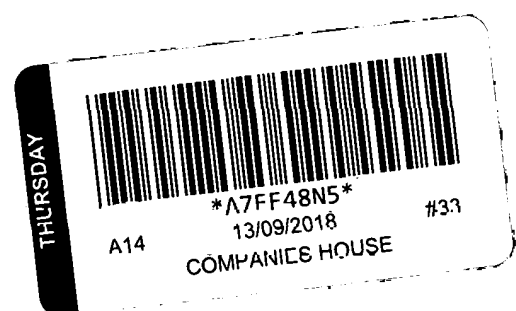


Registration number: 02695921

## **VUR Village Hotels Limited**

### **Report and Consolidated Financial Statements**

for the Year Ended 31 December 2017



# VUR Village Hotels Limited

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## Company information

**Directors** C J Brennan  
G R Davis

**Registered number** 02695921

**Registered office** 1st Floor Lakeview  
600 Lakeside Drive  
Centre Park  
Warrington  
WA1 1RW

**Auditors** Ernst & Young LLP  
2 St Peters Square  
Manchester  
M2 3EY

# VUR Village Hotels Limited

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# VUR Village Hotels Limited

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## Strategic Report

for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

The Company is part of the Village Group, defined as VUR Village Hotels Limited and its subsidiaries ("the Group"). The entities that comprise the Group are shown in note 14.

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

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

### Business model

Village currently operate 29 hotels around the UK, which are located on the outskirts of cities or major towns and benefit from good access to major arterial roads, a high residential density and the ability to provide adequate car-parking for a high volume of customers concurrently.

#### *The offering*

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

A typical range of facilities within a Village hotel include:

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

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

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

\*\*\*Health & beauty services are offered at 18 of the 29 trading properties

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

High volumes of both residents and members are a key feature of the business model, with hotel occupancies reaching an average of 86% and average memberships of 3,400 per property. In turn, F&B income streams benefit from the cross-selling opportunities afforded from the resulting very high level of foot traffic.

#### *"Village" – a Community meeting point*

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

# VUR Village Hotels Limited

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## Strategic Report

for the Year Ended 31 December 2017

### 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*

With investment in refurbishing bedrooms and health & fitness clubs during 2016/17 the Group's strategy for organic growth now centers around building demand through the delivery of service excellence to enhance repeat custom, member retention and the introduction of new clientele.

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

- **Hotel**  
Our Hotel operation is essential to the business formula and we compete with many household brand names within this marketplace. Our goal is to become the number one choice as the place to stay for midweek corporate guests and leisure breaks in the local area and to maintain our high occupancies in order to showcase our product and build awareness.
- **Community**  
Village thrives on a strong relationship with the local community and actively seeks to become a key social and business hub within each community as well as providing for its health and well-being.
- **Team**  
The Group acknowledges the singular importance of its employees in delivering a great customer journey and the key role that they play in ensuring customers return and recommend Village. Our teams also represent our greatest advocates within our community.
- **Technology**  
The Group places huge value on keeping pace with technology, not just in bringing efficiencies to ensure that our pricing remains competitive, but in bringing new business to Village and enhancing the guest-journey once they become a customer.
- **Product**  
Consistent development and investment in our products to align with what our customers want is the final cornerstone of Village's strategy. The business is consistently seeking ways to enhance the customer journey and through 2018 will be trialing the re-modelling of its F&B offering to deliver a better experience to our guests, members and business users alike.

#### *Development of new hotels*

With just 29 hotels in the UK and potentially a further 100\* UK locations identified where the Village business model would succeed, the Group sees great potential to add more Village hotels to the portfolio and in doing so extend awareness of the Village brand to locations where it is relatively unknown, particularly across Southern England.

Throughout 2015/16, 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 due to open in Bristol in November 2018.

Further locations in Basingstoke and Southampton have also been secured and the Group's target is to secure several further locations before the end of 2018.

*\*OC&C Research March 2017*

# VUR Village Hotels Limited

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## Strategic Report

for the Year Ended 31 December 2017

### *Tax strategy*

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

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

### *Operating Review*

VUR Village Hotels Limited and its subsidiaries ("the Group") made a profit after taxation of £54,093,000 (2016: £24,188,000) which included £20,415,000 reversal of prior year property impairment (2016: £8,433,000 property impairment) in respect of the directors fair value assessment of tangible fixed assets.

At 31 December, the directors value the Group's hotel property portfolio at £644,625,000 (2016: £568,467,000), an uplift of 13.4% on the prior year.

The Group generated a cash inflow from operations of £42,895,000 (2016: £49,567,000).

