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Registration number: 06139041

VUR Village Properties Limited

Report and Financial Statements

for the Year Ended 31 December 2021

VUR Village Properties Limited

Contents

VUR Village Properties Limited

Company Information

Directors	G R Davis P Roberts
Registered office	Cygnet Court Ground Floor 230 Cygnet House Centre Park Warrington WA1 1PP
Auditors	Ernst & Young LLP Third Floor, Clockwise Edward House Edward Pavilion Albert Dock Liverpool L3 4AF

VUR Village Properties Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their strategic report for the year ended 31 December 2021.

Business review
The Company is part of the Village Group, defined as VUR Holdings (UK) Limited and its subsidiaries, which owns and operates hotels and leisure clubs. 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; London, United Kingdom; and Singapore.

Principal activity

The principal activity of the Company is that of owning a portfolio of Village Hotels which are leased to fellow subsidiaries. The Company's hotels are located in:

Aberdeen	Cardiff	Hyde	Southampton Eastleigh (Opened May 2021)
Basingstoke	Cheadle	Leeds North	Swindon
Blackpool	Chester (St Davids)	Liverpool	Warrington
Bournemouth	Coventry	Maidstone	Wirral
Bristol	Dudley	Newcastle	
Bury	Hull	Nottingham	

Subsequent to the year end, in March 2022, the Company acquired a further property in Bracknell from its fellow group company Tabamara Limited. Trading had already commenced under Tabamara Ltd's ownership in December 2021.

Operating review
For the twelve months to 31 December 2021, the Company generated income of £29,474,000 (2020: £28,312,000) and a profit before tax and exceptional items of £29,474,000 (2020: £28,312,000).

The profit for the year after taxation was £13,619,000 (2020: Loss of £54,887,000). This result includes an exceptional credit recorded in respect of a revaluation gain of the Company's fixed assets of £6,824,000 (2020: £37,434,000) and exceptional impairment charge relating to an intercompany receivable of £21,349,000 (2020: £42,456,000).

At 31 December 2021 the fair value of the Company's hotel assets were £400,700,000 (2020: £386,700,000).

Principal risks and uncertainties

Economic risk
The Group is principally concerned with risks associated with the current pressures on the UK economy such as rising inflation, which might contribute to a downturn in the economy. In terms of the impact this might have on revenues, the Directors consider that unfavourable economic conditions could reduce consumer discretionary spending, and the Group has sought to mitigate this through driving engagement with both its corporate and private customers to ensure retention, as well as focusing on pricing and quality of its services to ensure it represents good value compared to competitors.

In relation to costs, the current rise in inflation is partially attributed to increasing utility costs and other costs, including food costs, in the UK market. The Group has sought to mitigate the impact of further increases in the future through various policies including hedging against utility price increases, and continues to review these on a regular basis.

Interest risk
As a condition of the new Facility Agreement obtained in March 2022, the Group has obtained financial instruments to protect it from further interest rate rises following the continued increase in the Bank of England interest rate from December 2021. This instrument covers the period to March 2024.

Ukraine/Russia conflict risk
All of the Group's sales are made in the UK, and the Group does not directly import goods itself, but relies on its major suppliers in relation to sourcing goods. They ensure that they can continue to fulfil the Group's purchase requirements as per their contracts with the Group.

Financial instruments risk
The Company is financed by loans from group undertakings which are unsecured and repayable on demand. This risk is mitigated by the continued financial support pledged by the Company's parent undertaking, VUR Holdings (UK) Limited.

Covid-19
The Company is a holding company and did not trade during the year. The Company was unaffected by Covid-19 in the year.

Climate change risk
The nature of the Group's activities and the fact that they are located in the UK in areas over a very broad geographical area mean that the Group's direct exposure of its assets to major adverse weather related impacts of climate change are assessed as relatively low risk. The Directors do not anticipate their assets will be affected by any major adverse weather related incidents and in any event the Group has insurance against any major adverse weather-related incidents such as fire, lightning, earthquakes and storms. Notwithstanding the assessment of the direct impact of climate change on its assets the Group is committed to finding a path to net zero and is committed to its ESG policy and principles.

