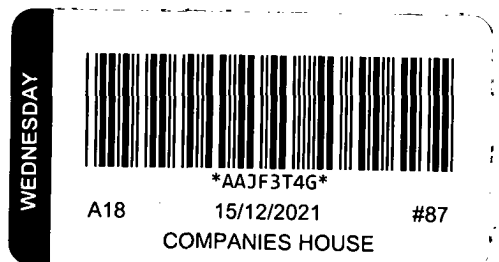


Registration number: 02695921

VUR Village Hotels Limited

Report and Consolidated Financial Statements

for the Year Ended 31 December 2020



VUR Village Hotels Limited

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VUR Village Hotels Limited

Company Information

Directors	C J Brennan G R Davis
Registered office	Cygnets Court Ground Floor 230 Cygnets House Centre Park Warrington WA1 1PP
Auditors	Ernst & Young LLP 2 St Peter's Square Manchester M2 3EY

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

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

The Group is ultimately owned and operated by investment funds managed by KSL Capital Partners ("KSL"). KSL is a private equity firm specialising in travel and leisure enterprises in five primary sectors: hospitality, recreation, clubs, real estate, and travel services. KSL has offices in Denver, Colorado; Stamford, Connecticut; Singapore and London, United Kingdom.

Business model

Village currently operate 32 hotels and Leisure Clubs across the UK, which are located on the outskirts of cities and major towns with the benefit of good access to major arterial roads, a high residential density and the ability to provide substantial car-parking for a high volume of customers concurrently.

The offering

Each hotel comprises several distinct businesses 'under one roof' with the key business drivers being the average of 120 bedrooms in each property with new build properties having 153 bedrooms which predominantly supports the mid-week corporate traveller and the weekend leisure demand and the full-service health & fitness club which provide a service to the local residential population and hotel guests alike.

A typical range of facilities within a Village hotel include:

- 120-bedroom* hotel (New development hotels 153 bedrooms)
- Pub & Grill - Village restaurant concept
- Starbucks coffee shop**
- Function suite and meeting rooms
- "Village Gym" full size health & fitness Club including full size swimming pool
- Health & beauty***
- "VWorks", a membership based co-working space.

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

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

****Health & beauty services are offered at 18 of the 30 trading properties until 31 December 2020 when the Spa at each hotel was permanently closed*

High footfall supported by the Leisure Membership base

High volumes of both residents and leisure members are a key feature of the business model. During 2020 trading restrictions were imposed across the UK to mitigate the spread of Covid-19. In addition to direct restrictions imposed on serving food & beverage, lower occupancy and gym members also had an indirect impact on food and beverage revenue.

"Village" - a Community meeting point

A further key feature of the business model is the focus for each property on its local community with a significant proportion of income derived from customers who live within a short radius of each hotel, in addition to those local residents who visit our hotels as health & fitness members, Village also serves as a place for people to meet for both business and pleasure, in stimulating and vibrant new co working space VWorks and new all-day dining areas Pub & Grill. Village actively encourage use of the hotels by both non-members and non-residents alike.

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Strategy

The Group's objective is to build value through increasing UK market share and building greater national awareness of the Village Brand.

Prior to 2020, Village invested heavily in its portfolio with the roll out of new combined all day dining "Pub & Grill" and re purposing of the redundant space into VWorks, a membership based co working space. Whilst the Group's strategy for organic growth continues, 2020 was a year of consolidation of existing assets, maintained to a high standard whilst liquidity was restricted due to Covid-19 closures.

Despite the impact on the hospitality sector during 2020 and 2021, the Group remains committed to the expansion of the Village brand acquiring both an existing hotel for conversion in May 2021 and completing agreements to purchase land for new development in June 2021.

The wider connected business remains focused on the following five core strategies, in addition to driving cost mitigation through operational efficiencies implemented during 2020 to preserve liquidity.

• Hotel

Our Hotel operation is essential to the business formula and we compete with international brands as well as local operators, a key objective for each Village hotel is to perform at the top of its respective competitor set index which includes key performance indicators such as occupancy and RevPar (Revenue Per Available Room). Village hotels are able to drive a significant premium occupancy to its competitors due to the strong corporate mid-week market and high levels of leisure demand.

• Community

Village thrives on a strong relationship with the local community and actively seeks to become a key social and business hub within each community as well as providing for its health and well-being.

• Team

Village acknowledges the singular importance of its employees in delivering a great customer journey and the key role that they play in ensuring customers return and recommend Village. Our teams also represent our greatest advocates within our community.

• Technology

The Group places huge value on keeping pace with technology, not just in bringing efficiencies to ensure that our pricing remains competitive, but in bringing new business to Village and enhancing the guest-journey once they become a customer.

• Product

Consistent development and investment in our products to align with what today's customers want is the cornerstone of Village's strategy. The business is consistently seeking ways to enhance our service offering and customer journey to deliver a better more intuitive experience to our guests, members and business users alike.

Development of new hotels

With 32 hotels trading in the UK (Village Basingstoke opened in February 2020), Village sees a significant number of opportunities across the UK where the Village business model would be successful, with great potential to add more hotels to the portfolio. The development of Village continued throughout 2020 and Southampton Eastleigh opened successfully in May 2021.

The development economics and building design of the business model continue to be re engineered and have been incorporated into the developments at Basingstoke and Southampton Eastleigh.

In addition to continuing its strategy for acquisition and build, Village is also actively looking for refurbishment opportunities. In May 2021, the group acquired the former Hilton Hotel in Bracknell and immediately began refurbishment to the Village brand standard. The hotel is due to open in December 2021.

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Tax strategy

The Group's strategic objectives to expand and build the value of the Village business are key. The Group seeks to implement its strategy for growth within the most tax efficient structure to achieve its commercial goals by applying both the letter and spirit of all tax legislation. The Group's Tax strategy can be found at <https://www.village-hotels.co.uk/tax-strategy/>

Operating Review

The Group made a loss after taxation of £143,878,000 (2019 loss: £11,334,000) which included £108,464,000 revaluation loss (2019 loss: £43,584,000) in respect of the directors fair value assessment of assets.

At 31 December, the directors value the Group's hotel property portfolio at £569,649,000 (2019: £730,739,000), a decrease of 22% on the prior year.

The Group generated a cash inflow from operations of £24,506,000 (2019: £67,314,000).

For the twelve months to 31 December 2020, the Group generated sales of £86,465,000 (2019: £215,544,00) and operating losses of £147,106,000 (2019: £9,547,000).

The Group operates 32 hotels at the following locations:

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

Village Basingstoke opened on 20 February 2020 At 31 December 2020, Village Southampton Eastleigh was under construction by a fellow group company and subsequently opened for trade on 17 May 2021.

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

The initial onset of the Covid-19 pandemic began to impact the UK hospitality market as early as January and February 2020, with business levels significantly affected by early March 2020. Due to the various periods of lockdown or restricted trade, revenue reduced by 60% - a drop of £130m to £86m.

By mid March, traditionally one of our busier months, hotel average occupancy across the month was 43%, falling to 30% just ahead of all venues complying with the UK Government's national lockdown requirements on 22 March. All 31 hotels across the estate remained closed throughout the remainder of March and for the months of April, May and June 2020. Hospitality began to re-open from 4 July 2020 in England, with Scottish and Welsh hotels following later that month. Occupancy levels started to improve, achieving 31% in July and reaching a high in August at 55%, with the resort hotels at Blackpool, Bournemouth and Swansea benefitting from the Staycation market demand. However, this initial recovery was short lived with regional and local tiered lockdowns coming into effect throughout September and October and a second four week national lockdown from 5 November. During this lockdown, and for the restricted trade periods that followed until the end of December 2020, the hotels remained open for key worker groups. Occupancy levels across November and December averaged only 25% vs 80% in 2019. Average room rates also fluctuated throughout the year, with an average across the twelve month period of £60; compared to £68 in 2019.

