Registered No 02695921

De Vere Village Hotels Limited

Report and Financial Statements

31 December 2012

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Registered No 02695921

Operating review

Village Urban Resorts

	Year ended 31 December 2012	Year ended 31 December 2011
Occupancy for the period	77 3%	76 6%
Average room rate for the period	£60 66	£57 49
Revenue per available room (RevPAR)	£46 92	£44 01
Number of operating hotels at period end	25	26
Number of bedrooms at period end	3,103	3,293

At 31 December 2012 Village Urban Resorts were in operation at the following locations

Ashton Moss	Farnborough	St Davids, nr Chester
Blackpool	Hull	Solihull
Bournemouth	Hyde	Swansea
Bury	Leeds	Swindon
Cardiff	Leeds South	Walsall
Cheadle	Liverpool	Warrington
Coventry	Maidstone	Wirral
Dudley	Newcastle	
Elstree	Nottingham	

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Operating review

Village Urban Resorts continued its positive performance in the year with revenue growing year on year by 1% to £166 million Occupancy increased by 0 7%pts to 77 3% and ARR increased by 5 5% to £60 66 giving a RevPAR of £46 92, a 6 6% increase over prior year A noticeable success in the year was the launch of the new Upper Deck room product Designed as a superior room product offering a more luxurious customer experience, the Upper Deck has been a key contributor to the growth in the ARR The roll out of Upper Deck was completed in January 2013 and we are confident that we will see further growth in ARR as a result of this initiative

The provincial market continued to experience trading difficulties due the current economic climate Although our corporate business remained strong, there were signs of a slow down in the transient Leisure market across all segments of our business We continue to adapt our customer offering to encourage sales growth and have recently launched a new modern restaurant concept, Vinny & Vito, to meet the needs of our target market Although the first restaurants only opened in April 2013, initial indications are that the first four conversions will exceed our expectations and we expect to continue the roll out of this concept throughout the year

Trading profits, before head office costs, decreased from £49 8 million to £47 9m This was driven by increases in our cost base, a focus for 2013

Robert Cook
CEO, De Vere Village Urban Resorts
September 2013

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Report of the Directors

The dırectors present theır report wıth the financıal statements of the Company for the year ended 31 December 2012

Prıncıpal actıvıty and preparatıon of consolıdated group financıal statements

The prıncıpal actıvıty of the Company ıs that of a holdıng company

The Company and all of ıts subsıdıarıes are wholly owned by De Vere Group Lımıted whıch prepares group financıal statements for the entıre De Vere group The Company has chosen not to take advantage of the exemptıon from preparıng financıal statements contaıned ın Sectıon 400 of the Companıes Act 2006 because along wıth ıts subsıdıarıes ıt represents the entıre trade and assets of De Vere Vıllage Urban Resorts, a major tradıng dıvısıon of De Vere Group Lımıted These financıal statements therefore present the consolıdated results and financıal posıtıon of De Vere Vıllage Hotels Lımıted and ıts subsıdıarıes ("the Group")

Busıness revıew

A comprehensıve revıew of the strategıc affaırs of the group ınto whıch the Company and ıts subsıdıarıes ıs consolıdated, ıncludıng key performance ındıcators and key rısks and uncertaıntıes, ıs contaıned ın the report and financıal statements of De Vere Group Lımıted, the parent undertakıng at the year end

The Group made a profit after taxatıon of £9,464,000 (2011 loss of £57,920,000), whıch ıncluded a £14,124,000 charge ın respect of tangıble fixed asset revaluatıons and ımpaırment to ıntangıble assets (2011 £87,179,000)

At 31 December 2012 DTZ Chartered Surveyors valued the Group's hotel property portfolıo at £494,645,000 (2011 £514,250,000 on a lıke for lıke basıs), a year on year declıne of 3 8%

The Group generated a cash outflow from operatıons of £2,524,000 (2011 ınflow £15,971,000)

Dıvıdends
The dırectors do not recommend the payment of a final dıvıdend (2011 £nıl)

Dırectors
The dırectors who served durıng the perıod were as follows

A M Coppel CBE	
D G Caldecott	(resıgned 28 June 2013)
C D Ellıot	(appoınted 1 June 2013)

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Report of the Directors

Significant events

1 On 4 May 2012, Village Daresbury Park was sold for a consideration of £10 million Further details can be found in note 23 to the financial statements

2 In September 2012, the De Vere Group and Bank of Scotland plc extended the term of the Group's senior borrowing facilities to June 2015 including an optional extension to December 2015 The directors are satisfied that the Group will be able to meet the requirements of the revised loan agreement, thereby assuring the Company's ability to continue as a going concern

Further details of the De Vere Group's borrowings are available in the financial statements of De Vere Group Limited, the ultimate parent undertaking at the year end

3 In September 2012, as a result of a restructuring the Minority Interest in the Group was removed Further details can be found in notes 17 to these financial statements

Statement of director's responsibility in respect of the financial statements

The directors are responsible for preparing the directors' 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) 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 company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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Report of the Directors

Statement as to disclosure of information to auditors

In accordance with Section 418(2) of the Companies Act 2006 each of the above directors

- is not aware of any relevant audit information of which the Company's auditors are unaware, and
- has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish the Company's auditors are aware of that information