Liquidity risk
The Group aims to mitigate cash flow risk by carefully managing and monitoring its cash generation from its operations. Following the end of the financial year, in March 2022 the Group obtained a new facility with new lenders Village Finco 2022 LLC and Euro Ruby Private Limited for an initial three year term. Under both the old and the new facilities, the Group maintains open dialogue with both KSL and its lenders, and a detailed treasury model updated with sufficient regularity ensures potential liquidity challenges would be addressed and resolved quickly. This is included in the monthly and quarterly reporting that the Group makes to its lenders and KSL. The forecast also allows the Group to maintain a self-imposed minimum cash holding as a buffer.

VUR Village Properties Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

7/29/2022

Approved and authorised by the Board on .... and signed on its behalf by:

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Paul Roberts

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P Roberts

Director

VUR Village Properties Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends
The profit for the year, after taxation, amounted to £13,619,000 (2020: Loss of £54,887,000). No dividends were paid or received during the year (2020: £nil).

Directors of the Company
The Directors who held office during the year were as follows:

C J Brenan (ceased 29 December 2021)

G R Davis

P Roberts (appointed 29 December 2021)

Matters covered in the strategic report
The Company's key financial instrument risks are disclosed within the Strategic Report.

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 2021 financial year and remain in force for the Directors of the Company.

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 Team consisting of the Chief Executive Officer, Chief Finance Officer, General Counsel and all Operational Directors is well founded.

Going concern
The Directors have adopted the going concern basis in preparing these financials statements after assessing the financial forecasts of the Group for the period to 30 September 2023 whilst considering a range of sensitivities for plausible downside scenarios. These include factors such as the current economic climate, escalating inflation (partially driven by the continuing increase in utility costs) and the ongoing impact of the Covid-19 pandemic on the wider economy.

The Company's property rental income, its only trade, is expected to continue in line with prior years in the forecast period.

The Company is reliant on financial support from its parent company, VUR Holdings (UK) Limited, who has confirmed by a letter of support that it will provide financial support to assist the Company to meet its liabilities as and when they fall due.

With the exception of the unique trading following the mandatory closure of its business in the UK national lockdowns during Covid-19 pandemic, the Group has been a profitable business with a strong cash position. The Group also has a supportive equity owner, KSL. During the challenging trading conditions encountered during the Covid-19 UK lockdowns, KSL provided equity injections to ensure the Business had sufficient cash to continue to operate. As such, at that time KSL proved themselves to be a supportive equity sponsor who will provide financial assistance if needed.

Following the Group's refinancing subsequent to year end, the Group is required to meet certain financial covenants to avoid breaching the terms of its facility agreement (See note 18). Throughout the review period of its assessment, even after sensitising the forecasts for plausible downside scenarios, the Group maintained sufficient cash reserves to pay its debts as they fell due, including interest payments, and complied with its financial covenant.

In order to assess the effect of potential negative market conditions impacting on trading, the Directors have applied several sensitivities to the forecasts. It should be noted that it is the Directors' belief that there will be no further UK lockdowns, in line with the many assurances given by the UK Government. The Government has recognised the huge damage that the lockdowns of the last two years have had on the hospitality industry, as well as the wider economy. Following the removal of all Covid-19 restrictions in the UK, the end of free testing for the British public, and in the context of the current pressures on the UK economy such as rising inflation, the Directors believe that a lockdown is no longer a plausible business risk.

When assessing the going concern assumption the focus of the Directors has been the potential impact of a downturn in the economy, together with a continued escalation in inflation. The sensitised forecasts are therefore based on the assumption that the economic climate could impact on consumer discretionary spending, reducing revenues below forecast, and that costs could rise further than forecast. It should be noted that the Directors have already factored in the current economic conditions and the potential impact of those on future financial performance when preparing the Group's base case forecast.

Management have assessed the Group's ability to continue as a going concern and prepared financial statements on that basis. Management have carried out a robust assessment of the principal risks and uncertainties facing the Group, which could impact the business model, focussing specifically on:

• The Group's current financial position and prospects

• Increasing utility costs

• Increasing costs of living and the potential impact on Group revenues due to reduced consumer discretionary spending

• Increasing costs of Food & Beverage

• Potential further increases in national living wage rates

• Other potential general cost increases

In assessing the going concern assumption for these financial statements, the Directors have prepared cash flow and profit forecasts to consider the Group's ability to comply with its financial covenant, and to continue to pay its debts as they fall due, including amounts owed to its lenders and mandatory capital expenditure requirements.