Health & Fitness memberships numbers fell by 25% during the year from an opening membership of 99,000 to 75,000 at 31 December. Since March 2020, there had been various restrictions placed on the use of our leisure clubs with memberships on hold during periods of complete closure, effectively extending the membership period by the length of the club closures. Memberships on hold were reported as leavers in the year, and although the clubs saw joiners pick up in January and February 2020 and the summer months when restrictions were temporarily lifted, leavers and frozen memberships far outweighed new joiners. Membership yield held steady in January and February at £36, but declined thereafter to give an average yield of £20 across the twelve month period.

Aside from Rooms and the Leisure Clubs, our Food and Beverage and Meetings and Events business was affected both during the various lockdowns and as restrictions began to ease. Throughout most of 2020 Food and Beverage outlets were forced to stay closed or, when they were allowed to reopen, it was to serve resident guests only or for short periods of heavily restricted trade. Furthermore, the ongoing restrictions around groups and families mixing meant that meetings and events of almost any type were unable to take place, decimating our normally buoyant business around weddings, tribute party nights and business and corporate meetings. Whilst the government's "Eat Out To Help Out" initiative was welcomed and encouraged customers to return to our hotels, the increased trade was again curtailed due to the localised tiered restrictions introduced in September and October. Despite the commencement of the vaccine roll out in early December, Village, and the entire hospitality sector, endured its worst Christmas trading period on record with all meeting and events business, including the traditional Christmas and New Year celebrations, cancelled as the UK headed towards a third national lockdown. Food and Beverage revenue for the year of £28m was a 65% fall on the £78m achieved in 2019. The year ended with Hotel EBITDA* loss of £3.1m and an EBITDA** loss of £10.6m.

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

** Group EBITDA is defined as hotel revenue less recurring hotel operating costs after corporate overhead costs (£8.2m) and management contract income net of costs (£0.8m) but before profit on disposal £0.01m, management fees, pre-opening costs, new site search and other non-recurring costs of £8.4m, including a £5.3m provision for onerous contracts.

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Covid-19 - 2021 update

The UK began 2021 with the announcement of a third national lockdown similar to May to July 2020, commencing from 4 January. Similar to the second national lockdown and tiered trading restrictions, Village remained open at all locations, operating with only a core staff of management to serve key worker groups. Leisure and food and beverage outlets remained closed throughout with a limited room service menu available to in-house guests. As the national lockdown continued to extend through March and into April, it became apparent that the decision to remain open during these months was a positive move with room occupancy building over the four month period from 19% in January, 23% in February, and 30% in March and April. As other hotel groups remained closed Village saw considerable success with key worker groups that had traditionally been difficult to attract, including sports groups, tv and film groups and national and public sector contractor groups. Additional room hire revenues were generated through contracts with a vaccine provider and with Village Hotel Aberdeen designated as a quarantine hotel.

By early April, more than 30m people across the UK had received their first dose of the Coronavirus vaccination and English, Scottish and Welsh governments announced their strategies to ease restrictions. In general terms, this included the phased return throughout May, June and July of essential travel, non-essential travel and outdoor family dining, indoor and outdoor general dining, and finally leisure clubs reopening. Restrictions around larger meetings, weddings and public events lifted over the course of August and beyond. Having remained open throughout the lockdown period, Village was positioned better than ever to scale up (and scale down, if required) as restrictions eased and focused on targeting new and traditional business and leisure segments, particularly around the UK 'staycation' markets.

Room occupancy recovered well, increasing from 51% in May to 86% in August, slightly ahead of that achieved by the group during the same time in 2019. Benefiting from the VAT relief on accommodation and food and beverage (excl. alcohol), the average daily rate has also recovered extremely well, achieving a group average of £76 in August 2021, well ahead of August 2019's £69. Whilst Meetings and Events business remained limited, other food and beverage sales across the Pub & Grill and Starbucks outlets also showed strong signs of recovery towards 2019 levels.

Pre-pandemic, Village Hotel leisure clubs reported a group-wide membership count of over 103k, however, this fell to less than 71k at the lowest point during the pandemic in April 2021. Since clubs reopened in May and June, membership has recovered well and will finish August with the addition of one new club in Eastleigh, Southampton and a group-wide membership count in excess of 94k.

Whilst revenue has recovered well over recent months, Village has remained steadfast in its commitment to controlling cost and protecting profitability. Through the use of technology both in the front-of-house guest experience (e.g. food and beverage app, paperless vouchers, cashless payments, etc.) and behind the scenes in our support services, Village has been able to implement significant process efficiencies that have manifested in cost savings, particularly around labour and payroll.

The outlook for the remainder of 2021 remains positive. With many of the restrictions around Meetings and Events now being lifted, the sales teams are focussing on pent-up demand for weddings and cabaret-style public events as well as the return of Christmas party nights for December.

Village has invested in implementing a Covid-safe environment for all its customers, across rooms, food and beverage and Leisure (Gyms). The customer response to this has been extremely positive and has undoubtedly played a significant role in allowing the hotels to recover to the occupancy and revenue levels currently being generated, a trend which is expected to continue for the remainder of 2021.

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

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

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

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

Structure and Key Stakeholders

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

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

Shareholders

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

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

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

Employees

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

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

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

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

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Guests

The Group considers providing guests with high standards of service is a priority. Only by understanding the guest journey can Village look to improve its offering.

During the year to December 2020, the Company invested in personal protective equipment to ensure the safety of all guests - residents, non resident diners and leisure members. Enhanced cleaning routines in bedrooms and all public areas were deployed to make the hotels a Covid-safe environment for all.

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

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

Leisure Members

With 75,000 leisure club members, health & fitness accounts for approximately 20% of the Group's revenue. Ensuring that each leisure club delivers the highest quality of member's health and fitness experience is a priority. Village sees member engagement as one of the key elements in ensuring member retention and liaises with members on a national basis with direct marketing and member communications and regular updates in clubs that appeal to a more local base.

During the year, as hotels were closed or gym facilities restricted, the Group put monthly gym memberships on hold- extending the annual membership by the relevant closure periods. Personal protective screens were installed around gym equipment to create a Covid-safe environment in which members could enjoy exercise.

Suppliers

Village considers itself to be in partnership with its suppliers, it operates an Ethical Code of Conduct. Regular audits for all material suppliers were undertaken to ensure good practice and accountability. No supplier audits were carried out in the year to December 2020 due to the limits on movement and restricted contact.

The Procurement team aim to undertake visits to key suppliers on their premises and meet with their senior teams to jointly engage in regular dialogue, scoping out the needs for both parties to ensure ethical, commercially viable and sustainable continuity of the supply chain. No on site visits were made during 2020, though regular dialogue between the teams were maintained.

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

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

Community

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

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Regulators

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

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

Decisions and Impact

In line with the Group's vision for growth, Village opened its 31st hotel at Basingstoke in February 2020 and Southampton Eastleigh in May 2021.

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

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

Key Performance Indicators (KPI's)

Financial

The Groups Financial KPI's in the context of the Group's strategy are shown below. The development of new hotels (Village Basingstoke and Southampton Eastleigh) 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, Average Daily Room Rate (revenue from hotel room lets divided by rooms sold or "ADR") and Membership Yield (leisure sales revenue divided by average leisure membership numbers converted to a monthly monetary value), these four measures provide the key insight into the Group's success at building demand in these two areas.

