Registration number: 09281964

# VUR Holdings (UK) Limited

Consolidated Financial Statements

for the Year Ended 31 December 2022

# VUR Holdings (UK) Limited

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# VUR Holdings (UK) Limited

## Company Information

| | |
|---|---|
| **Chief executive officer** | G R Davis |
| **Chief finance officer** | P Roberts |
| **Directors** | C J Brenan<br>S Siegel<br>R Weissmann<br>S V S Walker |
| **Registered office** | 3rd Floor<br>63 St James's Street<br>London<br>SW1A 1LY |
| **Auditors** | Ernst & Young LLP<br>Third Floor, Clockwise<br>Edward House<br>Edward Pavilion<br>Albert Dock<br>Liverpool<br>L3 4AF |

# VUR Holdings (UK) Limited

## Strategic Report for the Year Ended 31 December 2022

**Introduction**
The directors present their strategic report for the year ended 31 December 2022. The Company VUR Holdings (UK) Limited is part of the Village Group, defined as VUR Holdings (UK) Limited and its subsidiaries ("the Group" or "Village"). The entities that comprise the Group are shown in Note 13.

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; and London, United Kingdom. KSL Capital Advisors LLC are the advisors with oversight of the fund.

The Directors consider that the annual report and financial statements comply with all aspects of the Walker Guidelines for Disclosure and Transparency in Private Equity published by the British Private Equity & Venture Capital Association ("BVCA"). Following a review of the Group's application of the Guidelines in the year ended 31 December 2021, the Private Equity Reporting Group confirmed that those accounts had a 'Good' level of compliance.

**Overview of the Group**
With 33 locations throughout the UK, and growing, Village offers so much more than a traditional mid-market hotel offering. Guests can enjoy affordable, stylish rooms with comfy beds, great showers, big TVs and clever gadgets as standard. But what makes Village unique is everything else it offers, all under one roof. Alongside its hotels, it has top of the range Health & Wellness Clubs with state-of-the-art kit, large pools and award-winning classes at every location. As well as a Pub & Grill (Village Food & Beverage offering), it offers meeting and event rooms, VWorks co-working space and Starbucks coffee shop. All are available for guests, members, and the local community to enjoy.

This unique mix of facilities brings a diverse mix of customers and revenue opportunities, with Hotel Accommodation, Food & Beverage and Health & Wellness each contributing to a three-pronged business model. Village is able to maximise revenue by cross selling products and services and in turn has a unique proposition for both hotel guests and Health & Wellness club members alike.

High volumes of both guests and members are a key feature of the business model, with hotel occupancy reaching an average of 78% during 2022 (2021: 58%), and total leisure members of 112,000 at 31 December 2022. This in turn drives cross sales within the Food & Beverage business, which benefits from significant organic demand from the local community.

A typical Village hotel would comprise the following:

- An average of 132-bedroom hotel
- Pub & Grill
- Starbucks
- Function suites and meeting rooms
- Health & Wellness Club (together with full-size swimming pool and associated facilities)
- V-Works, a membership based co-working space (available at 22 locations).

*Hotel Accommodation*
A stylish room with comfy bed and great shower come as standard, but surprising extras make for a great stay at Village. As well as full use of the wider facilities available at Village, all under one roof, the group has invested in the latest technology to make the guest experience effortless, with many services now available through the Village Hotels app. Guests can check in online, order room service, chat to the team and use keyless room entry, all through the app.

*Food & Beverage*
Village offers a single, all day dining concept called 'Pub & Grill', a compelling offering for hotel guests, gym members and local audiences. Not only did this free up operational space for V-Works, but it also gave the Group the chance to rebrand the core Food & Beverage offering, creating a more relevant and compelling offering for hotel guests, gym members and local audiences. Open from breakfast until late, the Pub & Grill offers a great selection of food and drinks, with live sports available on huge TV screens and cinema seating, giving the best view of all the action for avid sports fans. The menu has recently been relaunched in Spring 2023, ensuring the offering remains an attractive and competitive proposition.

Alongside the Pub & Grill, each hotel (apart from Village Liverpool) has a Starbucks coffee shop driving footfall from hotel guests, gym members and local audiences alike.

Food & Beverage revenues also include meetings and events offered at each hotel, with the hotels well equipped to host events from corporate meetings to weddings, including its modern flexible co-working space V-Works. This broadens Village’s appeal to both businesses and consumers in the local area. Access to V-Works for hotel guests and gym members also differentiates Village’s proposition in those markets from the competition.