For the twelve months to 31 December 2017, the Group generated sales of £195,051,000 and operating profit of £53,999,000. The Group operated 29 hotels at the following locations:

|             |                |                                   |
|-------------|----------------|-----------------------------------|
| Aberdeen    | Farnborough    | Nottingham                        |
| Ashton Moss | Glasgow        | Portsmouth (opened November 2017) |
| Blackpool   | Hyde           | St David's nr Chester             |
| Bournemouth | Hull           | Solihull                          |
| Bury        | Leeds North    | Swansea                           |
| Cardiff     | Leeds South    | Swindon                           |
| Cheadle     | Liverpool      | Walsall                           |
| Coventry    | London Watford | Warrington                        |
| Dudley      | Maidstone      | Wirral                            |
| Edinburgh   | Newcastle      |                                   |

# VUR Village Hotels Limited

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## Strategic Report

for the Year Ended 31 December 2017

2017 was a milestone year for Village with Group EBITDA exceeding £50m (before £1.6m of hotel pre-opening, new site search and other non-recurring costs) for the first time in its history, up £4.4m (+10%) versus prior year. In addition, the Group opened the first 'next generation' property in Portsmouth in November.

On a Like-for-like basis\* Total Revenue grew 5% with Hotel EBITDA\*\* growing by 10% with a strong conversion on incremental revenues of over 50%.

Accommodation performed well with Revenue per available room (RevPar) growing by 6% and occupancy growing 5%-points on previous year - the targeted drive to fill bedrooms on known dip-nights proving successful in generating the incremental guest volumes. Against the market, Village RevPar growth outperformed direct local competitor set by 2.5%-points\*\*\*.

Health & Fitness delivered an outstanding performance for a third consecutive year with members, yield and profit all significantly up on prior year. The refurbishment programme in 2016, website development, centralised administration and new technology platform all contributed to revenues and profit rising by 7% and 10% respectively on a Like-for-Like basis\*.

Like-for-like\* Membership grew by 5% and closed at an all-time-high of almost 92,000 members.

Like-for-like\* Food & Beverage (F&B) revenues grew by 2%, dampened by heavy High Street discounting and a decision to delay refurbishment investment in this area of the business. Meetings & events suffered disruption across the first half of the year due to a change to IT platforms but gathered pace across the second half and finished the year with a record December for Christmas event covers and revenues.

In November the business opened its first new property in Portsmouth, boasting 153 bedrooms, full service health & fitness club, Pub & Grill, Starbucks and meetings & events space. This new model introduces several new concepts to Village, the smaller but high-tech bedroom, combined Pub & Grill and Business Club. Early trading and feedback has been very positive and the second of this new breed of hotel is now under construction in Bristol and is on schedule to open in November 2018.

Lastly, the Executive Management team was strengthened in July 2017 with the appointment of Paul Roberts as Chief Executive Officer and Gary Davis taking up the new role of Executive Chairman. Paul and Gary worked closely together in their time together at De Vere, Malmaison and Hotel du Vin and were instrumental in the highly successful sale of that business on behalf of KSL in 2014.

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

*\*\* 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 2017*

# VUR Village Hotels Limited

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## Strategic Report

for the Year Ended 31 December 2017

### Key Performance Indicators (KPI's)

The Groups Financial KPI's in the context of the Group's strategy are shown below. The development of new hotels (which recently commenced with the opening of Village Portsmouth) 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&BPar provides the appropriate measure around the Group's success at building on-spend from residents and members and from the wider local community.

|   | Year ended 31<br>December 2017 | Year ended 31<br>December 2016 |
|---|--------------------------------|--------------------------------|
| Total Revenue                           | £195m                          | £184.9m                        |
| Total Hotel EBITDA                      | £58m                           | £53m                           |
| EBITDA as % of Revenue                  | 30%                            | 29%                            |
| No of Trading Hotels @ 31st December    | 29                             | 28                             |
| No of Bedrooms (At Year End)            | 3,644                          | 3,491                          |
| Average Occupancy                       | 86%                            | 81%                            |
| Average Daily Room Rate (ADR)           | £67                            | £67                            |
| Revenue per Available Room (RevPAR)     | £57                            | £54                            |
| Membership No's at Year-end             | 91,933                         | 87,831                         |
| Membership Yield                        | £34                            | £32                            |
| F&B Revenue Per Available Room (F&BPar) | £56                            | £54                            |

### Non-Financial

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

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

- **Hotel competitor benchmarking**

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

- **Guest satisfaction & online review scores**

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

- **Employee turnover and engagement**

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



# VUR Village Hotels Limited

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## Strategic Report

for the Year Ended 31 December 2017

### Financial Review

#### *Financing arrangements*

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

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

#### **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 face 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.

# VUR Village Hotels Limited

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## Strategic Report

for the Year Ended 31 December 2017

### *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 system, financial systems etc.

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

### **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.

### *Liquidity risk*

The Group aims to mitigate cash flow risk by carefully managing and monitoring its cash generation from its operations. Wells Fargo Bank provide the Senior Facility (from November 2016) as described above.

### **Credit risk**

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

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

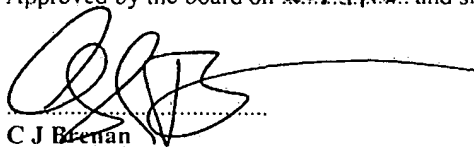
### **Going concern**

Borrowing facilities granted to the Group's parent entity VUR Investment (UK) Limited are secured against properties owned and operated by the Group. Borrowing facilities granted to the Group's parent entity VUR Holdings (UK) Limited are unsecured.

