II Ltd, and VUR Investment (UK) Ltd share the same registered office, Myo, 123 Victoria Street, London, SW1E 6DE. The remaining subsidiaries share the registered address. Cygnet Court Ground Floor, 230 Cygnet House, Centre Park, Warrington, WA1 1PP.

16 Stocks

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Food and wet stock	1,273	1,105	-	-
Shop	612	629	-	-
	<u>1,885</u>	<u>1,734</u>	<u>-</u>	<u>-</u>

The value of stock expensed during the year was £18,212,000 (2018: £18,058,000).

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

17 Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>

Due after more than one year

Other debtors	4,275	5,099	-	824
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	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>

Due within one year

Trade debtors	4,252	3,884	-	-
Amounts owed by group undertakings	-	-	793	967
Other debtors	7,794	6,242	-	-
Prepayments and accrued income	6,169	5,827	-	-
	18,215	15,953	793	967

18 Creditors

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>

Due within one year

Trade creditors	4,962	11,673	-	-
Amounts owed to group undertakings	-	-	44,910	45,422
Other taxation and social security	1,020	979	-	-
Other creditors	8,413	6,421	-	-
Accruals and deferred income	19,896	27,417	279	6,253
Other borrowings (note 19)	-	78,000	-	78,000
	34,291	124,490	45,189	129,675

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

18 Creditors (continued)

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>Due after one year</i>				
Bank borrowings (note 19)	<u>397,779</u>	<u>373,368</u>	<u>-</u>	<u>-</u>

19 Loans and borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>Current loans and borrowings</i>				
Other loans wholly repayable < 1 year (note 26)	<u>-</u>	<u>78,000</u>	<u>-</u>	<u>78,000</u>

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>Non-current loans and borrowings</i>				
Bank loans wholly repayable < 5 years	400,000	375,000	-	-
Debt issue costs	<u>(2,221)</u>	<u>(1,632)</u>	<u>-</u>	<u>-</u>
	<u>397,779</u>	<u>373,368</u>	<u>-</u>	<u>-</u>

On 4 October 2019 the existing loan facility with Wells Fargo was amended and restated to provide a total facility of £450,000,000, of which £400,000,000 was drawn down at the year end. The amended and restated facility contained the same terms as the existing loan but added Facilities D and E of £25m each. Subsequently, on 21 June 2020, Facility E was cancelled.

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 2021, the Initial Termination Date, unless extended. The loan can be extended for 24 months in two separate tranches beginning in November 2022 and November 2023 subject to certain financial conditions being met. After the first extension date, loan repayments will be made on a quarterly basis. The percentage repayments at each date are less than 0.4% of the outstanding loan balance at each payment date.

Interest has been charged at an average rate over the period of 3.77% (2018: 4.21%).

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

20 Provisions for liabilities

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

	2019 £ 000	2018 £ 000
Other timing differences	669	161
	<u>669</u>	<u>161</u>
	2019 £ 000	2018 £ 000
At 1 January	161	-
Charge to the statement of comprehensive income	508	161
At 31 December	<u>669</u>	<u>161</u>

21 Share capital

Authorised, allotted, called up and fully paid shares

	2019 No. 000	2019 £ 000	2018 No. 000	2018 £ 000
Ordinary shares of £1 each	<u>152,000</u>	<u>152,000</u>	<u>130,000</u>	<u>130,000</u>

On 7 January 2019 and 23 April 2019, the Company issued 12,000,000 and 10,000,000 ordinary shares respectively, with aggregate nominal value of £22,000,000.

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The ordinary shares carry a right to vote at all general meetings of the Company, a right to share in any dividend issued by the Company, and a right to share in a distribution of the Company (including on a winding up). The ordinary shares are not redeemable.

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

22 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.

Share premium reserve

During the year the company capitalised a loan and accrued interest for a non-cash consideration of £84,691,000 resulting in share premium of £84,691,000

23 Contingent liabilities

Group

Under the terms of the loan facility agreement dated 4 October 2019 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 £400,000,000 (2018: £375,000,000).

24 Commitments under operating leases

Group

Operating leases

The total of future minimum lease payments is as follows:

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Not later than one year	5,219	5,198
Later than one year and not later than five years	20,381	20,793
Later than five years	171,637	166,070
	<u>197,237</u>	<u>192,061</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £5,238,000 (2018 - £5,198,000).

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

25 Capital commitments

The total amount contracted for but not provided in the financial statements was £18,350,000 (2018 - £18,797,000).

26 Related party transactions

Group

The Group had 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 (2018: £78,000,000).

Interest charged for the year at a rate of 1.3% amounted to £1,027,000 (2018: £12,480,000).

Interest accrued but unpaid at the year end amounted to £279,000 (2018: £6,253,000). During the year, £6,691,000 of accrued interest together with the £78,000,000 was converted into 1 £1 ordinary share.

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 £185,000 (2018: £352,000).

During the year, the Group earned a hotel management operations fee of £1.8m. Management fees were charged to Cameron House Resort Hotel Ltd and TB Resort Operations Ltd.

Amounts due to and due from related parties at the year end amounted to £nil (2018: £nil).

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 £2,476,000 (2018: £2,357,000)

27 Ultimate parent undertaking and controlling party

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.

Notes to the Financial Statements

for the Year Ended 31 December 2019

28 Post balance sheet events

Since the balance sheet date, the Group has drawn down £10m of its banking facility D and has received £25.2m of equity funding.

The Covid-19 pandemic has had a significant impact on the group's operations. The business continues to adjust its operations in response to the ongoing changing environment.

The group considers the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the full impact of Covid-19 on the group or to provide a quantitative estimate of this impact.