*Health & Wellness*
Alongside every hotel is a Village Health & Wellness Club, providing a full-service health and fitness offering at every location. These facilities include an extensive gym with state-of-the-art equipment, a full range of Les Mills fitness classes, an indoor swimming pool, sauna, steam room and more. With an average of 3,400 members per club at December 2022 (2021: 3,000), Village Health & Wellness Club is an attractive offering as a standalone gym within the hotel serving the local residential population. It expands the Group’s appeal to a broader base of local consumers, who wouldn’t necessarily use the hotel’s accommodation services, and complements the service received by hotel guests, with the high calibre gym available as a unique selling point when compared to Village’s competitive set at a mid-market hotel brand.

**Group strategy**
The Group’s objective is to build value both organically and through the development of new hotels across the UK to build greater UK market share, in turn building greater national awareness of the Village Brand.

Despite the impact of Covid-19 on the hospitality sector during 2020 and 2021, the Group remained committed during that time to the expansion of the Village brand, particularly through its continued investment in the new properties at Eastleigh (Southampton) and Bracknell. The Group is now benefitting from this foresight, as can be seen in its improvement in profit margins year on year in the KPIs table below.

From an organic growth perspective, the Group is committed to driving growth in each of the Group’s three revenue streams, whilst improving margin by retaining the cost savings and leaner structure the Group had implemented during the Covid 19 closures. These factors are discussed further in the key trends impacting future performance section. The Group has also pursued an acquisitive growth strategy focused on developing new hotels throughout the UK. It now has 33 hotels trading in the UK, having opened Village Hotel Eastleigh in May 2021 and Village Hotel Bracknell which opened fully in February 2022.

The Group has successfully both developed new builds and conversions of existing hotels to Village Hotels in the past and is confident in pursuing both options going forwards.

**Tax strategy**
In accordance with FA2016 Sch 19, the Group's Tax strategy document can be found on its website: https://www.village-hotels.co.uk/statements/Tax-Strategy

*Working with HMRC*
The Group strives to ensure that HMRC consider the business to be Low Risk in its management across all taxes by having a proactive, open, and honest dialogue on a real time basis where possible. This includes on current, future, and past tax risks (the business has raised past tax risks identified with HMRC during the year).

The Business meets HMRC regularly and has an open, cooperative relationship with them, Village Hotels is proud of its low-risk rating received in December 2022 following its recent Business Risk Review and is keen to maintain this standard.

*Amounts paid to HMRC in the year ended 31 December 2022*

| | **2022** |
|---|---|
| VAT | 17,492,796 |
| PAYE and NIC | 13,126,652 |
| Business rates | 7,456,831 |
| Corporation tax | (439,551) |
| Climate change levies | 718,687 |
| Fuel duty | 2,144,359 |
| Premise licence/TV licences | 143,827 |
| Employee support grants | 285,044 |
| **Total tax paid** | **40,928,645** |

**Position of the Group at the end of 2022**
The Group made a profit after taxation of £21,798,000 (2021: Restated profit of £59,949,000 (See note 2)) which included a £4,276,000 gain on revaluation (2021: revaluation gain of £43,875,000) in respect of the Directors' fair value assessment of assets.

At 31 December 2022, the Directors valued the Group's hotel property portfolio at £704,050,000 (2021: £683,350,000), an increase of 3% on the prior year.

For the twelve months to 31 December 2022, the Group generated sales of £227,650,000 (2021: £139,963,000) and operating profit was £41,582,000 (2021: Profit of £53,862,000) after exceptional items which include reversal of prior impairment loss on fixed assets £4,276,000 (2021: Reversal of £43,875,000), redundancy fees £Nil, (2021: £182,000), and Non UK trademarks £121,000 (2021: £Nil). Operating profit before exceptional items was £37,427,000 (2021: Profit of £10,169,000).

The Group cash inflow from operations was £59,993,000 (2021: cash inflow £35,846,000). At 31 December 2022, the Group had cash of £35,555,000 (2021: £29,079,000) and bank borrowings of £465,000,000 (2021: £405,727,000).