After making enquiries and preparing financial projections for the year ended 2018 and 2019, the directors identified the need for additional financial support from the fund managed by KSL Capital Partners. KSL have confirmed that the fund has sufficient unfunded capital commitments from its investors available for such a capital contribution.

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

Approved by the board on 28/8/18 and signed on its behalf by:



C J Brennan  
Director

# VUR Village Hotels Limited

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## Directors' Report

for the Year Ended 31 December 2017

The directors present their report for the year ended 31 December 2017.

### Principal activity

The principal activity of the Company is that of a holding company.

At 31 December 2017, the Company and all of its subsidiaries were wholly owned subsidiaries of VUR Holdings (UK) Limited. These financial statements present the consolidated results and financial position for VUR Village Hotels Ltd and its subsidiaries ("the Group").

### Results and dividends

The profit for the year, after taxation, amounted to £54,093,000 (2016 - £24,188,000). This result includes reversal of prior year impairment £20,415,000.

The directors do not recommend the payment of a final dividend (2016: £nil).

### Directors of the Group

The directors who held office during the year were as follows:

C J Brennan

G R Davis

### Matters covered in the strategic report

The Group's key business and going concern risks and use of financial instruments are disclosed within the Strategic report.

### 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.

# VUR Village Hotels Limited

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## Directors' Report

for the Year Ended 31 December 2017

### 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 28/8/18 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 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

## Independent Auditor's Report to the Members of VUR Village Hotels Limited

### Opinion

We have audited the financial statements of VUR Village Hotels Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes 1 to 24, 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 2017 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. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Conclusions relating to going concern

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

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

### Other information

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

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

## Independent Auditor's Report to the Members of VUR Village Hotels Limited

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 10], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Independent Auditor's Report to the Members of VUR Village Hotels Limited

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

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

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

### Use of our report

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



Alastair John Richard Nuttall (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor

2 St Peters Square  
Manchester  
M2 3EY

Date: 31/8/18



# VUR Village Hotels Limited

## Consolidated Profit and Loss Account

for the Year Ended 31 December 2017

|  | <i>Note</i> | <i>2017</i><br><i>£ 000</i> | <i>2016</i><br><i>£ 000</i> |
|--|-------------|-----------------------------|-----------------------------|
| <b>Turnover</b>                              | 3           | 195,051                     | 184,952                     |
| Cost of sales                                |             | <u>(97,687)</u>             | <u>(92,630)</u>             |
| <b>Gross profit</b>                          |             | 97,364                      | 92,322                      |
| Administrative expenses                      |             | (65,427)                    | (61,902)                    |
| Exceptional administrative expenses          | 8           | 20,415                      | (8,433)                     |
| Other operating income                       | 4           | <u>1,647</u>                | <u>1,562</u>                |
| <b>Operating profit</b>                      | 5           | 53,999                      | 23,549                      |
| Other interest receivable and similar income | 9           | <u>90</u>                   | <u>40</u>                   |
| <b>Profit before tax</b>                     |             | 54,089                      | 23,589                      |
| Taxation                                     | 10          | <u>4</u>                    | <u>599</u>                  |
| <b>Profit for the financial year</b>         |             | <u>54,093</u>               | <u>24,188</u>               |
| <b>Profit attributable to:</b>               |             |                             |                             |
| Owners of the company                        |             | <u>54,093</u>               | <u>24,188</u>               |

The above results were derived from continuing operations.

The notes on pages 21 to 35 form an integral part of these financial statements.

# VUR Village Hotels Limited

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## Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2017

|  | 2017<br>£ 000 | 2016<br>£ 000 |
|--|---------------|---------------|
| <b>Profit for the year</b>                                 | 54,093        | 24,188        |
| Unrealised surplus on revaluation of tangible fixed assets | <u>27,578</u> | <u>15,888</u> |
| <b>Total comprehensive income for the year</b>             | <u>81,671</u> | <u>40,076</u> |
| <b>Total comprehensive income attributable to:</b>         |               |               |
| Owners of the company                                      | <u>81,671</u> | <u>40,076</u> |

The notes on pages 21 to 35 form an integral part of these financial statements.