The financial covenant requires that at each quarter end the Group's loan to value ratio does not exceed a pre-determined threshold. This ratio has been considered as part of the Group's going concern assessment.

A base case cash flow forecast has been prepared and assumes that, in line with current government guidelines no further lockdowns or restrictions will be required. In 2021 revenue per available room was 72% of 2019 levels, and average leisure memberships for the year were 89% of 2019 levels. The base case assumes that revenue per available room will be c.94% of 2019 levels in 2022, rising to 108% in 2023, and average leisure memberships for the year will be 108% higher than in 2019 (they are currently in excess of this), rising to 117% in 2023. Other revenues were 55% of 2019 levels in 2021. They are forecast to rise to 91% of 2019 levels in 2022, then to 108% of 2019 levels in 2023.

As forecasting is inherently difficult in the current environment, with both revenues and costs being potentially impacted by external factors, the Directors have applied sensitivities to the base case, challenging the forecasted values by incorporating severe scenarios which include:

• Total revenues across all revenue streams fall by 5% from forecast

• Food & Beverage costs increase by a further 5% ahead of forecast

• Utilities costs increase by 100%

• Payroll costs increase by a further 5% ahead of forecast

• Central overheads increase by a further 5% ahead of forecast

The implications of this scenario are as follows:

• The Business would cease its discretionary investment in capex as currently forecast to preserve cash, however it would continue to invest in FF&E expenditure as required by its Facility Agreement.

• The Business continues to have sufficient cash balances to make its interest payments as they fall due.

• The Loan to Value Covenant is met across the period, with 25% headroom throughout.

• The lowest cash balance would be £1.8m in August 2023, building to £4.6m by the end of September 2023. As such, no equity injections would be required to support the Business from a cash flow perspective.

The base case and sensitised cashflows demonstrate that sufficient cash resources exist in all scenarios with the minimum cash position in the base case being £20.4m in August 2022, and £1.8m as the lowest point in the most severe downside sensitivities. It should be noted that the Directors have already factored the potential impact of the current economic climate into their base case plan when considering the overall environment in which it is likely to be operating and the impact of inflation on consumer discretionary spending when considering appropriate rates of revenue growth. Furthermore, the Directors also feel that whilst the sensitivities applied are each plausible, it is unlikely that all of the proposed sensitivities would occur at once, and to such an extent as tested within the going concern assessment. Furthermore, the Directors would be able to mitigate the impact of some of these factors by reducing discretionary capex investment.

Following this detailed exercise and considering the results of the base case forecast, downside scenarios and severe but plausible sensitivities, the Directors are satisfied that the financial covenant will be met for the period covered by the forecast (up to 30 September 2023) therefore there will be no breach of the Facility Agreement. The forecasts show sufficient liquidity in the Business to continue to pay all of its debts as they fall due.

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. As such the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

VUR Village Properties Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Post balance sheet events
On 18 March 2022 the Group refinanced its debt facilities with Village Finco 2022, LLC and Euro Ruby Private Limited for a three year term. Following the refinance, the Group paid dividends of £43,846,000 to KSL in March 2022.

In March 2022, in tandem with the refinancing of the Group, the Bracknell property was sold from group company Tabamara Ltd to fellow group company VUR Village Properties Ltd. A lease to operate a Hotel Accommodation business from the property was granted by VUR Village Properties Ltd to its subsidiary VUR Village Trading No 1 Ltd at the date of acquisition.

The Group has purchased a long leasehold for land in Milton Keynes on 21 June 2022 for £3,700,000. The Company is currently assessing development options for the site.

Disclosure of information to the auditors
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 auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are 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.

7/29/2022
Approved and authorised by the Board on .... and signed on its behalf by:

DocuSigned by:
Paul Roberts
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P Roberts
Director

VUR Village Properties 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).

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.

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

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

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

Opinion

We have audited the financial statements of VUR Village Properties Limited for the year ended 31 December 2021 which comprise, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, 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 company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 30 September 2023.

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 company's ability to continue as a going concern.

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

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 this gives rise to 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 matters 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 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 9, 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

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.

• 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.

• We understood how VUR Village Properties 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.