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

The Group's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Total Revenue	£m	86	216
Total Hotel EBITDA	£m	(3)	62
Average Daily Room Rate (ADR)	£	60	68
Revenue Per Available Room (RevPar)	£	22	58
EBITDA as % of Revenue	%	(3.5)	29
Membership No's at 31 December		75,054	99,916
No of Trading Hotels at 31 December		31	30
No of Bedrooms at 31 December		4,018	3,865
Membership Yield	£	21	36
F&B Revenue Per Available Room (F&BPar)	£	19	56
Average Occupancy	%	36	84

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Non-Financial

• Number of development opportunities

The Group continues with its strategy for the development of new hotels throughout the UK and identifying and securing sites for future development is a key driver for future growth. In addition to the new build approach, the Group is also looking to identify existing hotels with growth potential to refurbish to the Village brand standard.

• 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. Whilst the Group continues to use this performance measure on a monthly basis, reliability of this measure has been hampered during 2020 due to national and regional hotel trading restrictions.

• Guest satisfaction & online review scores

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

• Employee turnover and engagement

The Group values its employees and actively promotes growth from within to retain its teams. Key measures of this are Employee Attrition Rates and its ongoing performance management programmes. Employee turnover rates are a useful measure in normalised market conditions. However, they are a less reliable measure for 2020. The impact of reduced demand and trade restrictions imposed in an attempt to mitigate the spread of Covid-19 led to the Group losing approximately a third of its workforce due to redundancies. Throughout the year, and particularly in periods of lockdown, the Group continued to engage with all of its employees through regular email and social media updates.

Financial Review

Liquidity & Capital Resources

Strong financial management is integral to the Group's strategy to develop and maintain the quality of its real estate, funded where possible through the utilisation of free cash flow generated from operating activities. Due to Covid-19, additional funding was required and provided by the Group's owners and lenders to fund both working capital and the continuing development of Village Southampton Eastleigh.

Treasury Policies

The Group's Treasury function is controlled by senior finance management who operate in line with guidelines as agreed by the Board.

With cash generation severely impacted due to Covid-19, the Group increased its focus on liquidity management and provided daily liquidity reporting to enable forecast cash challenges to be identified. This allowed management time to seek alternative sources of funding to ensure that the Group was able to operate and maintain its self imposed minimum cash holding.

During 2019 and 2020, the Group received equity injections of £53.2m, £22m in 2019 which was used to fund capital improvements and £32.1m in 2020 used to fund both working capital and capital expenditure. During the third national lockdown from January 2021, the Group also received £17m of equity funding.

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Business risks

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

Financial loss

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

The Company's internal audit function plans to visit every location unannounced at least annually. During 2020, on site visits were postponed. The Company has a formalised risk management process with a detailed risk control framework. This framework includes an Audit Committee which was established during the year and is comprised of the Chief Executive Officer, Chief Finance Officer, General Counsel and representatives from KSL.

Personal health, safety and security

In a year free of restrictions on trade and social contact, 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.

During 2020, the safety of our guests and employees was paramount and following government guidance, the Company invested heavily in personal protective equipment to ensure that the hotels remained a Covid-safe environment.

UK Economy and Brexit

The Group's revenues are significantly influenced by the level of UK economic activity, which was severely impacted by the Covid-19 pandemic. For significant periods during 2020, the Group's hotels were either closed completely or subjected to government imposed reduced trading restrictions leading to significantly reduced revenue, which increased for a short period of time when restrictions eased.

On 31 January 2020, the United Kingdom left the European Union. On 1 February 2020, an 11-month transition phase began, running to 31 December 2020. Until that date, most trading arrangements were unaffected, and indeed during 2020 the impact of Brexit was eclipsed by the effect of the Covid-19 pandemic, which resulted in a high number of job losses within the Group and the wider hospitality sector. From 1 January 2021, increased legislation around recruiting workers from the EU has contributed to shortage of labour within the hospitality sector although Village typically employs less EU workers than the sector average of circa 40%. In terms of the movement of goods and produce between the EU and the UK, the Group does not directly import goods itself, but relies on its major suppliers. The Group has been relatively unaffected by increased procedures around the movements of goods.

As with prior years, the Group's businesses are all subject to a regular and comprehensive cycle of budgeting, forecasting and peer group competitive analysis. During 2020, the Group increased its focus on achieving increased operational efficiencies in order to mitigate the impact of restricted trade and hotel closures.

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Cyber Security

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

Information Technology

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

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

Covid-19

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

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

Financial instrument risks

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

Foreign exchange risk

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

Cash flow interest rate risk

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

Liquidity risk

The Group aims to mitigate cash flow risk by carefully managing and monitoring its cash generation from its operations. A consortium of lenders led by Wells Fargo Bank provide the Senior Facility (from November 2016) amended and restated in October 2019. The facility was due to expire in November 2021, but following agreement with lenders the term has been extended to November 2023 with a further one year extension option to November 2024.

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

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

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.

Trends and factors affecting future performance

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

Leaving the European Union

All of the Group's sales are made in the UK and have not been affected by any change in legislation. The Group does not directly import goods and continues to have dialogue with its main suppliers to ensure that they are able to fulfill the Group's purchase requirements. Whilst the Group has experienced minor supply interruptions relating to some of its food and beverage items, the impact on revenue has been immaterial. The Group's Purchasing team will continue to work with suppliers and monitor the wider impact on the supply chain in the UK generally to enable mitigating actions to be taken if needed.

Pressure from the High Street

The impact of Covid-19 has resulted in some High Street chains leaving the retail food and beverage market. With Pub & Grill all day dining concept having been rolled out throughout 2019 and 2020, Village is well placed to provide a new and fresh alternative dining experience.

Changing culture pattern of working environments

With a growing number of businesses discarding large expensive offices in favour of hot-desking, home working and flexible working hours for employees, the Group views this as a great opportunity to offer and promote its membership-based co-working space "VWorks" which aligns with these trends and will utilise prime floor-space created by the re-modelling of core F&B facilities. VWorks co-working space is available at 20 of the Group's properties including the new build property Southampton Eastleigh.

With home working mandatory for those who could do so during the lockdown periods in both 2020 and 2021 and additional pressure on employers to create a safer working environment, VWorks presents the ideal product to allow individuals to take workspace on a flexible basis as a break from the home environment and corporates to offer a safe working environment with on site gym and food & beverage facilities. With VWorks, Village is poised to take advantage of the change in direction of the the working environment and increased focus on employee health and wellbeing.

Future health club demand

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

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

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Environmental & Social Governance (ESG)

The Group recognises that an essential part of being a responsible business is caring for the environment. Work around environmental issues is led by the Executive Management and their role is to encourage each hotel to reduce their impact on the environment and carbon footprint and create a clear and transparent path to Net-Zero.

The Group has policies and practices in place to focus on specific operations and how the Group's current impact on the environment can be mitigated. The Group's strategy for 2020 was to fully understand our position in the market with regards to the effect of our hotel operations on the environment and our carbon emissions. The Group's future goals will be set against the background of understanding and improving our operating efficiencies to ensure that the path to Net Zero is planned, measured and clearly implemented.

The Group continues to engage a 3rd party environmental consultant, to incorporate monitoring systems onto our Building Management Systems (BMS) to evaluate energy usage and advise on actions to be taken to reduce energy consumption. The BMS system is a key component in energy management and the Group has continued to invest in BMS systems in every hotel it has developed.

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

The Group's Streamlined Energy & Carbon Report can be found within the Director's report.

New development hotels

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

This rating is only awarded on the basis that the development is designed and managed with the environmental impacts in mind and the award requires ecological surveys to minimise impacts on land and natural habitats, energy efficient lighting and mechanical/electrical plant, thermally efficient external envelop, natural ventilation where possible, as well as an active 'travel management plan' to understand how customers and staff will access and utilise the hotel in the surrounding local environment.