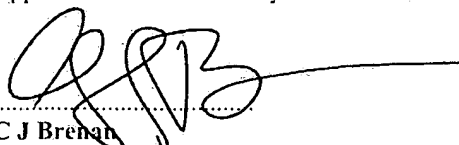
# VUR Village Hotels Limited

## Consolidated Balance Sheet

as at 31 December 2017

|   | Note | 2017<br>£ 000    | 2016<br>£ 000    |
|---|------|------------------|------------------|
| <b>Fixed assets</b>                                   |      |                  |                  |
| Intangible assets                                     | 11   | (1,779)          | (2,647)          |
| Tangible assets                                       | 13   | 646,404          | 571,114          |
|   |      | <u>644,625</u>   | <u>568,467</u>   |
| <b>Current assets</b>                                 |      |                  |                  |
| Stocks  | 15   | 1,650            | 1,423            |
| Debtors: amounts falling due after more than one year | 16   | 4,275            | 4,275            |
| Debtors: amounts falling due within one year          | 16   | 244,018          | 231,425          |
| Cash at bank and in hand                              |      | 2,927            | 2,791            |
|   |      | <u>252,870</u>   | <u>239,914</u>   |
| <b>Creditors: amounts falling due within one year</b> | 18   | <u>(610,099)</u> | <u>(602,656)</u> |
| <b>Net current liabilities</b>                        |      | <u>(357,229)</u> | <u>(362,742)</u> |
| <b>Net assets</b>                                     |      | <u>287,396</u>   | <u>205,725</u>   |
| <b>Capital and reserves</b>                           |      |                  |                  |
| Called up share capital                               | 20   | 10               | 10               |
| Share premium reserve                                 | 19   | 4                | 4                |
| Revaluation reserve                                   | 19   | 60,615           | 33,037           |
| Profit and loss account                               | 19   | 226,767          | 172,674          |
| <b>Equity attributable to owners of the company</b>   |      | <u>287,396</u>   | <u>205,725</u>   |
| <b>Shareholders' funds</b>                            |      | <u>287,396</u>   | <u>205,725</u>   |

Approved and authorised by the board on 28/8/18 and signed on its behalf by:

  
 C J Brennan  
 Director

The notes on pages 21 to 35 form an integral part of these financial statements.

# VUR Village Hotels Limited

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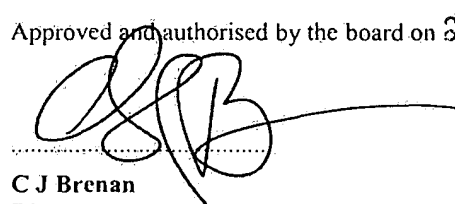
## Balance Sheet

as at 31 December 2017

|                             | Note | 2017<br>£ 000 | 2016<br>£ 000 |
|-----------------------------|------|---------------|---------------|
| <b>Current assets</b>       |      |               |               |
| Debtors                     | 16   | <u>979</u>    | <u>990</u>    |
| <b>Capital and reserves</b> |      |               |               |
| Called up share capital     |      | 10            | 10            |
| Share premium reserve       |      | 4             | 4             |
| Profit and loss account     |      | <u>965</u>    | <u>976</u>    |
| <b>Shareholders' funds</b>  |      | <u>979</u>    | <u>990</u>    |

The company made a loss after tax for the financial year of £11,429 (2016 - loss of £-).

Approved and authorised by the board on 28/8/18... and signed on its behalf by:



C J Brennan  
Director

The notes on pages 21 to 35 form an integral part of these financial statements.

## VUR Village Hotels Limited

### Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2017

Equity attributable to the parent company

|                            | <i>Share capital</i><br>£ 000 | <i>Share premium</i><br>£ 000 | <i>Revaluation<br/>reserve</i><br>£ 000 | <i>Profit and loss<br/>account</i><br>£ 000 | <i>Total equity</i><br>£ 000 |
|----------------------------|-------------------------------|-------------------------------|---|---|------------------------------|
| At 1 January 2016          | 10                            | 4                             | 17,149                                  | 148,486                                     | 165,649                      |
| Profit for the year        | -                             | -                             | -                                       | 24,188                                      | 24,188                       |
| Other comprehensive income | -                             | -                             | 15,888                                  | -   | 15,888                       |
| Total comprehensive income | -                             | -                             | 15,888                                  | 24,188                                      | 40,076                       |
| At 31 December 2016        | 10                            | 4                             | 33,037                                  | 172,674                                     | 205,725                      |
|                            |                               |                               |   |   |                              |
|                            | <i>Share capital</i><br>£ 000 | <i>Share premium</i><br>£ 000 | <i>Revaluation<br/>reserve</i><br>£ 000 | <i>Profit and loss<br/>account</i><br>£ 000 | <i>Total equity</i><br>£ 000 |
| At 1 January 2017          | 10                            | 4                             | 33,037                                  | 172,674                                     | 205,725                      |
| Profit for the year        | -                             | -                             | -                                       | 54,093                                      | 54,093                       |
| Other comprehensive income | -                             | -                             | 27,578                                  | -   | 27,578                       |
| Total comprehensive income | -                             | -                             | 27,578                                  | 54,093                                      | 81,671                       |
| At 31 December 2017        | 10                            | 4                             | 60,615                                  | 226,767                                     | 287,396                      |

The notes on pages 21 to 35 form an integral part of these financial statements.