Auditors

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

ON BEHALF OF THE BOARD:

A M Coppel CBE - Director

Date 16 September 2013

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Independent auditors' report to the members of De Vere Village Hotels Limited

We have audited the financial statements of De Vere Village Hotels Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the report of directors and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
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

Ernst & Young LLP

Barry Flynn (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

23 September 2013

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Consolidated profit and loss account

for the year ended 31 December 2012

	Note	*Year ended 31 December 2012* £000	£000	*Year ended 31 December 2011* £000	£000
Turnover					
Continuing operations		166,121		164,652	
Discontinued operations		1,689		-	
			166,121		164,652
Cost of sales			(83,758)		(84,505)
Gross profit			82,363		80,147
Administrative expenses			(51,462)		(49,102)
Exceptional administrative expenses	2		(14,124)		(87,179)
Operating profit					
Continuing operations		16,521		(56,134)	
Discontinued operations		256		-	
Group operating profit/(loss)	2		16,777		(56,134)
(Loss)/profit on disposal of fixed assets	23		(99)		6
Interest receivable and similar income	4		2		3
Interest payable and similar charges	5		(12)		-
Profit/(loss) on ordinary activities before taxation			16,668		(56,125)
Taxation on profit/(loss) on ordinary activities	6		(7,204)		(8,660)
Profit/(loss) for the financial year after taxation			9,464		(64,785)
Equity Minority Interests	17		-		6,865
Profit/(loss) for the financial year			9,464		(57,920)

Continuing operations

None of the Group's activities were acquired in the current or previous year
Details in respect of discontinued operations during 2012 are disclosed in note 23

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Consolidated statement of total recognised gains and losses
for the year ended 31 December 2012

	Note	*Year ended 31 December 2012 £000*	*Year ended 31 December 2011 £000*
Profit/(loss) for the financial period		9,464	(64,785)
Actuarial loss on pension scheme	14	(382)	(127)
Deferred tax charge related to pension scheme		12	3
Total net recognised gains and losses for the period		9,094	(64,909)
Total net recognised gains and losses attributable to ordinary shareholders		9,094	(58,020)
Total net recognised gains and losses attributable to minority interests		-	(6,889)
Total net recognised gains and losses for the period		9,094	(64,909)

Note of historical cost profits and losses

There was no material difference between the result disclosed in the profit and loss account and the result on an unmodified historical cost basis

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Balance sheets

as at 31 December 2012

	Note	*Group 31 December 2012 £000*	*Group 31 December 2011 £000*	*Company 31 December 2012 £000*	*Company 31 December 2011 £000*
Fixed assets					
Tangible assets	7	501,352	529,084	-	-
Intangible assets	8	(8,885)	(11,548)	-	-
		492,467	517,536	-	-
Current assets					
Stocks	10	3,192	3,096	-	-
Debtors falling due within one year	11	475,044	434,720	1,014	1,000
Cash at bank and in hand	20	1,062	2,600	-	-
		479,298	440,416	1,014	1,000
Creditors. amounts falling due within one year	12	(487,552)	(455,157)	(24)	(24)
Net current (liabilities)/assets		(8,254)	(14,741)	990	976
Total assets less current liabilities		484,213	502,795	990	976
Provisions for liabilities					
Pension surplus	14	-	30	-	-
Provision for liabilities and charges	13	(5)	(87)	-	-
Net assets		484,208	502,738	990	976
Capital and reserves					
Called up share capital	15	10	-	10	-
Share Premium	16	4	-	4	
Revaluation reserve	16	7,019	3,941	-	-
Profit and loss account	16	477,175	421,973	976	976
Shareholders' funds		484,208	425,914	990	976
Minority interest	17	-	76,824	-	-
Total capital employed		484,208	502,738	990	976

The financial statements were approved by the Board of Directors on 16 ~~June~~ September 2013 and were signed on its behalf by

A M Coppel CBE - Director

Consolidated cash flow statement

for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Net cash flow from operating activities	19	(2,524)	15,971
Returns on investments and servicing of finance			
Interest payable and similar charges		(12)	-
Net cash flow from returns on investments and servicing of finance		(12)	
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(8,491)	(17,088)
Sale of tangible fixed assets		65	6
Net cash flow from capital expenditure and financial investment		(8,426)	(17,082)
Acquisitions & disposals			
Cash acquired on sale of trade and assets		10,000	-
Disposal costs		(589)	-
Net cash inflow from acquisitions and disposals		9,411	-
Financing			
Issue of ordinary share capital		13	-
		13	-
Decrease in cash		(1,538)	(1,111)

Notes to the financial statements

at 31 December 2012

1. Accounting polıcıes

(a) Basıs of preparatıon

The financıal statements have been prepared ın accordance wıth the Companıes Act 2006 and applıcable Unıted Kıngdom financıal reportıng standards under the hıstorıcal cost conventıon, as modıfied by the revaluatıon of certaın tangıble fixed assets

After makıng enquırıes the dırectors have a reasonable expectatıon that the Company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future The Company's financıal statements have therefore been prepared on a goıng concern basıs

The Company's ultımate parent, De Vere Group Lımıted, has agreed to provıde contınuıng support to enable the Company to meet ıts lıabılıtıes as they fall due