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

Waste disposal and recycling

The Group is registered with Recycle Pak, a National Compliance Scheme registered to serve companies under the Packaging Waste Regulations. The Group aims to divert the maximum amount of waste possible from landfill.

General Data Protection Regulations (GDPR) Statement

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

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

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

VUR Village Hotels Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Procurement Policy

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

- The availability and update of allergen information for customers and employees.
- Due diligence checks for new suppliers to ensure they are meeting the legal risk and safety requirements as well as being ethically, environmentally and socially responsible.
- The reduction of waste to landfill, introduction of recycling initiatives and management of waste notes. The Procurement team together with all nominated suppliers within the Village supply chain, work within the Bribery Act 2010 guidelines.

Modern Slavery Statement

The Group recognise that although slavery, servitude, forced labour and human trafficking ('Modern Slavery'), is illegal it remains a growing issue in the UK. In an increasingly global marketplace, the Group also recognise that all businesses have a responsibility to understand whether modern slavery and human trafficking is taking place within their businesses and supply chains and this is a responsibility that the Group takes seriously. We are committed to making meaningful and long term improvements to workers' employment and workplace conditions including but not limited to the prevention of forced, bonded and trafficked labour. We do this through our policies and governance, which are supported by a committed organisation and our leadership.

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

Employees

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

Training & identifying talent

The Group provides training to all employees on how to deliver excellent service to all of our guests and uses an annual appraisal system to identify further training needs around our core values and to build succession plans.

The Group encourages growth from within all of its employees and identifies team members who have the qualities for future senior roles within the business. Development programmes are in operation to enable those employees to achieve their full potential within Village.


Employee engagement

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

Employee health & wellbeing

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

Approved by the Board on 10/12/2021 and signed on its behalf by:


.....
C J Brenan
Director

VUR Village Hotels Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements and consolidated financial statements for the year ended 31 December 2020.

Principal activity

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

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

Results and dividends

The loss for the year, after taxation, amounted to £143,878,000 (2019: £11,334,000). This result includes revaluation loss on tangible assets of £108,464,000 (2019: £43,584,000).

The directors do not recommend the payment of a final dividend (2019: £nil).

Directors of the group

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

C J Brennan

G R Davis

Employees

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

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

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

Health and safety

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

Corporate governance

The Group has a Corporate Governance framework in place to ensure that the business has appropriate decision making processes and controls which ensure that the interest of all stakeholders (shareholders, employees, suppliers, customers and the community) are balanced. The framework includes the processes by which the Group's objectives are set and pursued in the context of the social regulatory and market environment. The framework is concerned with policies, practices and procedures to enable the Group to achieve its commercial objectives whilst giving confidence to stakeholders that their trust in the Group's Executive Management Team consisting of our Chief Executive Officer, Chief Finance Officer, General Counsel and all operational directors is well founded.

VUR Village Hotels Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Going concern

The Company participates in the Group's centralised treasury arrangement and so shares banking arrangements with fellow Group companies. There is no external debt or covenants in place at the subsidiary level. The Company is reliant on financial support from its parent company, VUR Holdings (UK) Limited, who has confirmed it will provide financial support to assist the Company to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. The parent company acknowledges that a material uncertainty as detailed below does impact the Group's ability to fulfil this.

The Group is funded by both third-party loans and equity. Borrowing facilities are provided by a consortium of lenders led by Wells Fargo bank to VUR Investment (UK) Ltd, a wholly owned subsidiary of VUR Holdings (UK) Ltd. Borrowings are secured against properties owned and operated by the Group.

On 31 December 2020, total borrowings under the facilities amounted to £410m. On 22 March 2021, a first extension of the facilities to November 2022 was agreed with the lenders. In November 2021 the Facility Agreement was amended and restated with a termination date of November 2023, providing for one further 12-month extension option to November 2024, subject to covenant tests and other specified conditions being met.

In March 2020, the UK government announced the first of three national lockdowns as part of its strategy to prevent the further spread of Covid-19. During the first national lockdown in 2020, all of the Group's hotels were closed, with management taking action to ensure a smooth and safe closure. Cost mitigation actions were immediately put in place and cashflow was carefully controlled. During the closed period, Group EBITDA was negative owing to the lack of revenue in the Group.

In the second lockdown, after investing heavily in personal protective equipment for the protection of both its employees and customers, the Group took the decision to operate within government guidelines and remain open to provide accommodation for key workers when further trade restrictions were imposed in late 2020. This strategy benefited the Group, with average occupancy at 25% across November and December 2020, making a positive contribution to the mitigation of its trading losses incurred since the start of the pandemic. This strategy continued during 2021 with the Group adapting to scale up or scale down trading in the face of changing government guidance. In February 2021, the UK government announced its roadmap out of lockdown, with milestones needing to be achieved in order for the UK to once again open up. The Group entered into dialogue with its Lenders and in March 2021 agreed an extension of the facility agreement, guaranteeing funding to November 2022. The Group was unable to enter into discussions regarding failure to meet its covenant obligations due to the direct impact of restricted trade until the landscape became clearer. In April 2021, the Group started to see the benefit of restrictions being eased, with hospitality venues able to serve people outdoors with food and beverages and gyms allowed to re-open, albeit with restrictions. In May 2021, the government announced it would allow indoor hospitality and remove travel restrictions for key workers. Indoor classes were also allowed to take place, with reduced capacity. The Group's trading position has continued to improve since market re-opening in May 2021, buoyed by pent up demand and consumer confidence aided by the successful roll out of the vaccine.

In May 2021, the Group opened its 32nd hotel at Southampton Eastleigh which has since consistently generated positive EBITDA. Amidst this backdrop, in the same month, the Group completed the purchase of the Hilton Hotel Bracknell, which was immediately closed for refurbishment. The purchase and subsequent refurbishment are funded entirely by equity from the Group's owners. The Bracknell hotel will begin a phased opening from mid December 2021, opening in full by mid-January 2022. The hotel sits outside of the banking group of companies over which the Lenders have security. The hotel is forecast to make a positive EBITDA contribution during the financial year to December 2022.

In terms of the existing hotels and current borrowing, discussions with Lenders resumed in May 2021 regarding the reset of its covenant requirements. The anticipated removal of all social restrictions from June 2021 was delayed until July 2021. This required the Group to obtain an interim waiver of the covenants for the period to June 2021 whilst Lender discussions continued. In September 2021 the Group obtained a further waiver of the leverage covenant for September 2021.

VUR Village Hotels Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

In November 2021 the Facility Agreement was amended and extended, extending maturity to November 2023 (with the option for the Group to extend to November 2024 through a third extension). The revised Facility Agreement also provides the Group with further covenant flexibility, including a waiver of the Debt to EBITDA covenant up to, but not including, June 2022, with a reset of Debt to EBITDA covenant levels thereafter.

As the Group looks forward to both the remainder of 2021 and out to December 2022, and whilst acknowledging that the Group cannot predict with certainty the continued freedom of trade and consumer movement currently enjoyed, forecasts have been produced, considering various scenarios. In the Base Case scenario, the Group continues to trade at its current and forecast rates and comfortably meets its anticipated loan covenant tests. Cash reserves at the end of December 2022 are positive and there is no requirement for any further equity injection or loan funding. A plausible downside scenario has also been produced which assumes that the UK goes into restricted trading or lockdown once again and trade returns to the reduced levels seen in December 2020 to May 2021. In this scenario, whilst the Group would not require further equity or debt funding to enable it to meet its obligations as they become due, there is projected to be a breach of the June 2022 Debt to EBITDA Covenant which would require the Group to enter into negotiations with Lenders once again. The ability of the Group to meet its Debt to EBITDA Covenant test in June 2022, in a plausible downside scenario, is dependent on obtaining a Debt to EBITDA covenant waiver for June 2022. This results in a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

However, the Directors are satisfied with the Group's performance pre and post COVID. Given this, and the Group's real estate backing, the Directors have concluded that it is appropriate for the financial statements to be prepared on a going concern basis. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on a basis other than going concern.