The Group is financed by Bank borrowings (Senior Loan) and equity provided by funds managed by KSL Capital Partners. A summary of debt within the Business at year end is below.

| **Year ended 31 December** | **2022** | **2021** |
|---|---|---|
| | £m | £m |
| Senior loan | 465.0 | 408.5 |
| KSL loans | 0.0 | 9.6 |
| Total debt | 465.0 | 420.4 |

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, initially terminating on 25 March 2025, but with the option of two additional one-year extensions available at the Group's request. As part of the refinance, all related party debt, with KSL Capital Partners, was repaid, which had risen to £11.9m following further development post year end. The senior loan was refinanced and the new facility totalling £465.0m was put in place. At the year end a fixed cap interest hedge is in place running to 25 March 2024. Dividends of £43.8m were also paid to KSL Capital Partners. The refinance transaction was funded through a combination of cash on the balance sheet and the new facility.

The Group believes that this secures its financial stability for the foreseeable future and has purchased interest rate hedge instruments which will shield its exposure to continued rises in interest rates. These instruments cover 100% of the interest for the period to March 2024.

The Company has issued share capital comprising 21,722,000 Ordinary Shares of 10p each as shown in note 18. VUR Holdings II Sarl holds 100% of the share capital. The ultimate controlling party is disclosed in note 24.

**Development and performance of the Group in 2022**
The Group operated 33 hotels, with Bracknell still under construction as at the year end, at the following locations:

| | | |
|---|---|---|
| Aberdeen | Dudley | Newcastle |
| Ashton Moss | Edinburgh | Nottingham |
| Basingstoke | Farnborough | Portsmouth |
| Blackpool | Glasgow | St David's nr Chester |
| Bournemouth | Hyde | Solihull |
| Bracknell (Opened December 2021) | Hull | Southampton Eastleigh |
| Bristol | Leeds North | Swansea |
| Bury | Leeds South | Swindon |
| Cardiff | Liverpool | Walsall |
| Cheadle | London Watford | Warrington |
| Coventry | Maidstone | Wirral |

The Business performance in the first quarter was impacted by the ongoing impact of Covid-19, being the Omicron variant. However, following on from this, the Group performed well such that EBITDA for the full year exceeded that of 2019, which was particularly impressive given the wider economic context of escalating inflation and the impact this continues to have on cost of living for consumers. Group earnings before interest, taxes, depreciation and amortisation (EBITDA) closed at £58,503,000 (post exceptional items).

In relation to its hotel rooms performance, revenue from public bookings outperformed 2021 by 30%, which was seen across every day of the week. The rate for these bookings was 2% higher than in 2021, as such the majority of the increase in revenue arose from booking volumes. This increase in public volume was particularly seen at the weekends, with corporate business being stronger midweek. Corporate business also improved on 2021 levels, translating to a 35% increase in rooms sold for such bookings.

Group volume (from external group bookings) increased by 35% on the prior year, with a 1.5% improvement in rate. A large driver of this increased volume was the Village Sports Desk implemented during the pandemic.

Due to the strength of the other rooms sectors, promotional rooms business was lower than in 2021, however given the lower margins of this business this was a result of strategic prioritisation of the more profitable room segments. Notwithstanding, the average rate of these rooms was also slightly ahead of 2021 levels.

In relation to the Meetings & Events (M&E) business, 2022 saw the return of M&E following the Covid-19 pandemic, with the meetings market gaining traction quickly for small gatherings and day meetings. Attendee numbers were smaller than previously experienced but, as confidence grew through the year, so did the number of attendees and meeting duration.

Training events were prevalent as the corporate market recruited new teams and embarked on courses and events aimed at retaining talent. Sports groups were targeted for tournament camps, pre-match meals and team accommodation, with this market responding very well to the dedicated Village Sports Desk.

The wedding and banqueting business was slower to recover and, whilst the Group received some benefit in early 2022 for postponed celebrations, confidence in attending such events did not gather momentum until the second half of the year. Christmas events held up well with both corporate exclusive and joiner parties performing ahead of expectations.

The Food & Beverage (F&B) business also performed well with the Pub & Grill and Starbucks recovering but not to the trading levels of 2019, which was the wider market trend, potentially impacted by the increasing cost of living throughout the year. The first quarter of 2022 in particular was difficult due to the Omicron Covid-19 variant, which impacted trading due to some nervousness around large meetings in particular, as outlined above. The Group saw a reduction in overall average spend in the year vs. 2019. Since the year end the Group has launched a new menu with a greater focus on product quality, local sourcing, and sustainability.