As descrıbed ın note 21, the Group was party to and provıded guarantees ın respect of De Vere Lımıted and De Vere Mıdco Lımıted borrowıng facılıtıes The extent of these guarantees ıs lımıted to the assets of the Company

(b) Basıs of consolıdatıon

The consolıdated profit and loss account, cash flow statement, statement of total recognısed gaıns and losses and balance sheet combıne the financıal statements of the Company and ıts subsıdıary undertakıngs for the year ended 31 December 2012 and represent the results of the Vıllage Group operatıons for that year In accordance wıth sectıon 408 of the Companıes Act 2006, no separate profit and loss account ıs presented for the Company The Company made no profit or loss for the year ended 31 December 2012 (2011 no profit or loss) The ımpact of any transactıons between Vıllage Group companıes ıs elımınated for the purposes of the consolıdated financıal statements

Results of any subsıdıary undertakıngs and busınesses acquıred or sold durıng the perıod are ıncluded from or up to theır respectıve dates of acquısıtıon or dısposal Acquısıtıons are ıncluded ın the group financıal statements usıng the acquısıtıon method of accountıng The purchase consıderatıon ıs allocated to the assets and lıabılıtıes on the basıs of faır value at the date of acquısıtıon

(c) Tangıble Fıxed Assets

Freehold and long leasehold land and buıldıngs

Freehold and long leasehold land and buıldıngs are carrıed at valuatıon The basıs of current valuatıon ıs an annual valuatıon at each balance sheet date on an exıstıng use basıs by a suıtably qualıfied external valuer

Deprecıatıon on freehold buıldıngs ıs provıded to wrıte off the valuatıon less any estımated resıdual values over theır estımated useful lıves of 50 years Leasehold propertıes are deprecıated over the shorter of 50 years and the remaınıng lease term

Other tangıble fixed assets

Tangıble fixed assets other than land and buıldıngs are carrıed at cost of acquısıtıon less accumulated deprecıatıon less any ımpaırment provısıons

Other tangıble fixed assets ıncludes fixtures & fittıngs, plant & machınery and other equıpment ıncludıng computers

Deprecıatıon ıs provıded to wrıte down the cost of all other tangıble fixed assets over theır useful lıves to theır estımated resıdual values, and ıs calculated usıng the straıght-lıne method at the followıng rates

	Per annum
Fıxtures and fittıngs	5% - 20%
Computer equıpment	20% - 33%

Notes to the financial statements
at 31 December 2012 (continued)

(c) Tangible Fixed Assets (continued)

Assets under construction are not depreciated until they are ready for 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

(d) Goodwill

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 20 years, the period over which the directors estimate that the benefit will be derived

Negative goodwill, being the excess of the fair value of the net assets acquired of a business over the amount paid for a business, is credited over the period that the non-monetary assets are recovered, be it through depreciation or disposal

(e) Impairment of tangible assets

The carrying values of fixed assets are reviewed annually for impairment or 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 11 'Impairment of Fixed Assets and Goodwill', fixed assets are first grouped into income generating units (IGU's) Each individual hotel is considered to be a separate IGU

The carrying value of each IGU is then compared to its recoverable amount, which is defined as the higher of value in use or net realisable value

Value in use is calculated for each IGU 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 from independent external valuers and based on prevailing market conditions

Net realisable value is based on the directors' estimates of the current market value of the IGU

If the carrying value of the IGU exceeds the recoverable value so calculated, the excess is immediately charged to the profit and loss account

(f) Investments

Investments in subsidiaries are carried at cost less any impairments Investment carrying values are assessed for impairment annually or if the directors are of the view that indicators of impairment are present If the carrying value of an investment exceeds the recoverable value (defined as the higher of value in use and estimated net realisable value) the excess is immediately charged to the profit and loss account

(g) Stocks

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

Certain operating supplies are treated as consumable stores and renewals and replacements of such stock are written off to the profit and loss account as incurred

Notes to the financial statements
at 31 December 2012 (continued)

(h) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

(i) Turnover

Turnover is the value of goods and services sold to third parties after deducting discounts and sales based taxes

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

The Village Group supplies conference and event facilities as well as hotel rooms to businesses 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

(j) Foreign currencies

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 transactions or upon the retranslation of foreign currency assets and liabilities at the balance sheet date are taken immediately taken to the profit and loss account

(k) Pensions

Certain employees of the Village Group are eligible to be members of defined benefit schemes operated by the Group The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested When a settlement or a curtailment takes place the change in the present value of the scheme liabilities and the fair value of the plan assets reflect the gain or loss which is recognised in the profit and loss account Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction

Notes to the financial statements
at 31 December 2012 (continued)

***(k) Pensions** (continued)*

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occurred

The defined benefit pension asset or liability in the balance sheet comprised the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly Fair value is based on market price information and in the case of quoted securities was the published bid price The value of a net pension benefit asset is limited to the amount that could have been recovered either through reduced contributions or agreed refunds from the scheme

Additionally the Village Group contributes to the money purchase defined contribution personal pension plans of certain employees Payments to money purchase pension schemes are charged to the profit and loss account as incurred