Post balance sheet events

On 6 January 2021, the UK entered into its third national lockdown. Hospitality was required to close unless providing services for essential business travel and key worker groups. As a consequence, the Group required an additional equity injection. Since the balance sheet date, the Group has received £33.9m of equity funding which has been used to fund both working capital and capital expenditure including the acquisition of the share capital of Tabamara Ltd by fellow group company VUR Holdings (UK) Limited. The company owns the freehold interest of a hotel building in Bracknell which was closed for refurbishment immediately on acquisition. The hotel is due to re open in December 2021.

On 23 November 2021, an extension of the term of the existing loan facility granted to fellow group company VUR Investment (UK) Limited was agreed with the loan now repayable in November 2023, with a further extension to November 2024 made available and subject to certain conditions being satisfied. The remaining £15,000,000 of Facility D was cancelled on the same date.

Matters covered in the strategic report

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

VUR Village Hotels Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Streamlined Energy and Carbon Reporting Framework Regulations (SECR)

The Group recognises the importance of its environmental responsibilities and is continuing to build a framework of energy management strategies towards achieving a carbon neutral status.

A third party energy consultant has been engaged to advise on energy reduction strategies across the portfolio and measure the annual energy consumption and greenhouse emissions for utilities and vehicles.

Energy consumption and reporting is gathered through the use of smart building hardware and data analytics to highlight opportunities to reduce energy consumption. The shut down of hotel plant and throughout the first lockdown period of 2020 in which the hotels were fully closed and during periods of low occupancy has contributed to reduced energy consumption during the year. The Group has also implemented a programme to ensure that newly built or refurbished hotels are operating as efficiently as possible in line with the design of the newly installed plant.

During the reporting period 1 January to 31 December 2020, measured Scope 1 and Scope 2 emissions (Location based) totalled 17,229tCO₂e. This comprised:

Scope – Emissions covered in the report	Total (tCO ₂ e)
Scope 1	9,321
Natural gas	9,292
Fuel for transport	21
Other fuels	8
Scope 2 - Location based	7,908
Electricity, heat	7,908
Total Scope 1 & 2 – location based	17,229
Scope 1 & 2 intensity per m²	0.06tCO₂e/m²
Scope 3	344
Business travel – reimbursed mileage or hire car fuel	344

Total fuel and electricity consumption amounted to 86,216 Mwh.

Energy consumption (MWh)	Reporting Period
Electricity	33,461
Fuels (1)	52,047
Heat (2)	708
Total energy consumption	86,216

(1)Natural gas and transportation fuels (petrol and diesel)

(2) Combined heat and power

Emissions were verified to a reasonable level of assurance according to the ISO 14064-3 standard. Emissions generated from a Combined Heat and Power (CHP) system at Village Whiston are calculated to be proportional to the share of energy generated.

VUR Village Hotels Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Directors' liabilities

Directors' and officers' insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company. The indemnities constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2020 financial year and remain in force for the Directors of the Company.

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 10/12/2021 and signed on its behalf by:



C J Bresan
Director

VUR Village Hotels Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report, the Strategic Report, 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) including Financial Reporting Standard FRS102 'The 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.

VUR Village Hotels Limited

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

Opinion

subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, 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 FRS 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 group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Material Uncertainty related to Going Concern

We draw attention to note 2 in the financial statements which details that the ability of the business to pay its debts and meet its liabilities as they fall due in the period to 31 December 2022 is, in a plausible downside scenario, dependent on support from the parent company, which has disclosed a material uncertainty in respect of obtaining covenant waivers for the period from June 2022 onwards.

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

Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

VUR Village Hotels Limited

Independent Auditor's Report to the Members of VUR Village Hotels Limited (continued)

- Analysis of management's base case scenario which passed covenant tests throughout the review period together with analysis of the assumptions contained within.
- Analysis of management's plausible downside scenario which breached covenants.
- Performed further downside sensitivities which also showed covenant breaches.
- Read the new loan agreement which has been extended past the end of the review period.
- Assessed the likelihood of managements scenarios in light of the latest data available in relation to COVID-19.
- Performed clerical accuracy checks on the information presented by management in light of their future forecasts for the business.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 the 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.

VUR Village Hotels Limited

Independent Auditor's Report to the Members of VUR Village Hotels Limited (continued)

Matters on which we are required to report by exception

In the light of the 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 or directors' report.

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

- adequate accounting records have not been kept, 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 directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

VUR Village Hotels Limited

Independent Auditor's Report to the Members of VUR Village Hotels Limited (continued)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are: Companies Act 2006, FRS 102, UK tax legislation, Health and Safety at Work Act, National Minimum Wage Act and Coronavirus Job Retention Scheme.
- We understood how VUR Village Hotels Limited is complying with those frameworks by performing a variety of procedures including but not limited to: enquiry of key management personnel and entity legal counsel, reading board minutes and other relevant correspondence, evidencing internal policies and procedures back to documentation and ensuring appropriate follow up action is taken where relevant and for certain laws we have recalculated various parts of the financial records to ensure the entity is operating within the relevant legislation.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying the controls which are in place at the entity level and whether the design of these controls is sufficient for the prevention and detection of fraud. We also consider the risk of management override and the design and implementation of controls at the financial statement level to prevent this.

Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiry of key management personnel and entity legal counsel, evidencing internal policies and procedures back to documentation and ensuring appropriate follow up action is taken where relevant and for certain laws we have recalculated various parts of the financial records to ensure the entity is operating within the relevant legislation. In respect of the risk of management override we performed tailored journal entry testing to identify a subset of the whole population that might pertain to fraud risk areas, performed procedures on revenue to a lower testing threshold and enquired of parties in areas of significant judgment.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.



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

2 St Peter's Square
Manchester
M2 3EY

13 December 2021
Date:.....

VUR Village Hotels Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	86,465	215,544
Cost of sales		<u>(56,342)</u>	<u>(109,654)</u>
Gross profit		30,123	105,890
Exceptional items - impact of revaluation of fixed assets	8	(108,464)	(43,584)
Administrative expenses		(90,006)	(73,656)
Other operating income	4	<u>21,241</u>	<u>1,803</u>
Operating loss	5	(147,106)	(9,547)
Other interest receivable and similar income	9	<u>37</u>	<u>111</u>
Loss before tax		(147,069)	(9,436)
Taxation	10	<u>3,191</u>	<u>(1,898)</u>
Loss for the financial year		<u>(143,878)</u>	<u>(11,334)</u>
Profit/(loss) attributable to:			
Owners of the company		<u>(143,878)</u>	<u>(11,334)</u>

The above results were derived from continuing operations.

VUR Village Hotels Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
Loss for the year	(143,878)	(11,334)
Unrealised (deficit)/surplus on revaluation of tangible fixed assets	<u>(55,796)</u>	<u>(7,923)</u>
Total comprehensive (loss)/income for the year	<u>(199,674)</u>	<u>(19,257)</u>
Total comprehensive income attributable to:		
Owners of the company	<u>(199,674)</u>	<u>(19,257)</u>

The notes on pages 33 to 49 form an integral part of these financial statements.