• 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 considered the risk of management override by way of manual topside revenue journals. We also identified a fraud risk in respect of assumptions used for hotel valuations.

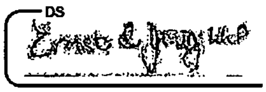
• Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiry of key management personnel and entity legal counsel, evidencing internal policies and procedures back to documentation. In respect of the risk of management 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. In respect of the risk of assumptions used for hotel valuations we read managements external specialist report performed procedures to a lower testing threshold and involved internal specialists where appropriate.

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.

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

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.



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Elizabeth Jones (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Liverpool

Date: July 29, 2022

VUR Village Properties Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	3	29,474	28,312
Gross profit		29,474	28,312
Exceptional items	6	(14,525)	(79,890)
Profit/(loss) before tax		14,949	(51,578)
Taxation	7	(1,330)	(3,309)
Profit/(loss) for the financial year		13,619	(54,887)
Total comprehensive income/(loss) for the year		13,619	(54,887)

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

VUR Village Properties Limited

(Registration number: 06139041)
Balance Sheet as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Tangible assets	8	400,700	386,700
Investments	9	16,330	16,330
		417,030	403,030
Current assets			
Debtors	10	482	481
Creditors: Amounts falling due within one year	11	(304,979)	(305,927)
Net current liabilities		(304,497)	(305,446)
Total assets less current liabilities		112,533	97,584
Provisions for liabilities	12	(1,899)	(569)
Net assets		110,634	97,015
Capital and reserves			
Called up share capital	14	-	-
Share premium reserve	15	15	15
Profit and loss account		110,619	97,000
Shareholders' funds		110,634	97,015

Approved and authorised by the Board on 7/29/2022 and signed on its behalf by:

DocuSigned by:
Paul Roberts
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P Roberts
Director

VUR Village Properties Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	-	15	97,000	97,015
Profit for the year	-	-	13,619	13,619
At 31 December 2021	-	15	110,619	110,634

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	-	15	151,887	151,902
Loss for the year	-	-	(54,887)	(54,887)
At 31 December 2020	-	15	97,000	97,015

VUR Village Properties Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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:
Cygnet Court Ground Floor
230 Cygnet 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 in accordance with the applicable accounting standards modified for the revaluation of certain assets.

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

The Company has evaluated the impact of climate change and its ESG commitments when preparing its forecasts and the accounts. There are no material impacts to consider in relation to the forecasts and the accounts.

Going concern
The Directors have adopted the going concern basis in preparing these financials statements after assessing the financial forecasts of the Group for the period to 30 September 2023 whilst considering a range of sensitivities for plausible downside scenarios. These include factors such as the current economic climate, escalating inflation (partially driven by the continuing increase in utility costs) and the ongoing impact of the Covid-19 pandemic on the wider economy.

The Company's property rental income, its only trade, is expected to continue in line with prior years in the forecast period.

The Company is reliant on financial support from its parent company, VUR Holdings (UK) Limited, who has confirmed by a letter of support that it will provide financial support to assist the Company to meet its liabilities as and when they fall due.

2 Accounting policies (continued)

With the exception of the unique trading following the mandatory closure of its business in the UK national lockdowns during Covid-19 pandemic, the Group has been a profitable business with a strong cash position. The Group also has a supportive equity owner, KSL. During the challenging trading conditions encountered during the Covid-19 UK lockdowns, KSL provided equity injections to ensure the Business had sufficient cash to continue to operate. As such, at that time KSL proved themselves to be a supportive equity sponsor who will provide financial assistance if needed.

Following the Group's refinancing subsequent to year end, the Group is required to meet certain financial covenants to avoid breaching the terms of its facility agreement (See note 18). Throughout the review period of its assessment, even after sensitising the forecasts for plausible downside scenarios, the Group maintained sufficient cash reserves to pay its debts as they fell due, including interest payments, and complied with its financial covenant.

In order to assess the effect of potential negative market conditions impacting on trading, the Directors have applied several sensitivities to the forecasts. It should be noted that it is the Directors' belief that there will be no further UK lockdowns, in line with the many assurances given by the UK Government. The Government has recognised the huge damage that the lockdowns of the last two years have had on the hospitality industry, as well as the wider economy. Following the removal of all Covid-19 restrictions in the UK, the end of free testing for the British public, and in the context of the current pressures on the UK economy such as rising inflation, the Directors believe that a lockdown is no longer a plausible business risk.