(l) Related party transactions

As a wholly owned subsidiary of De Vere Group Limited as at 31 December 2012 the Company has taken advantage of the exemption available under FRS 8 not to disclose details of transactions with other De Vere Group Limited group companies This applies to both the Company and consolidated results presented in these financial statements

(m) Share based payment

The Group has put in place an cash settled, share-based compensation scheme under which the entity receives services from employees as consideration for the shares in the entity The fair value of the employee services received in exchange for the grant of the award is recognised as an expense The total amount to be expensed is determined by reference to their fair value

The Group has determined that the scheme is a cash-settled, share-based compensation scheme The fair value of the cash settled awards is determined at grant date The services received and a liability to pay for those services is recognised over the expected vesting period Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss

Notes to the financial statements

at 31 December 2012 (continued)

2. Operating profit

Operating profit is stated after charging

	Note	*Year ended 31 December 2012 £000*	*Year ended 31 December 2011 £000*
Hire of plant and machinery		947	694
Other operating leases		1,811	1,847
Amortisation of goodwill	8	(611)	(870)
Depreciation – owned assets	7	11,844	12,108
Auditors' fee		44	44
Tangible fixed asset revaluation - exceptional item	7	16,176	92,099
Intangible fixed asset impairment - exceptional item	8	(2,052)	(4,920)

The auditors' fee includes £7,000 in respect of the Company (2011 £3,000)

Discontinued operations

The results of Daresbury Park hotel have been included as a discontinued operation during 2012 as the trade and assets of the hotel were disposed of in May 2012 (see note 23 for details in respect of the disposal)

Daresbury Park contributed £1,689,125 to Group revenue in 2012 (2011 £5,438,000) and £256,000 to Group operating profit (2011 £1,387,000) Group cost of sales in 2012 included £961,000 in relation to Daresbury Park hotel and Group administration costs include £472,000 in respect of the hotel

3. Employee costs

	Year ended 31 December 2012 £000	*Year ended 31 December 2011 £000*
Wages and salaries	40,656	39,521
Social security costs	2,917	2,884
Pension costs	227	226
	43,800	42,631

The average number of employees employed by the Village Group was 3,315 (2011 3,330)

The Company had no staff costs for the year ended 31 December 2012 nor for the year ended 31 December 2011

Directors' remuneration

The emoluments of A M Coppel and D G Caldecott are paid by De Vere Limited, a fellow subsidiary undertaking that made no recharge for their services in the year to companies in the De Vere Village Hotels Limited Group of companies There was no recharge to the Company during the year The total emoluments of A M Coppel and D G Caldecott are included in the aggregate of directors' emoluments disclosed in the financial statements of De Vere Group Limited, the ultimate parent company

Notes to the financial statements
at 31 December 2012 (continued)

4. Interest and similar income

	Note	*Year ended 31 December 2012 £000*	*Year ended 31 December 2011 £000*
Other interest	14	2	3

5 Interest payable and similar charges

	Year ended 31 December 2012 £000	*Year ended 31 December 2011 £000*
Bank interest	(12)	-

6 Taxation

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	Year ended 31 December 2012 £000	*Year ended 31 December 2011 £000*
Current tax		
Corporation tax	7,287	8,757
Deferred tax – origination and reversal of timing differences	(83)	(97)
Tax charge in the profit and loss account	7,204	8,660

UK corporation tax has been charged at 24 5% (2011 26 5%)

Notes to the financial statements

at 31 December 2012 (contınued)

6. Taxation (contınued)

Factors affectıng the tax charge

The tax assessed for the year ıs hıgher than the standard rate of corporatıon tax ın the UK (2011 hıgher) The dıfference ıs explaıned below

	Year ended 31 December 2012 £000	*Year ended 31 December 2011 £000*
Profit on ordınary actıvıtıes before tax	16,668	(56,125)
Profit on ordınary actıvıtıes multıplıed by the standard rate of corporatıon tax ın the UK of 24 5% (2011 26 5%)	4,083	(14,869)
Effects of		
Capıtal allowances ın excess of depreciatıon	5,903	26,060
Non-taxable profits - amortısatıon of goodwıll	397	6,909
Non-taxable profits - dısposals	(10)	(2)
Other non-taxable ıtems	124	(6,693)
Current year movement on provısıons and accruals	-	(182)
Utılısatıon of tax losses brought forward	(3,263)	(1,372)
Increase ın tax losses	-	2,731
Transfer prıcıng adjustment not reflected ın the financıal statements	53	(3,723)
Adjustment ın respect of prıor perıod	-	(102)
	7,287	8,757

A deferred tax asset of £25,866,000 (2011 £31,113,000) beıng the excess of tax losses over accelerated capıtal allowances, ıs unrecognısed because the lıkelıhood of realısatıon faıls to meet the more lıkely than not crıterıon

In hıs Budget of 21 March 2012 the Chancellor of the Exchequer announced certaın changes whıch have an effect on the group's future tax posıtıon The proposals ıncluded phased reductıons ın the corporatıon tax rate to 22% from 1 Aprıl 2014 The corporatıon tax rate has been reduced to 24% from 1 Aprıl 2012 and the 2012 Fınance Bıll contaıns proposals to reduce the corporatıon tax rate to 23% from 1 Aprıl 2013 wıth a further reductıon to 22% expected to be reflected ın future Fınance Acts