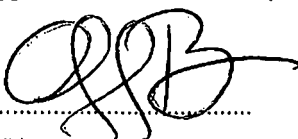
VUR Village Hotels Limited

(Registration number: 02695921)

Consolidated Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	11	-	(45)
Tangible assets	13	<u>569,649</u>	<u>730,739</u>
		<u>569,649</u>	<u>730,694</u>
Current assets			
Stocks	15	713	1,885
Debtors	16	115,971	128,596
Other financial assets	16	4,274	4,275
Cash at bank and in hand		<u>136</u>	<u>1,672</u>
		121,094	136,428
Creditors: Amounts falling due within one year	17	<u>(535,535)</u>	<u>(517,399)</u>
Net current liabilities		<u>(414,441)</u>	<u>(380,971)</u>
Total assets less current liabilities		155,208	349,723
Provisions for liabilities	18	<u>(5,828)</u>	<u>(669)</u>
Net assets		<u>149,380</u>	<u>349,054</u>
Capital and reserves			
Called up share capital	19	10	10
Share premium reserve	20	4	4
Revaluation reserve	20	13,542	69,338
Profit and loss account	20	<u>135,824</u>	<u>279,702</u>
Equity attributable to owners of the company		<u>149,380</u>	<u>349,054</u>
Shareholders' funds		<u>149,380</u>	<u>349,054</u>

Approved and authorised by the Board on 10/12/2021 and signed on its behalf by:



 C J Brennan
 Director

The notes on pages 33 to 49 form an integral part of these financial statements.

VUR Village Hotels Limited

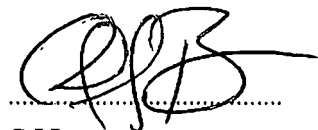
(Registration number: 02695921)

Company Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Current assets			
Debtors	16	989	989
Creditors: Amounts falling due within one year	17	<u>(37)</u>	<u>(29)</u>
Net assets		<u>952</u>	<u>960</u>
Capital and reserves			
Called up share capital	19	10	10
Share premium reserve		4	4
Profit and loss account		<u>938</u>	<u>946</u>
Shareholders' funds		<u>952</u>	<u>960</u>

The company made a loss after tax for the financial year of £7,293 (2019 - loss of £7,349).

Approved and authorised by the Board on ..10/12/2021.. and signed on its behalf by:



C J Brennan
Director

The notes on pages 33 to 49 form an integral part of these financial statements.

VUR Village Hotels Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020 Equity attributable to the parent company

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	10	4	69,338	279,702	349,054
Loss for the year	-	-	-	(143,878)	(143,878)
Other comprehensive income	-	-	(55,796)	-	(55,796)
Total comprehensive income	-	-	(55,796)	(143,878)	(199,674)
At 31 December 2020	10	4	13,542	135,824	149,380

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	10	4	77,261	291,036	368,311
Loss for the year	-	-	-	(11,334)	(11,334)
Other comprehensive loss	-	-	(7,923)	-	(7,923)
Total comprehensive loss	-	-	(7,923)	(11,334)	(19,257)
At 31 December 2019	10	4	69,338	279,702	349,054

The notes on pages 33 to 49 form an integral part of these financial statements.

VUR Village Hotels Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	10	4	946	960
Loss for the year	-	-	(8)	(8)
Total comprehensive income	-	-	(8)	(8)
At 31 December 2020	10	4	938	952
	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	10	4	953	967
Loss for the year	-	-	(7)	(7)
Total comprehensive income	-	-	(7)	(7)
At 31 December 2019	10	4	946	960

The notes on pages 33 to 49 form an integral part of these financial statements.

VUR Village Hotels Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Loss for the year		(143,878)	(11,334)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	19,923	17,671
Impairment of tangible fixed assets	8	108,464	43,584
Profit on disposal of tangible assets	8	(163)	(16)
Interest received	9	(37)	(111)
Taxation charge	10	(3,191)	1,390
		(18,882)	51,184
Working capital adjustments			
Decrease/(increase) in stocks	15	1,172	(151)
Movement in debtors	16	7,071	(4,219)
Movement in net amounts owed by group undertakings		27,319	26,557
Movement in creditors	17	2,567	(5,661)
Increase in provisions	18	5,259	508
Cash generated from operations		24,506	68,218
Corporation tax paid	10	-	(904)
Net cash flow from operating activities		24,506	67,314
Cash flows from investing activities			
Purchase of tangible assets		(26,242)	(69,256)
Sale of tangible assets		163	16
Interest received		37	111
Net cash flows from investing activities		(26,042)	(69,129)
Net decrease in cash and cash equivalents		(1,536)	(1,815)
Cash and cash equivalents at 1 January		1,672	3,487
Cash and cash equivalents at 31 December		136	1,672

The notes on pages 33 to 49 form an integral part of these financial statements.

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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:

Cygnat Court Ground Floor
230 Cygnat House
Centre Park
Warrington
WA1 1PP

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

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

Basis of preparation

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

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2020. Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

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

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

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Judgements and key sources of estimation and uncertainty

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

Revaluation of tangible fixed assets

The Group carries its trading hotels at fair value, with changes in fair value being recognised in profit or loss or revaluation reserve as applicable. The directors estimated the fair value of the Group's tangible fixed assets based on a valuation performed in December 2020 by Savills Chartered Surveyors on behalf of the lenders. The valuation used an Income Approach using the Discounted Cash Flow Method and assumed that the highest and best use of the assets is as trading hotels.

Impairment of non-financial assets

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

The following principal accounting policies have been applied:

Going concern

The Company participates in the Group's centralised treasury arrangement and so shares banking arrangements with fellow Group companies. There is no external debt or covenants in place at the subsidiary level. The Company is reliant on financial support from its parent company, VUR Holdings (UK) Limited, who has confirmed it will provide financial support to assist the Company to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. The parent company acknowledges that a material uncertainty as detailed below does impact the Group's ability to fulfil this.

The Group is funded by both third-party loans and equity. Borrowing facilities are provided by a consortium of lenders led by Wells Fargo bank to VUR Investment (UK) Ltd, a wholly owned subsidiary of VUR Holdings (UK) Ltd. Borrowings are secured against properties owned and operated by the Group.

On 31 December 2020, total borrowings under the facilities amounted to £410m. On 22 March 2021, a first extension of the facilities to November 2022 was agreed with the lenders. In November 2021 the Facility Agreement was amended and restated with a termination date of November 2023, providing for one further 12-month extension option to November 2024, subject to covenant tests and other specified conditions being met.

In March 2020, the UK government announced the first of three national lockdowns as part of its strategy to prevent the further spread of Covid-19. During the first national lockdown in 2020, all of the Group's hotels were closed, with management taking action to ensure a smooth and safe closure. Cost mitigation actions were immediately put in place and cashflow was carefully controlled. During the closed period, Group EBITDA was negative owing to the lack of revenue in the Group.

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

In the second lockdown, after investing heavily in personal protective equipment for the protection of both its employees and customers, the Group took the decision to operate within government guidelines and remain open to provide accommodation for key workers when further trade restrictions were imposed in late 2020. This strategy benefited the Group, with average occupancy at 25% across November and December 2020, making a positive contribution to the mitigation of its trading losses incurred since the start of the pandemic. This strategy continued during 2021 with the Group adapting to scale up or scale down trading in the face of changing government guidance. In February 2021, the UK government announced its roadmap out of lockdown, with milestones needing to be achieved in order for the UK to once again open up. The Group entered into dialogue with its Lenders and in March 2021 agreed an extension of the facility agreement, guaranteeing funding to November 2022. The Group was unable to enter into discussions regarding failure to meet its covenant obligations due to the direct impact of restricted trade until the landscape became clearer. In April 2021, the Group started to see the benefit of restrictions being eased, with hospitality venues able to serve people outdoors with food and beverages and gyms allowed to re-open, albeit with restrictions. In May 2021, the government announced it would allow indoor hospitality and remove travel restrictions for key workers. Indoor classes were also allowed to take place, with reduced capacity. The Group's trading position has continued to improve since market re-opening in May 2021, buoyed by pent up demand and consumer confidence aided by the successful roll out of the vaccine.