# VUR Village Hotels Limited

## Statement of Changes in Equity

for the Year Ended 31 December 2017

|                            | <i>Share capital</i><br>£ 000 | <i>Share premium</i><br>£ 000 | <i>Profit and loss</i><br><i>account</i><br>£ 000 | <i>Total</i><br>£ 000 |
|----------------------------|-------------------------------|-------------------------------|---|-----------------------|
| At 1 January 2016          | 10                            | 4                             | 976   | 990                   |
| Profit/(loss) for the year | -                             | -                             | -   | -                     |
| Other comprehensive income | -                             | -                             | -   | -                     |
| Total comprehensive income | -                             | -                             | -   | -                     |
| At 31 December 2016        | 10                            | 4                             | 976   | 990                   |

|                            | <i>Share capital</i><br>£ 000 | <i>Share premium</i><br>£ 000 | <i>Profit and loss</i><br><i>account</i><br>£ 000 | <i>Total</i><br>£ 000 |
|----------------------------|-------------------------------|-------------------------------|---|-----------------------|
| At 1 January 2017          | 10                            | 4                             | 976   | 990                   |
| Loss for the year          | -                             | -                             | (11)  | (11)                  |
| Total comprehensive income | -                             | -                             | (11)  | (11)                  |
| At 31 December 2017        | 10                            | 4                             | 965   | 979                   |

The notes on pages 21 to 35 form an integral part of these financial statements.

# VUR Village Hotels Limited

## Consolidated Statement of Cash Flows

for the Year Ended 31 December 2017

|   | <i>Note</i> | <i>2017</i><br><i>£ 000</i> | <i>2016</i><br><i>£ 000</i> |
|---|-------------|-----------------------------|-----------------------------|
| <b><i>Cash flows from operating activities</i></b>            |             |                             |                             |
| Profit for the year   |             | 54,093                      | 24,188                      |
| Adjustments to cash flows from non-cash items                 |             |                             |                             |
| Amortisation of intangible assets                             |             | (868)                       | (868)                       |
| Depreciation of tangible assets                               |             | 16,364                      | 14,575                      |
| (Reversal of impairment)/impairment of tangible assets        |             | (20,415)                    | 8,433                       |
| (Profit) on disposal of tangible assets                       |             | (75)                        | (234)                       |
| Interest received   |             | (90)                        | (39)                        |
| Taxation credit   |             | (4)                         | (599)                       |
| (Increase)/decrease in stocks                                 |             | (227)                       | 19                          |
| Decrease/(increase) in debtors                                |             | 721                         | (661)                       |
| (Increase)/decrease in net amounts owed by group undertakings |             | (6,809)                     | 6,983                       |
| Increase/(decrease) in creditors                              |             | 205                         | (2,028)                     |
| (Decrease) in provisions                                      |             | -                           | (202)                       |
| Net cash flow from operating activities                       |             | <u>42,895</u>               | <u>49,567</u>               |
| <b><i>Cash flows from investing activities</i></b>            |             |                             |                             |
| Purchase of tangible fixed assets                             |             | (42,924)                    | (48,654)                    |
| Sale of tangible fixed assets                                 |             | 75                          | 234                         |
| Interest received   |             | 90                          | 40                          |
| Net cash flows from investing activities                      |             | <u>(42,759)</u>             | <u>(48,380)</u>             |
| <b><i>Net increase in cash and cash equivalents</i></b>       |             | 136                         | 1,187                       |
| Cash and cash equivalents at 1 January                        |             | <u>2,791</u>                | <u>1,604</u>                |
| <b><i>Cash and cash equivalents at 31 December</i></b>        |             | <u><u>2,927</u></u>         | <u><u>2,791</u></u>         |

The notes on pages 21 to 35 form an integral part of these financial statements.

# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### 1 General information

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

The address of its registered office is:

1st Floor Lakeview  
600 Lakeside Drive  
Centre Park  
Warrington  
WA1 1RW

### 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.

#### *Basis of consolidation*

The consolidated financial statements present the results of the Group and all of its subsidiaries ("the Group") for the year ended 31 December 2017. Intercompany transactions and balances between group companies are eliminated in full for the purposes of consolidated financial statements.

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.



# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### *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 Group engaged independently suitably qualified external valuers Savills to determine fair value. The valuation was performed in March 2018. In arriving at their valuation, the valuer used an Income Approach using the Discounted Cash Flow Method. The valuation assumes that the highest and best use of the assets is as trading hotels.

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

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

The following principal accounting policies have been applied:

#### **Going concern**

Borrowing facilities granted to the Group's parent entity VUR Investment (UK) Limited are secured against properties owned and operated by the Group. Borrowing facilities granted to the Group's parent entity VUR Holdings (UK) Limited are unsecured.

After making enquiries and preparing financial projections for the year ended 2018 and 2019, the directors identified the need for additional financial support from the fund managed by KSL Capital Partners. KSL have confirmed that the fund has sufficient unfunded capital commitments from its investors available for such a capital contribution.

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

#### **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.

# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### *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.

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.

### *Tangible assets*

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

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

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

Depreciation is provided to write down the cost of all other tangible fixed assets over their estimated residual values, and is calculated using the straight line method at the following rates:

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

Certain operating supplies are treated as property, plant and equipment (small operating equipment) and depreciated over a 24 month period.

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

## Notes to the Financial Statements

for the Year Ended 31 December 2017

### *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.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

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

### *Impairment of fixed assets and goodwill*

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

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

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

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

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

### *Valuation of investments*

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

### *Stocks*

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

### *Debtors*

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

# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### ***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***

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.