As at the balance sheet date, only the reductıon ın the rate to 23% had been substantıvely enacted and therefore deferred tax has been provıded for at thıs rate

The effect on the Company of these proposed changes to the UK tax system wıll be reflected ın the Company's financıal statements ın future years, as approprıate, once the proposals have been substantıvely enacted

Notes to the financial statements
at 31 December 2012 (contınued)

7 Tangible fixed assets

Group	*Land and buildıngs £000*	*Fıxtures and fittıngs £000*	*Total £000*
Cost or valuatıon			
At 1 January 2012	504,652	31,310	535,962
Addıtıons	2,724	3,930	6,654
Dısposals	(9,068)	(411)	(9,479)
Revaluatıons	(13,098)	-	(13,098)
Fully deprecıated assets wrıtten off	-	(3,883)	(3,883)
At 31 December 2012	485,210	30,946	516,156
Accumulated deprecıatıon			
At 1 January 2012	4,532	2,346	6,878
Charge for the perıod	3,848	7,996	11,844
Dısposals	(62)	27	(35)
Fully deprecıated assets wrıtten off	-	(3,883)	(3,883)
At 31 December 2012	8,318	6,486	14,804
Net book value			
At 31 December 2012	476,892	24,460	501,352
At 1 January 2012	500,120	28,964	529,084

Cost or valuatıon at 31 December 2012 ıs represented by

	Land and buıldıngs £000	*Plant and equıpment £000*	*Total £000*
Cost	586,466	30,946	617,412
Revaluatıon	(101,256)	-	(101,256)
	485,210	30,946	516,156

The Group's land and buıldıngs were valued at 31 December 2012 on an exıstıng use basıs, based on advıce from DTZ Chartered Surveyors, ındependent qualıfied valuers The valuatıons were made ın accordance wıth guıdance laıd down ın RICS Valuatıon Standards – Global and UK, 7th Edıtıon (the 'Red Book') In arrıvıng at theır valuatıon the valuers used ten year cash flow forecasts and capıtalısed the net operatıng ıncome ın Year 11 at an approprıate yıeld Thıs was then dıscounted usıng a market rate

As a result of the valuatıon, ımpaırment charges of £16,176,000 (2011 £92,099,000) have been recorded ın the profit and loss account for the year and revaluatıon surpluses of £3,078,000 (2011 £3,941,000) have been recognısed ın the revaluatıon reserve (note 16)

The net book value of land and buıldıngs that would have been reported under the hıstorıc cost conventıon at 31 December 2012 ıs £496,667,000 (2011 £578,704,000) The dıfference between the accumulated deprecıatıon charge that would have been reported under the hıstorıcal cost conventıon and that stated ın these financıal statements was £262,000 at 31 December 2012 (2011 £nıl)

The Company had no tangıble fixed assets as at 31 December 2012 or 31 December 2011

Notes to the financial statements
at 31 December 2012 (continued)

8. Intangible fixed assets

	Positive goodwill	*Negative goodwill*	*Total*
Group	*£000*	*£000*	*£000*
Cost			
At 1 January 2012 and 31 December 2012	1,895	(19,306)	(17,411)
Accumulated amortisation			
At 1 January 2012	1,895	(7,758)	(5,863)
Amortisation	-	(611)	(611)
Impairment	-	(2,052)	(2,052)
At 31 December 2012	1,895	(10,421)	(8,526)
Net book value			
At 31 December 2012	-	(8,885)	(8,885)
At 1 January 2012	-	(11,548)	(11,548)

Positive and negative goodwill is the difference between the amounts of consideration paid and the fair value of the Group's acquisitions of entities, trades and assets Positive goodwill is amortised on a straight line basis over its life of 20 years, being the period in which the benefit is being derived Negative goodwill is released during the period in which the non-monetary assets are expected to be recovered. Intangible asset carrying values are assessed for impairment on an annual basis and if the directors are of the view that indicators of impairment are present

As a result of the impairment reviews performed in conjunction with the valuation of tangible fixed assets utilising ten year cash flow forecasts discounted using a market rate, an impairment charge of £nil (2011 £1,792,000) has been recorded in the profit and loss account in respect of goodwill and a credit of £2,052,000 (2011 £6,712,000) has been recorded in the profit and loss account in respect of the release of the negative goodwill

The Company did not hold goodwill at 31 December 2012 or 31 December 2011

9. Investments in subsidiaries

The carrying value of the Company's investments in subsidiaries at 31 December 2012 was £nil (2011 £nil)

Principal investments held through direct subsidiary companies

A list of the Company's principal subsidiaries held through its shareholdings in direct subsidiaries is given below

Subsidiary company	Main activity
De Vere Village Properties Limited	Property investment company
De Vere Village Trading No 1 Limited	Hoteliers and leisure club operators
De Vere Village Hotels and Leisure Limited	Property investment company
De Vere Village Trading No 2 Limited	Hoteliers and leisure club operators
De Vere St Davids Hotel Limited	Hoteliers and leisure club operators
De Vere Village Hotel Holdings	Holding Company
De Vere Village Holdings No 2 Limited	Holding Company
De Vere Village Holdings No 3 Limited	Holding Company