In May 2021, the Group opened its 32nd hotel at Southampton Eastleigh which has since consistently generated positive EBITDA. Amidst this backdrop, in the same month, the Group completed the purchase of the Hilton Hotel Bracknell, which was immediately closed for refurbishment. The purchase and subsequent refurbishment are funded entirely by equity from the Group's owners. The Bracknell hotel will begin a phased opening from mid December 2021, opening in full by mid-January 2022. The hotel sits outside of the banking group of companies over which the Lenders have security. The hotel is forecast to make a positive EBITDA contribution during the financial year to December 2022.

In terms of the existing hotels and current borrowing, discussions with Lenders resumed in May 2021 regarding the reset of its covenant requirements. The anticipated removal of all social restrictions from June 2021 was delayed until July 2021. This required the Group to obtain an interim waiver of the covenants for the period to June 2021 whilst Lender discussions continued. In September 2021 the Group obtained a further waiver of the leverage covenant for September 2021.

In November 2021 the Facility Agreement was amended and extended, extending maturity to November 2023 (with the option for the Group to extend to November 2024 through a third extension). The revised Facility Agreement also provides the Group with further covenant flexibility, including a waiver of the Debt to EBITDA covenant up to, but not including, June 2022, with a reset of Debt to EBITDA covenant levels thereafter.

As the Group looks forward to both the remainder of 2021 and out to December 2022, and whilst acknowledging that the Group cannot predict with certainty the continued freedom of trade and consumer movement currently enjoyed, forecasts have been produced, considering various scenarios. In the Base Case scenario, the Group continues to trade at its current and forecast rates and comfortably meets its anticipated loan covenant tests. Cash reserves at the end of December 2022 are positive and there is no requirement for any further equity injection or loan funding. A plausible downside scenario has also been produced which assumes that the UK goes into restricted trading or lockdown once again and trade returns to the reduced levels seen in December 2020 to May 2021. In this scenario, whilst the Group would not require further equity or debt funding to enable it to meet its obligations as they become due, there is projected to be a breach of the June 2022 Debt to EBITDA Covenant which would require the Group to enter into negotiations with Lenders once again. The ability of the Group to meet its Debt to EBITDA Covenant test in June 2022, in a plausible downside scenario, is dependent on obtaining a Debt to EBITDA covenant waiver for June 2022. This results in a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

However, the Directors are satisfied with the Group's performance pre and post COVID. Given this, and the Group's real estate backing, the Directors have concluded that it is appropriate for the financial statements to be prepared on a going concern basis. The financial statements do not reflect any adjustments that would be required to be made if they were prepared on a basis other than going concern.

Revenue recognition

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

Sale of goods

The Group operates restaurants and bars at all of its hotels. Sales of goods are recognised when a hotel restaurant or bar sells a product to a customer at a fair value after deducting discounts and sales based taxes.

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.

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a) (iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A..

Tangible assets

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

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

Depreciation

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

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

Plant and equipment	14% to 25% per annum
Small operating equipment	50% per annum

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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 4 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.

Revaluation of tangible fixed assets

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

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

Impairment of fixed assets

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 FRS102, fixed assets are first grouped into cash generating units (CGUs). 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 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 valuer 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.

Operating leases

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

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

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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 the 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.

Cash and cash equivalents

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

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

Creditors

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

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

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

Pensions

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

Interest income

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

Taxation

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

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

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.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Revaluation reserve

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

3 Turnover

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

	2020	2019
	£ 000	£ 000
Sale of goods	26,568	73,118
Services rendered	59,897	142,426
	<u>86,465</u>	<u>215,544</u>

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

4 Other operating income

	2020	2019
	£ 000	£ 000
Government grants	20,045	-
Hotel management services	1,196	1,803
	<u>21,241</u>	<u>1,803</u>

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

4 Other operating income (continued)

Other operating income includes amounts claimed under the government Coronavirus Job Retention Scheme (CJRS) for employees placed on furlough.

5 Operating loss

Arrived at after charging/(crediting)

	2020	2019
	£ 000	£ 000
Depreciation of tangible fixed assets	19,968	18,538
Amortisation of negative goodwill	(45)	(867)
Fixed asset impairment charge (note 8)	108,464	43,584
Auditor's remuneration	148	85
Other non-audit services	-	25
Operating lease rentals - plant and machinery	168	357
Operating lease rentals - other operating leases	5,599	5,238
Profit on disposal of fixed assets	(163)	(16)
Provision for onerous leases (note 18)	<u>5,259</u>	<u>-</u>

The auditors' fee of £148,000 (2019: £85,000) which included £1,000 (2019: £1,000) in respect of the Company was settled by a fellow subsidiary company VUR Village Trading No 1 Limited. This amount paid on behalf of the Company has not been recharged to it.

6 Staff costs

The aggregate payroll costs were as follows:

	2020	2019
	£ 000	£ 000
Wages and salaries	55,988	61,934
Social security costs	2,862	4,385
Cost of defined contribution scheme	<u>894</u>	<u>1,118</u>
	<u>59,744</u>	<u>67,437</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:

	2020	2019
	No.	No.
Hotel based employees	4,071	4,640
Support centre employees	150	185
Executive management team	<u>12</u>	<u>12</u>
	<u>4,233</u>	<u>4,837</u>

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

6 Staff costs (continued)

The group operates a defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the company in independently administered funds. The unpaid contributions outstanding at year end, included in other creditors are £162,000 (2019: £214,000).

The company has no staff costs for the year ended 31 December 2020 nor for the year ended 31 December 2019.

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

	2020 £ 000	2019 £ 000
Impairment of tangible fixed assets	<u>(108,464)</u>	<u>(43,584)</u>

9 Interest receivable

	2020 £ 000	2019 £ 000
Bank interest received	<u>37</u>	<u>111</u>

10 Taxation

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	(3,091)	1,040
UK corporation tax adjustment to prior periods	<u>-</u>	<u>350</u>
	(3,091)	1,390
Deferred taxation		
Arising from origination and reversal of timing differences	<u>(100)</u>	<u>508</u>
Tax (receipt)/expense in the income statement	<u>(3,191)</u>	<u>1,898</u>

The tax on profit/(loss) before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

10 Taxation (continued)

	2020 £ 000	2019 £ 000
Loss on ordinary activities before tax	<u>(147,069)</u>	<u>(9,436)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(27,943)	(1,793)
Capital allowances for year in excess of depreciation	3,794	(1,920)
Non-taxable impairments	20,608	8,281
Other non-taxable items	(9)	(162)
Adjustment to tax charge in respect of prior periods	-	350
Tax losses created in the year	3,451	-
Tax decrease from transfer pricing adjustments	<u>(3,092)</u>	<u>(2,858)</u>
Total tax (credit)/charge	<u>(3,191)</u>	<u>1,898</u>

A deferred tax asset of £36,804,000 calculated at a rate of 19% (2019: £17,302,000), being the excess of tax losses over accelerated capital allowances, is unrecognised because the likelihood of realisation fails to meet the "more likely than not" criterion.