When assessing the going concern assumption the focus of the Directors has been the potential impact of a downturn in the economy, together with a continued escalation in inflation. The sensitised forecasts are therefore based on the assumption that the economic climate could impact on consumer discretionary spending, reducing revenues below forecast, and that costs could rise further than forecast. It should be noted that the Directors have already factored in the current economic conditions and the potential impact of those on future financial performance when preparing the Group's base case forecast.

Management have assessed the Group's ability to continue as a going concern and prepared financial statements on that basis. Management have carried out a robust assessment of the principal risks and uncertainties facing the Group, which could impact the business model, focussing specifically on:

• The Group's current financial position and prospects

• Increasing utility costs

• Increasing costs of living and the potential impact on Group revenues due to reduced consumer discretionary spending

• Increasing costs of Food & Beverage

• Potential further increases in national living wage rates

• Other potential general cost increases

In assessing the going concern assumption for these financial statements, the Directors have prepared cash flow and profit forecasts to consider the Group's ability to comply with its financial covenant, and to continue to pay its debts as they fall due, including amounts owed to its lenders and mandatory capital expenditure requirements.

The financial covenant requires that at each quarter end the Group's loan to value ratio does not exceed a pre-determined threshold. This ratio has been considered as part of the Group's going concern assessment.

2 Accounting policies (continued)

A base case cash flow forecast has been prepared and assumes that, in line with current government guidelines no further lockdowns or restrictions will be required. In 2021 revenue per available room was 72% of 2019 levels, and average leisure memberships for the year were 89% of 2019 levels. The base case assumes that revenue per available room will be c.94% of 2019 levels in 2022, rising to 108% in 2023, and average leisure memberships for the year will be 108% higher than in 2019 (they are currently in excess of this), rising to 117% in 2023. Other revenues were 55% of 2019 levels in 2021. They are forecast to rise to 91% of 2019 levels in 2022, then to 108% of 2019 levels in 2023.

As forecasting is inherently difficult in the current environment, with both revenues and costs being potentially impacted by external factors, the Directors have applied sensitivities to the base case, challenging the forecasted values by incorporating severe scenarios which include:

• Total revenues across all revenue streams fall by 5% from forecast

• Food & Beverage costs increase by a further 5% ahead of forecast

• Utilities costs increase by 100%

• Payroll costs increase by a further 5% ahead of forecast

• Central overheads increase by a further 5% ahead of forecast

The implications of this scenario are as follows:

• The Business would cease its discretionary investment in capex as currently forecast to preserve cash, however it would continue to invest in FF&E expenditure as required by its Facility Agreement.

• The Business continues to have sufficient cash balances to make its interest payments as they fall due.

• The Loan to Value Covenant is met across the period, with 25% headroom throughout.

• The lowest cash balance would be £1.8m in August 2023, building to £4.6m by the end of September 2023. As such, no equity injections would be required to support the Business from a cash flow perspective.

The base case and sensitised cashflows demonstrate that sufficient cash resources exist in all scenarios with the minimum cash position in the base case being £20.4m in August 2022, and £1.8m as the lowest point in the most severe downside sensitivities. It should be noted that the Directors have already factored the potential impact of the current economic climate into their base case plan when considering the overall environment in which it is likely to be operating and the impact of inflation on consumer discretionary spending when considering appropriate rates of revenue growth. Furthermore, the Directors also feel that whilst the sensitivities applied are each plausible, it is unlikely that all of the proposed sensitivities would occur at once, and to such an extent as tested within the going concern assessment. Furthermore, the Directors would be able to mitigate the impact of some of these factors by reducing discretionary capex investment.

Following this detailed exercise and considering the results of the base case forecast, downside scenarios and severe but plausible sensitivities, the Directors are satisfied that the financial covenant will be met for the period covered by the forecast (up to 30 September 2023) therefore there will be no breach of the Facility Agreement. The forecasts show sufficient liquidity in the Business to continue to pay all of its debts as they fall due.

2 Accounting policies (continued)

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. As such the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

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 Company's key sources of estimation uncertainty:

Revaluation of tangible fixed assets

The Company carries its investment properties at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Directors calculated an estimate of fair value based on a valuation performed in February 2022.