Notes to the financial statements
at 31 December 2012 (contınued)

10. Stocks

	31 December 2012 £000	31 December 2011 £000
Group		
Shop	1,311	148
Consumables	812	1,923
Food and wet stock	1,069	1,025
	3,192	3,096

The dıfference between purchase prıce of stocks and theır replacement cost ıs not materıal

The Company dıd not hold stocks at 31 December 2012 (2011 £nıl)

11. Debtors: amounts fallıng due wıthın one year

	Group 31 December 2012 £000	Group 31 December 2011 £000	Company 31 December 2012 £000	Company 31 December 2011 £000
Trade debtors	3,710	4,108	-	-
Amounts owed by group undertakıngs	467,544	425,672	1,014	1,000
Other Debtors	716	1,709	-	-
Prepayments and accrued ıncome	3,074	3,231	-	-
	475,044	434,720	1,014	1,000

Amounts owed by group undertakıngs are unsecured and receıvable on demand

12. Credıtors amounts falling due wıthın one year

	Group 31 December 2012 £000	Group 31 December 2011 £000	Company 31 December 2012 £000	Company 31 December 2011 £000
Trade credıtors	4,848	4,297	-	-
Amounts owed to group undertakıngs	469,403	434,743	24	24
Socıal securıty and PAYE	917	873	-	-
Value added tax	1,553	1,558	-	-
Other credıtors	335	653	-	-
Accruals and deferred ıncome	10,496	13,033	-	-
	487,552	455,157	24	24

Amounts owed to group undertakıngs are unsecured, non ınterest bearıng and payable on demand

Notes to the financial statements

at 31 December 2012 (contınued)

13. Provisions

	Deferred Tax	*Total*
	£000	*£000*
Group		
At 1 January 2012	87	87
Decrease ın provısion	(83)	(83)
At 31 December 2012	5	5

The Group's deferred tax lıabılıty ıs made up as follows

	£000
Group	
Capıtal allowances ın excess of depreciatıon	(13,305)
Tax losses carrıed forward	13,300
At 31 December 2012	(5)

The Company had no provısıons at 31 December 2012 (2011 £nıl)

Notes to the financial statements

at 31 December 2012 (continued)

14. Pension

The Village Group operates The Bridgemere Pension Scheme which is a funded self-administered, defined benefit scheme which is contracted out of the state scheme The pension costs are determined based on the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method The latest formal valuation was undertaken as at 31 December 2009 At that date the scheme had a deficit of £696,000, representing a funding level of 77% The Group currently pays £210,000 per annum into the scheme in addition to any monthly payroll contributions in order to fund the scheme's funding deficit

The assets and liabilities of the scheme have been reviewed by a qualified actuary as at 31 December 2012 and calculated in accordance with the requirements of FRS 17

The assumptions which have had the most significant effect on the funding of the Scheme, are set out in the following table

	2012 %	*2011* %
Price inflation	3 10	3 25
Pension increases (non-guaranteed minimum pension)	3 00	3 15
Return on investments (net of investment costs and expenses)	3 95	2 95

The amounts recognised in the balance sheet are as follows

	Value at 31 December 2012 £000	*Long term rate of return at 31 December 2012 %*	*Value at 31 December 2011 £000*	*Long term rate of return at 31 December 2011 %*
Index linked gilts	3,683	3 0	3,470	3 0
Cash	2	0 5	35	0 5
Total market value of assets	3,685		3,505	
Present value of scheme liabilities	(2,324)		(2,039)	
Surplus in the Scheme	1,361		1,466	
Irrecoverable surplus	(1,361)		(1,425)	
Related deferred tax (liability)	-		(11)	
Net pension asset	-		30	

The pension surplus represents the excess of the value of the schemes' assets over the present value of the schemes' liabilities In accordance with FRS 17 the Group does not recognise a pension scheme asset that exceeds the amount that it could potentially recover through reduced contributions or refunds from the schemes

Notes to the financial statements
at 31 December 2012 (continued)

14. Pension (continued)

Analysis of the amount charged to operating profit

	2012	*2011*
	£000	*£000*
Current service cost	2	3

	2012	*2011*
	£000	*£000*
Expected return on pension Scheme assets	(99)	(116)
Interest on pension Scheme liabilities	97	113
Net credit to finance costs (note 4)	(2)	(3)

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	2012	*2011*
	£000	*£000*
Difference between the expected and actual return on assets	(202)	622
Experience gains arising on the Scheme liabilities	-	187
Changes in assumptions underlying the present value of the Scheme liabilities	(244)	(75)
Actuarial (loss)/gain	(446)	734
Loss not recognised due to asset ceiling	64	(861)
Actuarial loss recognised in STRGL before deferred tax	(382)	(127)

Notes to the financial statements
at 31 December 2012 (continued)

14. Pension (continued)

Reconciliation of present value of scheme liabilities

	2012 £000	2011 £000
Actuarial valuation of liabilities at 1 January	2,039	2,039
Current service cost	2	3
Interest cost	97	113
Employee contributions	-	2
Actuarial loss/(gain)	244	(112)
Actuarial benefits paid	(58)	(6)
Actuarial present value of scheme liabilities at 31 December 2012	2,324	2,039