### ***Interest income***

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

### ***Taxation***

Tax is recognised in the Profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates 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 Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### 3 Turnover

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

|                   | 2017<br>£ 000  | 2016<br>£ 000  |
|-------------------|----------------|----------------|
| Sale of goods     | 66,519         | 64,738         |
| Services rendered | 128,532        | 120,214        |
|                   | <u>195,051</u> | <u>184,952</u> |

### 4 Other operating income

|                           | 2017<br>£ 000 | 2016<br>£ 000 |
|---------------------------|---------------|---------------|
| Hotel management services | 1,647         | 1,562         |
|                           | <u>1,647</u>  | <u>1,562</u>  |

### 5 Operating profit

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

|   | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---------------|---------------|
| Depreciation of tangible fixed assets   | 16,364        | 14,575        |
| Impairment of tangible fixed assets (note 8)  | -             | 8,433         |
| Amortisation of negative goodwill   | (868)         | (868)         |
| Reversal of prior year impairment (note 8)  | (20,415)      | -             |
| Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements | 78            | 75            |
| Other non-audit services  | 25            | 25            |
| Operating lease rentals - plant and machinery   | 483           | 569           |
| Operating lease rentals - other operating leases  | 5,246         | 5,167         |
| Profit on disposal of fixed asset   | <u>(75)</u>   | <u>(234)</u>  |

The auditors' fee of £78,000 (2016: £75,000) which included £1,000 (2016: £1,000) in respect of the Company was settled by a fellow subsidiary company VUR Village Trading No 1 Limited.

# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### 6 Employees and directors' remuneration

Staff costs were as follows:

|                                     | 2017<br>£ 000 | 2016<br>£ 000 |
|-------------------------------------|---------------|---------------|
| Wages and salaries                  | 56,034        | 53,496        |
| Social security costs               | 3,661         | 3,565         |
| Cost of defined contribution scheme | 586           | 539           |
|                                     | <u>60,281</u> | <u>57,600</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:

| 2017<br>No.  | 2016<br>No.  |
|--------------|--------------|
| <u>4,108</u> | <u>3,892</u> |

The company has no staff costs for the year ended 31 December 2017 nor for the year ended 31 December 2016.

### 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

|  | 2017<br>£ 000   | 2016<br>£ 000 |
|--|-----------------|---------------|
| (Reversal of impairment)/impairment of tangible fixed assets | <u>(20,415)</u> | <u>8,433</u>  |
|  | <u>(20,415)</u> | <u>8,433</u>  |

### 9 Other interest receivable and similar income

|                        | 2017<br>£ 000 | 2016<br>£ 000 |
|------------------------|---------------|---------------|
| Bank interest received | <u>90</u>     | <u>40</u>     |

# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### 10 Taxation

Tax charged/(credited) in the income statement

|   | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---------------|---------------|
| <b>Current taxation</b>                                     |               |               |
| UK corporation tax  | (4)           | (639)         |
| <b>Deferred taxation</b>                                    |               |               |
| Arising from origination and reversal of timing differences | -             | 40            |
| Tax receipt in the income statement                         | (4)           | (599)         |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

|  | 2017<br>£ 000 | 2016<br>£ 000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax   | 54,089        | 23,589        |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%) | 10,412        | 4,718         |
| <b>Effects of:</b>   |               |               |
| Capital allowances for year in excess of depreciation  | (2,320)       | 435           |
| Utilisation of tax losses  | -             | (453)         |
| Short term timing difference leading to an increase in taxation  | -             | 40            |
| Non-taxable impairments  | (3,930)       | 1,687         |
| Other non-taxable items  | (99)          | (334)         |
| Transfer pricing not reflected in the accounts   | (4,067)       | (6,692)       |
| Total tax credit   | (4)           | (599)         |

A deferred tax asset of £21,541,000 calculated at a rate of 17% (2016: £29,475,000), 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.

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

# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### 11 Intangible assets

#### Group

|                          | <i>Goodwill<br/>£ 000</i> | <i>Total<br/>£ 000</i> |
|--------------------------|---------------------------|------------------------|
| <b>Cost or valuation</b> |                           |                        |
| At 1 January 2017        | <u>(19,306)</u>           | <u>(19,306)</u>        |
| At 31 December 2017      | <u>(19,306)</u>           | <u>(19,306)</u>        |
| <b>Amortisation</b>      |                           |                        |
| At 1 January 2017        | (16,659)                  | (16,659)               |
| Amortisation charge      | <u>(868)</u>              | <u>(868)</u>           |
| At 31 December 2017      | <u>(17,527)</u>           | <u>(17,527)</u>        |
| <b>Carrying amount</b>   |                           |                        |
| At 31 December 2017      | <u>(1,779)</u>            | <u>(1,779)</u>         |
| At 31 December 2016      | <u>(2,647)</u>            | <u>(2,647)</u>         |

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 5 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 if the directors are of the view that indicators of impairment are present.

The company did not hold goodwill at 31 December 2017 or 31 December 2016.

### 12 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. The loss after tax of the parent Company for the year was £11,000 (2016 - £NIL).



# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### 13 Tangible assets

#### Group

|                          | <i>Land and<br/>buildings<br/>£ 000</i> | <i>Fixtures and<br/>fittings<br/>£ 000</i> | <i>Total<br/>£ 000</i> |
|--------------------------|---|--|------------------------|
| <b>Cost or valuation</b> |   |  |                        |
| At 1 January 2017        | 734,555                                 | 39,631                                     | 774,186                |
| Additions                | 27,035                                  | 16,626                                     | 43,661                 |
| Revaluations             | 47,993                                  | -  | 47,993                 |
| At 31 December 2017      | 809,583                                 | 56,257                                     | 865,840                |
| <b>Depreciation</b>      |   |  |                        |
| At 1 January 2017        | 199,314                                 | 3,758                                      | 203,072                |
| Charge for the year      | 7,792                                   | 8,572                                      | 16,364                 |
| At 31 December 2017      | 207,106                                 | 12,330                                     | 219,436                |
| <b>Carrying amount</b>   |   |  |                        |
| At 31 December 2017      | 602,477                                 | 43,927                                     | 646,404                |
| At 31 December 2016      | 535,241                                 | 35,873                                     | 571,114                |

The cumulative revaluation of £31,197,000 in 2017 below shows the net movement in relation to the valuations from 2011 to 2017.

The Groups tangible fixed assets were valued at 31 December 2017 on a fair value basis (as defined and in accordance with FRS 102) by the directors based on a valuation performed by Savills in March 2018. The valuations carried out by Savills were made in accordance with guidance laid down in RICS Valuations Professional Standards (January 2014 as amended April 2015) which incorporate the International Valuation Standard (IVS 2013).

In arriving at their valuation, the directors and Savills used ten year cash flow forecasts.

As the result of the valuation of £47,993,000 a reversal of prior year impairment losses £20,415,000 (2016: impairment charge £8,433,000) has been recognised in the income statement during the year with £27,578,000 (2015: 15,888,000) recognised in the revaluation reserve.

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

# VUR Village Hotels Limited

## Notes to the Financial Statements

for the Year Ended 31 December 2017

Cost or valuation at 31 December 2017 is represented by:

|                        | <i>Land and<br/>buildings<br/>£ 000</i> | <i>Fixtures and<br/>fittings<br/>£ 000</i> | <i>Total<br/>£ 000</i> |
|------------------------|---|--|------------------------|
| Cost                   | 838,261                                 | 58,777                                     | 897,038                |
| Cumulative revaluation | <u>(28,677)</u>                         | <u>(2,520)</u>                             | <u>(31,197)</u>        |
|                        | <u>809,584</u>                          | <u>56,257</u>                              | <u>865,841</u>         |

### 14 Investments

#### Company

#### Details of undertakings

The following were subsidiary undertakings of the company:

| <i>Undertaking</i>                     | <i>Principal activity</i>            | <i>Class of<br/>shares</i> | <i>Proportion of voting rights<br/>and shares held</i> |             |
|--|--------------------------------------|----------------------------|--|-------------|
|  |                                      |                            | <i>2017</i>  | <i>2016</i> |
| 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       | Hoteliers and leisure club operators | Ordinary                   | 100%   | 100%        |
| VUR Village Trading No 2 Limited       | Dormant company                      | Ordinary                   | 100%   | 100%        |
| VUR St Davids Hotel Limited            | Dormant company                      | Ordinary                   | 100%   | 100%        |
| VUR Village Hotel Holdings Limited     | Holding company                      | Ordinary                   | 100%   | 100%        |
| VUR Village Holdings No 2 Limited      | Holding company                      | Ordinary                   | 100%   | 100%        |
| VUR Village Holdings No 3 Limited      | Holding company                      | Ordinary                   | 100%   | 100%        |
| VUR Swindon Limited                    | Hotel management                     | Ordinary                   | 100%   | 100%        |

All subsidiary undertakings have a registered office located in the UK.

Investments in subsidiary undertakings are stated at cost less any impairment.

# VUR Village Hotels Limited

## Notes to the Financial Statements

for the Year Ended 31 December 2017

### 15 Stocks

|                    | <i>Group</i> |              | <i>Company</i> |              |
|--------------------|--------------|--------------|----------------|--------------|
|                    | <i>2017</i>  | <i>2016</i>  | <i>2017</i>    | <i>2016</i>  |
|                    | <i>£ 000</i> | <i>£ 000</i> | <i>£ 000</i>   | <i>£ 000</i> |
| Food and wet stock | 1,017        | 899          | -              | -            |
| Shop               | 633          | 524          | -              | -            |
|                    | <u>1,650</u> | <u>1,423</u> | <u>-</u>       | <u>-</u>     |

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The company did not hold stocks at 31 December 2017 (2016: £nil).

The value of stock expensed during the year was £16,857,000.