Impairment of non-financial assets

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

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 7 Statement of Cash Flows;

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.

Exemption from preparing group accounts

The financial statements contain information about VUR Village Hotels & Leisure Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, VUR Village Hotels Limited, a company incorporated in England and Wales.

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 at 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:

2 Accounting policies (continued)

Rendering of services
The Company's property leases provide for five yearly rent reviews. Additional inflation based increases may also be applied annually between rent reviews. Turnover is therefore based on the annual rent receivable under each property leased.

Tangible assets
Investment properties 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. Impairment losses and revaluation gains are charged or credited to the statement of comprehensive income as and when they arise.

Investments
Investments in subsidiaries are measured at cost less accumulated 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

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.

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

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

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

2 Accounting policies (continued)

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

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

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

Exceptional items
Exceptional items are transactions that fall within the ordinary activities of the Company 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.

Share premium
The share premium account includes the premium on issue of equity shares, net of any issue costs.

Revaluation reserve
The revaluation reserve relates records the unrealised revaluation gains on investment properties prior to the adoption of Financial Reporting Standard FRS102 effective 1 January 2015.

3 Turnover

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021 £ 000	2020 £ 000
Rental income	29,474	28,312

All turnover arose from the United Kingdom.

4 Auditors' remuneration

The auditors' fee for the year of £7,000 (2020: £5,000) was settled by a fellow group company, VUR Village Trading No 1 Limited. No inter-company liability has arisen as a result.

5 Employees and Directors' remuneration

The Company has no employees other than Directors (2020: none), who did not receive any remuneration (2020: £nil).

Charges for current 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.

Directors' remuneration in respect of services provided to the Company were borne by VUR Investment (UK) Limited in both the periods ended 31 December 2021 and 31 December 2020. The directors consider that the level of their qualifying services in relation to the Company are incidental and negligible compared to their main role.

6 Exceptional items

	2021 £ 000	2020 £ 000
Revaluation gain/(Impairment charge) on tangible fixed assets	6,824	(37,434)
(Impairment) of intercompany receivable	(21,349)	(42,456)
	(14,525)	(79,890)

7 Taxation

(a) Tax on profit/(loss)

The tax charge/(credit) is made up as follows:

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax at 19% (2020: 19%)	-	3,409
UK corporation tax adjustment to prior periods	-	-
Total current taxation	-	3,409
Deferred taxation		
Origination and reversal of timing differences	877	-
Impact on deferred tax of rate change	453	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	(100)
Total deferred taxation	1,330	(100)
Total tax charge	1,330	3,309

7 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

(b) Tax included in group statement of total other comprehensive income

The tax charge/(credit) is made up as follows:

	2021 £ 000	2020 £ 000
Deferred taxation		
Effect of revaluation gain on fixed assets on deferred tax balance	-	-
Total tax charge/(credit)	-	-

(c) Factors affecting the total tax charge:

	2021 £ 000	2020 £ 000
Profit/(loss) before tax	14,949	(51,578)
Corporation tax at standard rate of 19% (2020: 19%)	2,840	(9,799)
Prior year adjustments	-	(160)
Permanent differences	2,759	15,178
Transfer pricing not reflected in accounts	(1,400)	(1,970)
Effects of group relief	(3,322)	-
Impact on deferred tax of rate change	453	-
UK deferred tax expense relating to changes in tax rates or laws	-	60
Total tax charge	1,330	3,309

(d) 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 1 April 2023. The Finance Bill was substantively enacted on 2 May 2021, as such this has led to the remeasurement of deferred tax balances.

7 Taxation (continued)

(e) Deferred tax

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

Included in provisions for liabilities:

	2021 £ 000	2020 £ 000
Accelerated capital allowances	1,899	569
Tax losses carried forward	-	-
Provision for deferred tax	1,899	569

	2021 £ 000	2020 £ 000
At 1 January 2021	569	669
Deferred tax charge/(credit) in group profit and loss account	1,330	(100)
Amount charged to the revaluation reserve	-	-
At 31 December 2021	1,899	569

VUR Village Properties Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

8 Tangible assets

	Investment properties £ 000
Cost or valuation	
At 1 January 2021	386,700
Revaluation gain	6,824
Additions	7,176
At 31 December 2021	400,700
Carrying amount	
At 31 December 2021	400,700
At 31 December 2020	386,700

The cumulative revaluation of £187,174,000 below shows the net movement in relation to the valuation from 2008 to 2021.