Reconciliation of fair value of scheme assets

	2012 £000	2011 £000
Fair value of assets at 1 January	3,505	2,645
Expected return on scheme assets	99	116
Actuarial (loss)/gain on assets	(202)	622
Employee contributions	-	2
Employer contributions	341	126
Benefits paid	(58)	(6)
Fair value of scheme assets at 31 December 2012	3,685	3,505

Principal actuarial assumptions used to determine the value of the scheme's liabilities at 31 December

	2012 %	2011 %
Discount rate	4 40	4 80
Inflation rate	3 10	3 25
Increase to deferred benefits during deferment	2 40	3 15
Salary increases	3 10	3 25
Expected return on assets	3 95	2 95

Mortality assumption for 2012 and 2011 104% of S1PMA for males and 104% of S1PFA for females with 2011 CMI projections for improvements from 2002 with a long term rate of 1% based on each individual's year of birth

The valuation used for the current year adoption of FRS 17 has been based on data being used for the 5 April 2009 valuation and updated by Towers Watson LLP to take account of the requirements of FRS 17 in order to assess the liabilities of the Scheme at 31 December 2012 Scheme assets are stated at their market value (at bid price where applicable) at 31 December 2012

Notes to the financial statements

at 31 December 2012 (contınued)

14. Pensıon (contınued)

Hıstorıc ınformatıon about the Group's pensıon assets and lıabılıtıes sınce the date of acquısıtıon of the Scheme ıs as follows

	2012	*2011*	*2010*
	£000	*£000*	*£000*
Faır value of lıabılıtıes at year end	(2,324)	(2,039)	(2,603)
Faır value of assets at year end	3,685	3,505	2,645
Surplus at year end	1,361	1,466	42
Irrecoverable surplus	(1,361)	(1,425)	(564)
Loss/ (gaın) on Scheme lıabılıtıes	244	(112)	(122)
Gaın/ (loss) on Scheme assets	(202)	622	40

The total cumulatıve actuarıal loss recognısed ın the statement of total recognısed gaıns and losses at 31 December 2012 was £612,000 (2011 £230,000)

15. Share capital

Allotted, ıssued and fully paıd			*2012*	*2011*
			£	*£*
Number	*Class*	*Nomınal value*		
7,500	A ordınary shares	£1	7,500	2
2,000	B ordınary shares	£1	2,000	-
4,000	C ordınary shares	£0 01	40	-
			9,540	2

In September 2012 the Company's Artıcles of Assocıatıon were amended to create three classes of ordınary shares, A ordınary shares, B ordınary shares and C ordınary shares The Company's exıstıng ordınary shares were converted ınto A ordınary shares, whıch have the same votıng and economıc rıghts as the prevıous ordınary shares 7,498 addıtıonal A ordınary shares were then ıssued to De Vere Fınance No 3 Lımıted, the Company's ımmedıate parent, at nomınal value

Durıng the year the Company ıssued 2,000 B ordınary shares at nomınal value and 4,000 C ordınary shares at premıum of £0 90 per share to members of ıts management team as part of a management ıncentıve scheme The B ordınary shares entıtle the holders to economıc and votıng rıghts and the C ordınary shares entıtle the holders to economıc rıghts but not votıng rıghts (see note 24)

Notes to the financial statements

at 31 December 2012 (continued)

16. Reconciliation of movement in reserves and shareholders' funds

	Note	*Share capital £000*	*Share premium £000*	*Profit and loss reserve £000*	*Revaluation reserve £'000*	*Total shareholders' funds £000*
Group						
At 1 January 2011		-	-	501,607	-	501,607
Loss for the financial year		-	-	(64,785)	-	(64,785)
Property revaluations	7	-	-	-	3,941	3,941
Other recognised gains and losses		-	-	(124)	-	(124)
Intercompany loan waiver		-	-	(21,590)	-	(21,590)
Attributable to minority interest		-	-	6,865	-	6,865
At 31 December 2011		-	-	421,973	3,941	425,914
Profit for the financial year		-	-	9,464	-	9,464
Property revaluations	7	-	-	-	3,078	3,078
Arising on acquisition minority interes		-	-	46,108	-	46,108
Issue of share capital		10	4	-	-	14
Other recognised gains and losses		-	-	(370)	-	(370)
At 31 December 2012		10	4	477,175	7,019	484,208

The profit and loss reserve contains unrealised gains of £72,991,000 created by the waiver of intercompany receivables and treated as a capital contribution Under the Companies Act s846 these gains are not distributable except where the assets on which the gains arose are distributed as a non-cash distribution

During the year one of the Group's subsidiaries, De Vere Hotel Hotel Holdings Limited, acquired the Minority Interest shares held in the group from De Vere Village Hotels CLG Limited The difference between the consideration and the book value of the Minority Interest shares on acquisition of £46,108,000 has been shown as a movement in reserves

	Share capital £000	*Share premium £000*	*Profit and loss reserve £000*	*Revaluation reserve £000*	*Total shareholders' funds £000*
Company					
At 1 January 2011	-	-	976	-	976
Result for the financial year	-	-	-	-	-
At 31 December 2011	-	-	976	-	976
Result for the financial year	-	-	-	-	-
Issue of share capital	10	4	-	-	14
At 31 December 2012	10	4	976	-	990