In the Health & Wellness business, memberships continued to grow, exceeding pre-pandemic levels despite the rising cost of living issues. The Group finished the year with 112,000 members, 12,000 members ahead of the number it had at the end of 2019. This translates to an average of 3,400 members per club at year end, also ahead of 2019. The growth in membership was supported by an extensive refurbishment programme, which will position the Business well as it enters 2023.

The Group was able to retain some of its cost savings in 2022 to help mitigate the lower revenues earned in the first quarter. These cost efficiencies contributed to the impressive delivery of EBITDA 7% above 2019 levels. This coupled with forward-purchasing of electricity and gas allowed the Group to mitigate the impact of the volatile energy wholesale market, and the Group continues to contract ahead to protect its position.

In relation to development, the Group continued to pursue its ambitious growth strategy despite the impact of various challenges faced by the economy, particularly the significant escalation in inflation and the resultant increase in interest rates. In May 2021 the Group had acquired an existing hotel in Bracknell for conversion, and following refurbishment works to convert the hotel to the Village proposition, the hotel became fully operational in February 2022 following a limited opening in December 2021. The Group also completed the purchase of land for a new development in June 2022 in Milton Keynes.

**Key Performance Indicators (KPIs)**

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

| | | 2022 | 2021 |
|---|---|---|---|
| Group revenue | £ 000 | 227,650 | 139,963 |
| Group cost of sales | £ 000 | (100,567) | (66,674) |
| Group gross profit | £ 000 | 127,083 | 73,289 |
| Group gross margin | | 55.82% | 52.36% |
| Group operating profit | £ 000 | 41,582 | 53,862 |
| Group EBITDA pre exceptionals | £ 000 | 54,348 | 26,701 |
| Group EBITDA pre exceptionals margin | | 23.87% | 19.1% |
| Group exceptionals (1) | £ 000 | 4,155 | 43,693 |
| Group EBITDA post exceptionals | £ 000 | 58,503 | 70,394 |
| Group EBITDA post exceptionals margin | | 25.7% | 50.3% |
| Health & Wellness Member numbers at year end | No. | 112,000 | 100,000 |
| Average room numbers per hotel | No. | 132 | 132 |
| Number of hotels | No | 33 | 33 |
| Average number of employees in the year | No. | 4,340 | 3,358 |

Footnote: Exceptional items (see note 8) include impairments/reversal of impairment and non-UK trademarks.

The financial KPIs above represent the metrics the Group measures its performance on both internally and to its shareholders, with EBITDA pre exceptionals specifically being the basis on which the Group determines its performance in relation to its target, namely Budget. The Group exceeded Budget EBITDA by over £8m in the year. Revenue is important as demonstrating the headline income generated across the Business, however the Group also closely monitors its profits (both gross profit and EBITDA) to ensure it maintains good cost control within the Business, as outlined above in relation to efficiencies maintained in the year.

In relation to non-financial KPIs, the membership numbers are a key metric for determining the performance of the Health & Wellness business, and the year end position was just above the Group's target position for closing 2022. The Business aims to optimise average rooms per hotel to ensure it is generating the maximum income possible from its properties, which can still be comfortably serviced by its staff and facilities. As such it targets a minimum number of rooms per hotel for any new developments in contemplation as part of its wider strategy. Similarly, the number of hotels is important for its strategy, which is to continue to add more profitable hotels into its portfolio and expand its UK footprint, although given the importance of ensuring each new development is value accretive and fits with the Village brand, no specific target has been set.

With its people are at the core of the Village brand, and as such employee numbers are a key metric. The Group must ensure it has enough staff to provide an exceptional service to guests and members, but that they are distributed according to need. Individual hotels and departments set their own target staff numbers within the group core operating framework to ensure maintenance of Village's high standards.

The above key performance indicators provide clear indications to the Group of its performance at every level, from a financial and commercial perspective. These metrics are used at board level to appraise the ongoing performance of the Group and inform strategic decision making.

**Key trends and factors affecting future performance**

*Consumer customer trends*

The Group has considered that the increasing cost of living caused by the significant increase in inflation could reduce consumer discretionary spending in the future. All three of the Group's service offerings could be impacted by this to some degree, although the Group enjoys a diverse customer profile with a mix of consumer and business clients so is not reliant on consumers overall. It continues to review this internally and has considered how to mitigate reduced consumer spending in each category of its business.