The Company tangible fixed assets were valued at 31 December 2021 on a fair value basis (as defined and in accordance with FRS 102) by the Directors based on a valuation performed in February 2022 by Savills Chartered Surveyors. The valuation used an Income Approach, with the inter-company rent capitalised at a property investment yield.

A revaluation gain of £6,824,000 (2020: £37,434,000) has been recognised during the year and was credited to the Statement of Comprehensive Income.

Cost or valuation at 31 December 2021 is represented by:

	Investment Properties £ 000
Cost	587,874
Cumulative effect of revaluations	(187,174)
Valuation at 31 December 2021	400,700

VUR Village Properties Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Fixed asset investments

	Investment in subsidiary companies £ 000
Cost or valuation	
At 1 January 2021	440,957
At 31 December 2021	440,957
Impairment	
At 1 January 2021	424,627
At 31 December 2021	424,627
Carrying amount	
At 31 December 2021	16,330
At 31 December 2020	16,330

Details of undertakings

The following are subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Proportion of voting rights and shares held 2021	2020
VUR Swindon Limited	Hotel management	Ordinary	100%	100%
VUR St Davids Hotel Limited	Dormant company	Ordinary	100%	100%
VUR Village Trading No 1 Limited	Hotel operator	Ordinary	100%	100%

The Company holds 100% of VUR Village Trading No 1 Limited directly, all other subsidiary holdings are indirect. All subsidiary undertakings are registered in England and Wales. The registered address for all subsidiaries is, Cygnet Court Ground Floor, 230 Cygnet House, Centre Park, Warrington, WA1 1PP.

10 Debtors

	2021 £ 000	2020 £ 000
Other debtors	482	481
	482	481

10 Debtors (continued)

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

Amounts owed by fellow group company VUR Village Trading No 1 Ltd have previously been impaired by £63,804,000 (2020: £42,455,000) as the company has net liabilities.

11 Creditors: Amounts falling due within one year

	2021 £ 000	2020 £ 000
Amounts owed to group undertakings	304,979	304,981
Accruals and deferred income	-	946
	304,979	305,927

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

12 Provisions for liabilities

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

	2021 £ 000	2020 £ 000
Accelerated capital allowances	1,899	569
	1,899	569

13 Capital commitments

The total amount contracted for but not provided in the financial statements was £3,998,000 in relation to the acquisition of the land at Milton Keynes (2020: £6,722,000). Following negotiations the land was purchased subsequent to year end for £3,700,000.

14 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	**£**	**No.**	**£**
Ordinary shares of £1 each	100	100	100	100

Rights, preferences and restrictions
The ordinary shares have attached to them full voting rights.

15 Reserves

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

16 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 £408,462,000.

17 Parent and ultimate parent undertaking

The immediate parent company is VUR Village Holdings No 3 Limited, a company registered in England and Wales.

The smallest group of companies for which the Company is a member, and for which group accounts are prepared at 31 December 2021, is VUR Investment (UK) Limited. The largest group of companies of which the Company is a member, and for which group accounts are prepared at 31 December 2021 is VUR Holdings (UK) Limited.

In the opinion of the Directors the ultimate parent and controlling party of the Company at 31 December 2021 is Monroe Offshore Holdings LP, a Limited Partnership registered in the Cayman Islands.

18 Post balance sheet events

On 18 March 2022 the Group refinanced its debt facilities with Village Finco 2022, LLC and Euro Ruby Private Limited for a three year term. Following the refinance, the Group paid dividends of £43,846,000 to KSL in March 2022.

In March 2022, in tandem with the refinancing of the Group, the Bracknell property was sold from group company Tabamara Ltd to fellow group company VUR Village Properties Ltd. A lease to operate a Hotel Accommodation business from the property was granted by VUR Village Properties Ltd to its subsidiary VUR Village Trading No 1 Ltd at the date of acquisition.

The Group has purchased a long leasehold for land in Milton Keynes on 21 June 2022 for £3,700,000. The Company is currently assessing development options for the site.