The profit and loss reserve contains unrealised gains of £1,000,000 created by the waiver of intercompany receivables and treated as a capital contribution Under the Companies Act s846 these gains are not distributable except where the assets on which the gains arose are distributed as a non-cash distribution

Notes to the financial statements

at 31 December 2012 (continued)

17. Minority interest

	Group
	£000
At 1 January 2012	76,824
Movement for the period	(76,824)
At 31 December 2012	-

Up until September 2012 De Vere Village Hotels CLG Limited, a fellow subsidiary of De Vere Village Hotels Limited and a 100% owned subsidiary of the Group's ultimate parent company, De Vere Group Limited, held a minority interest in the Village Group through its 100% holding of A Ordinary shares in De Vere Village Holdings No 2 Limited Details of this class of share can be found in the financial statements of De Vere Village Holdings No 2 Limited

The minority interest was capped at a maximum of 10% of the proceeds of any distribution arising from the winding up of De Vere Village Holdings No 2 Limited

In September 2012, De Vere Village Hotel Holdings Limited acquired the 26% issued share capital in De Vere Village Holdings No 2 Limited that was previously held by De Vere Village Hotels CLG Limited As a result of this, the Minority Interest in the Group has been removed

18 Capital commitments

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Contracted but not provided for in the financial statements	8,621	136	-	-

19. Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Group operating profit/(loss)	16,777	(56,134)
Depreciation of fixed assets	11,844	99,288
Fixed asset impairment	16,176	-
Intangible asset impairment	(2,052)	
Amortisation of negative goodwill	(611)	(870)
Payments to group pension scheme	(338)	-
Decrease in provisions	(1)	(8,882)
Increase in stocks	(216)	(490)
Decrease/(increase) in debtors	1,544	(15,717)
Decrease in creditors	(45,647)	(1,224)
Net cash inflow from operating activities	(2,524)	15,971

Notes to the financial statements

at 31 December 2012 (contınued)

20. Analysis of changes in net funds durıng the perıod

	1 January 2012 £000	*Cash flow £000*	*31 December 2012 £000*
Cash at bank and ın hand	2,600	(1,538)	1,062
	2,600	(1,538)	1,062

21. Contıngent liabılıtıes

Under the terms of a loan facılıty agreement between Bank of Scotland plc and two of the Company's fellow subsıdıary undertakıngs, De Vere Lımıted and De Vere Mıdco Lımıted, a charge exısts over all of the Company's assets Total borrowıngs under the loan facılıty agreement at 31 December 2012 amounted to £1,079,649,000 (2011 £1,134,593,000)

De Vere Vıllage Tradıng No 1 Lımıted (DVVT1) has provıded a repayment guarantee ın favour of Royal Bank of Scotland plc (RBS) ın respect of a loan made by RBS to Bolton Whıtes Hotel Lımıted (BWHL), a company ın whıch a fellow De Vere Group Lımıted subsıdıary had a joınt venture ınterest and to whıch ıt also supplıes servıces under a management agreement

The loan, whıch ıs for £1,750,000 matured but was not called by RBS ın August 2012 and remaıned ın place subject to ongoıng negotıatıons over an extensıon Subsequent to the year end, De Vere Group Lımıted exıted ıts ınvolvement ın BWHL and settled ıts guarantee for £250,000

22. Ultimate parent company

The ımmedıate parent company of De Vere Vıllage Hotels Lımıted ıs De Vere Fınance No 3 Lımıted, a company regıstered ın England and Wales

The ultımate parent and controllıng party of the Company ıs De Vere Group Lımıted, a company regıstered ın England and Wales The fınancıal statements of the Company form part of the consolıdated fınancıal statements of De Vere Group Lımıted whıch can be obtaıned from Companıes House

23. Dısposals

On 4 May 2012 the Group dısposed of the trade and assets of Daresbury park hotel to an unrelated thırd party for total consıderatıon of £10 mıllıon A loss of £99,000 was realısed on the sale The hotel has been dısclosed as a dıscontınued operatıon ın the profit and loss account

Notes to the financial statements

at 31 December 2012 (continued)

24. Management incentive scheme

Certain employees of the Group participate in a Management Incentive Scheme (MIS) This scheme has been established by issuing shares to employees at unrestricted market value These shares can only be redeemed in a certain number of situations such as an exit event (linked either to the sale of a division or of the Group's equity), leaving the organisation (in accordance with good leaver provisions or death) or expiration of the scheme The redemption value of the shares is based on the valuation or sale proceeds of the division being sold or of the Group's shares as appropriate

Under the MIS, when an exit event occurs the purchaser or the Group is required by the Articles to repurchase the shares held by MIS participants The value of the MIS shares is directly linked to the disposal proceeds and a minimum sale price has to be met before any benefits accumulate

The expense for the year relating to the MIS scheme was £nil

The fair value of the cash settled awards is determined at grant date by comparing the estimated realisable value of the group's equity and assets with the minimum proceeds required by the Articles The services received and a liability to pay for those services is recognised over the expected vesting period Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss

The carrying amount of the liability relating to cash settled awards at 31 December 2012 is £nil