Factors that may affect future tax charges

The finance Bill 2021 set the rate of Corporation tax to stay at 19% from 1 April 2021 to 31 March 2023, with an increase to 25% from April 2023. The Finance Bill was enacted on 24 May 2021, after the balance sheet date. Deferred tax has been calculated at the tax rates that have been enacted at the balance sheet date. A change in the tax rate to 25% would increase the unrecognised deferred tax asset by £11,622,000

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11 Intangible assets

Group

	Negative goodwill £ 000	Total £ 000
Cost or valuation		
At 1 January 2020	(19,306)	(19,306)
At 31 December 2020	(19,306)	(19,306)
Amortisation		
At 1 January 2020	(19,261)	(19,261)
Amortisation charge	(45)	(45)
At 31 December 2020	(19,306)	(19,306)
Carrying amount		
At 31 December 2020	-	-
At 31 December 2019	(45)	(45)

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. 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 2020 or 31 December 2019.

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.

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Tangible assets

Group

	Leasehold properties £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	906,942	82,905	989,847
Revaluations	(164,260)	-	(164,260)
Additions	18,767	4,371	23,138
At 31 December 2020	<u>761,449</u>	<u>87,276</u>	<u>848,725</u>
Depreciation			
At 1 January 2020	233,841	25,267	259,108
Charge for the year	9,060	10,908	19,968
At 31 December 2020	<u>242,901</u>	<u>36,175</u>	<u>279,076</u>
Carrying amount			
At 31 December 2020	<u>518,548</u>	<u>51,101</u>	<u>569,649</u>
At 31 December 2019	<u>673,101</u>	<u>57,638</u>	<u>730,739</u>

The cumulative revaluation of £197,836,000 in 2020 below shows the net movement in relation to the valuations from 2011 to 2020.

As the result of the movement on revaluation of £164,260,000 an impairment charge of £108,464,000 (2019: £43,584,000) has been recognised in the income statement during the year with £55,796,000 (2019: £7,923,000) recognised in the revaluation reserve.

The directors estimated the fair value of the Group's tangible fixed assets based on a valuation performed in December 2020 by Savills Chartered Surveyors on behalf of the lenders. The valuation used an Income Approach using the Discounted Cash Flow Method and assumed that the highest and best use of the assets is as trading hotels.

Cost or valuation at 31 December 2020 is represented by:

	Land and buildings £ 000	Plant and machinery £ 000	Total £ 000
Cost	956,765	89,796	1,046,561
Cumulative revaluation	(195,316)	(2,520)	(197,836)
	<u>761,449</u>	<u>87,276</u>	<u>848,725</u>

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Investments

Company

2020
£ 000

Subsidiaries

£ 000

Cost or valuation

At 1 January 2020

52,399

Disposals

(52,399)

At 31 December 2020

-

Provision

Carrying amount

At 31 December 2020

-

At 31 December 2019

-

Details of undertakings

The following were subsidiary undertakings of the company:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held			
			2020	2019		
Subsidiary undertakings						
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	Non-trading company	Ordinary	100%	100%		
VUR St Davids Hotel Limited	Non-trading company	Ordinary	100%	100%		
VUR Village Hotel Holdings Limited	Holding company	Ordinary	100%	100%		
VUR Village Holdings No 2 Limited	Holding company	Ordinary	100%	100%		

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Investments (continued)

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
VUR Village Holdings No 3 Limited	Holding company	Ordinary	100%	100%
VUR Swindon Limited	Holding company	Ordinary	100%	100%

The Company holds 100% of VUR Village Hotel Holdings Limited directly, all other subsidiary holdings are indirect. All subsidiary undertakings are registered in England and Wales. The registered address for all other subsidiaries is, Cygnet Court Ground Floor, 230 Cygnet House, Centre Park, Warrington, WA1 1PP.

15 Stocks

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Food and wet stock	608	1,273	-	-
Shop	105	612	-	-
	<u>713</u>	<u>1,885</u>	<u>-</u>	<u>-</u>

The value of stock expensed during the year was £7,438,000 (2019: £18,212,000).

16 Debtors

	Group		Company	
Note	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Due within one year				
Trade debtors	631	4,252	-	-
Amounts owed by related group undertakings	110,322	110,393	989	989
Other debtors	2,680	7,783	-	-
Prepayments and accrued income	<u>2,338</u>	<u>6,168</u>	<u>-</u>	<u>-</u>
	115,971	128,596	989	989
Due after more than one year				
Other debtors	<u>4,274</u>	<u>4,275</u>	<u>-</u>	<u>-</u>
	<u>120,245</u>	<u>132,871</u>	<u>989</u>	<u>989</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 2020 (continued)

17 Creditors

		Group		Company	
	Note	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Due within one year					
Trade creditors		1,526	4,962	-	-
Amounts owed to group undertakings		511,703	487,547	37	29
Other taxation and social security		4,160	980	-	-
Other creditors		3,014	4,628	-	-
Accruals and deferred income		15,132	18,104	-	-
Income tax liability	10	-	1,178	-	-
		<u>535,535</u>	<u>517,399</u>	<u>37</u>	<u>29</u>

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

18 Provisions for liabilities

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

	2020 £ 000	2019 £ 000
Other timing differences	<u>5,828</u>	<u>669</u>
	2020 £ 000	2019 £ 000
At 1 January	669	161
Charge to statement of comprehensive income	<u>5,159</u>	<u>508</u>
At 31 December	<u>5,828</u>	<u>669</u>

As part of the valuation of its properties at the balance sheet date, the Company has reviewed its third party leases and considers two of the leases to be onerous contracts. As such, a provision has been charged to the income statement which represents the excess of rental costs over hotel profitability based on the future profit projections prepared in December 2020. At the time of the valuation, the UK was about to enter its third lockdown period and the continuing effect of the Covid-19 pandemic on future trading cashflows could not be prepared with a high degree of certainty. The provision value has been discounted to current values at the balance sheet date. The carrying amount at 31 December 2020 is £5,259,000. No other amounts have been charged against the provision during the year.

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

19 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	9,540	9,540	9,540	9,540

Rights, preferences and restrictions

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

20 Reserves

Share premium reserve

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.

Profit & loss account

Group

The profit and loss reserve contains unrealised gains of £6,055,000 (2019: £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 (2019: £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.

21 Contingent liabilities

Under the terms of the loan facility agreement dated 4 October 2019 between VUR Investment (UK) Limited 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 £410,000,000 (2019: £400,000,000).

22 Capital commitments

The total amount contracted for but not provided in the financial statements was £6,722,000 (2019: £18,350,000).

VUR Village Hotels Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

23 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£ 000	£ 000
Not later than one year	5,095	5,219
Later than one year and not later than five years	20,381	20,381
Later than five years	166,819	171,637
	<u>192,295</u>	<u>197,237</u>

The Group made operating lease payments of £5,599,000 (2019: £5,238,000).

24 Parent and ultimate parent undertaking

The immediate parent Company 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 2020 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.

25 Post balance sheet events

On 6 January 2021, the UK entered into its third national lockdown. Hospitality was required to close unless providing services for essential business travel and key worker groups. As a consequence, the Group required an additional equity injection. Since the balance sheet date, the Group has received £33.9m of equity funding which has been used to fund both working capital and capital expenditure including the acquisition of the share capital of Tabamara Ltd by fellow group company VUR Holdings (UK) Limited. The company owns the freehold interest of a hotel building in Bracknell which was closed for refurbishment immediately on acquisition. The hotel is due to re open in December 2021.

On 23 November 2021, an extension of the term of the existing loan facility granted to fellow group company VUR Investment (UK) Limited was agreed with the loan now repayable in November 2023, with a further extension to November 2024 made available and subject to certain conditions being satisfied. The remaining £15,000,000 of Facility D was cancelled on the same date.