### 16 Debtors

|                                     | <i>Group</i>   |                | <i>Company</i> |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | <i>2017</i>    | <i>2016</i>    | <i>2017</i>    | <i>2016</i>    |
|                                     | <i>£ 000</i>   | <i>£ 000</i>   | <i>£ 000</i>   | <i>£ 000</i>   |
| <b>Due after more than one year</b> |                |                |                |                |
| Other debtors                       | <u>4,275</u>   | <u>4,275</u>   | <u>-</u>       | <u>-</u>       |
|                                     |                | <i>Group</i>   |                | <i>Company</i> |
|                                     | <i>2017</i>    | <i>2016</i>    | <i>2017</i>    | <i>2016</i>    |
|                                     | <i>£ 000</i>   | <i>£ 000</i>   | <i>£ 000</i>   | <i>£ 000</i>   |
| <b>Due within one year</b>          |                |                |                |                |
| Trade debtors                       | 1,953          | 4,289          | -              | -              |
| Amounts owed by group undertakings  | 234,035        | 220,700        | 979            | 990            |
| Other debtors                       | 2,337          | 1,616          | -              | -              |
| Prepayments and accrued income      | <u>5,693</u>   | <u>4,820</u>   | <u>-</u>       | <u>-</u>       |
|                                     | <u>244,018</u> | <u>231,425</u> | <u>979</u>     | <u>990</u>     |

Amounts owed by group undertakings are unsecured and receivable on demand.

# VUR Village Hotels Limited

## Notes to the Financial Statements

for the Year Ended 31 December 2017

### 17 Cash and cash equivalents

|                          | <i>Group</i> |              | <i>Company</i> |              |
|--------------------------|--------------|--------------|----------------|--------------|
|                          | <i>2017</i>  | <i>2016</i>  | <i>2017</i>    | <i>2016</i>  |
|                          | <i>£ 000</i> | <i>£ 000</i> | <i>£ 000</i>   | <i>£ 000</i> |
| Cash at bank and in hand | <u>2,927</u> | <u>2,791</u> | <u>-</u>       | <u>-</u>     |

### 18 Creditors

|                                    | <i>Group</i>   |                | <i>Company</i> |              |
|------------------------------------|----------------|----------------|----------------|--------------|
|                                    | <i>2017</i>    | <i>2016</i>    | <i>2017</i>    | <i>2016</i>  |
|                                    | <i>£ 000</i>   | <i>£ 000</i>   | <i>£ 000</i>   | <i>£ 000</i> |
| <b><i>Due within one year</i></b>  |                |                |                |              |
| Trade creditors                    | 4,640          | 5,783          | -              | -            |
| Amounts owed to group undertakings | 584,703        | 578,176        | -              | -            |
| Other taxation and social security | 4,572          | 3,678          | -              | -            |
| Other creditors                    | 502            | 1,113          | -              | -            |
| Accruals and deferred income       | <u>15,682</u>  | <u>13,906</u>  | <u>-</u>       | <u>-</u>     |
|                                    | <u>610,099</u> | <u>602,656</u> | <u>-</u>       | <u>-</u>     |

Amounts owed to group undertakings are unsecured and payable on demand.

### 19 Reserves

#### Share premium account

The reserve records the amount above the nominal value received for shares sold, less transaction costs.

#### 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.

# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### Profit & loss account

#### Group

The profit and loss reserve contains unrealised gains of £6,055,000 (2016: £6,055,000) 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.

#### Company

The profit and loss reserve contains unrealised gains of £1,000,000 (2016: £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.

### 20 Share capital

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

|                            | 2017         |              | 2016         |              |
|----------------------------|--------------|--------------|--------------|--------------|
|                            | No. 000      | £ 000        | No. 000      | £ 000        |
| Ordinary shares of £1 each | <u>9,540</u> | <u>9,540</u> | <u>9,540</u> | <u>9,540</u> |

### 21 Contingent liabilities

#### Group

Under the terms of the loan facility agreement dated 14 November 2016 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 £325,000,000 (2016 - £325,000,000).

### 22 Capital commitments

#### Group

##### Other financial commitments

The total amount contracted but not provided for in the financial statements relating to the development of Village Hotel Bristol was £19,617,000 and at 31 December 2016 £15,827,000 in respect of the development of Village Hotel Portsmouth.

# VUR Village Hotels Limited

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## Notes to the Financial Statements

for the Year Ended 31 December 2017

### 23 Obligations under leases and hire purchase contracts

#### Group

##### Operating leases

The total of future minimum lease payments is as follows:

|   | 2017<br>£ 000  | 2016<br>£ 000  |
|---|----------------|----------------|
| Not later than one year                           | 5,246          | 5,167          |
| Later than one year and not later than five years | 20,985         | 20,667         |
| Later than five years                             | 177,207        | 176,696        |
|   | <u>203,438</u> | <u>202,530</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £5,246,000 (2016 - £5,167,000).

### 24 Parent and ultimate parent undertaking

The immediate parent company of VUR Village Hotels Limited is VUR Investment (UK) Limited, a company registered in England and Wales.

The smallest group of companies in which the Company is a member and for which group accounts are prepared at 31 December 2017 is VUR Investment (UK) Limited. The largest group in which the company is consolidated is VUR Holdings (UK) Limited.

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.