In relation to the hotel business, the Group uses dynamic pricing to capitalise on high demand periods, good communication with guests regarding upcoming offers, and enjoys a differentiated offering from competitors through its high calibre gym, varied food & beverage options and V-Works. The Food & Beverage offering is regularly reviewed to remain attractive and relevant, whilst maximising margin, and benefits from good communication of offers. This includes regular hosting of events nights to boost revenues and raise the profile of the hotels in the community as a venue for events such as weddings.

The Health & Wellness business specifically is entirely dependent on consumer spend, and as such the Group continuously invests in the good maintenance of all facilities to attract new members, as well as retaining existing members, differentiating itself from the competition and delivering good value for money. This includes a c.£4m investment programme at the end of the year. The previous investment in technology is also advantageous, including 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 and relevant communication. Village views member engagement as a priority and a key tool to enhance member retention in the face of a competitive market. It is also possible that for some consumers, leisure time and exercise has become more of an essential service since being deprived of the benefits of gyms during the Covid-19 restrictions, rather than a luxury.

*Corporate customer trends*

The Group enjoys a strong base of corporate customers whose workers are required to travel and complete their duties at a variety of different locations, in industries such as infrastructure and the public sector. As such revenues from such customers should be relatively steady and shielded from economic fluctuations, although the Group keeps this under review, which benefits both the Hotel and Food & Beverage operations.

Whilst many businesses have returned completely to pre-Covid-19 working practices, in some companies many previously office-based staff have become at least partially remotely based. The Group considers that this could be beneficial for its 'V-Works' offering, allowing individuals to take workspace on a flexible basis as a break from the home environment, and allowing corporates to offer a safe working environment with onsite gym and Food & Beverage facilities, particularly if they have elected to downsize their offices.

**Principal risks and uncertainties affecting future performance**
As well as reviewing performance and considering strategy, the Directors and senior management identify business risks and ensure that risk mitigation plans and controls are in place. The principal trends and risks faced by the Group are:

***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. This was discussed further in the trends and factors effecting future performance above.

Like many other businesses, the Group encountered challenges in the year arising from rising inflation, partially driven by the increase in utility costs and food costs following the outbreak of war in Ukraine. The Group has benefitted from its advance contracting of utilities which mitigated much of its exposure to the sharp increase in wholesale utility costs in 2022. The Group has also factored anticipated rises in wages and salaries into its forecasts, including the significant increase in the National Living Wage in April 2023. The Group's approach to managing economic risk going forwards include a newly signed utility contract, the launch of its new menu and continued forecast increases in wages and salaries; these policies and forecasts are reviewed on a regular basis.

***Ukraine/Russia conflict risk***
The Group is fully supportive of all those impacted by the ongoing conflict in Ukraine and has offered its assistance to authorities to help refugees in the UK, providing jobs and accommodation, with several refugees employed within the business. In relation to the potential impact on its business, 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 (primarily food suppliers). They ensure that they can continue to fulfil the Group's purchase requirements as per their contracts with the Group, and the Group also actively practices menu engineering to ensure it can source ingredients required. As outlined above, the launch of its new menu has further helped manage challenges raised in relation to sourcing and pricing goods by refocussing on sustainability and product quality.

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

The Group's internal audit function visits every location unannounced at least annually and reports to both management at the hotel and to the Chief Finance Officer. The Group has also formalised its risk management processes with a detailed risk control framework.

***Personal health, safety and security risk***
Thousands of people stay in the hotels and visit the Group's Health & Wellness and Food & Beverage facilities every day. The Group employs a dedicated Health and Safety team to ensure that robust health & safety processes and practices are in place at all times to protect customers and employees, whose wellbeing is its paramount concern, and to maintain the highest standard of hygiene.

***Cyber Security and Information Technology risk***
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 Group is minimised as far as possible.

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. Recognising that people are often the weakest point from a security perspective, it conducts regularly training and random testing on all staff to ensure they remain educated and vigilant about cyber security.

***Interest risk***
During the process of obtaining the new Facility Agreement in March 2022, the Group has purchased financial instruments to protect it from further interest rate rises following the continued increase in the Bank of England interest rate which began within the year. This instrument covers 100% of the interest for the period to March 2024.

***Liquidity risk***
The Group aims to mitigate cash flow risk by carefully managing and monitoring its cash generation from its operations. 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 the facility, the Group maintains open dialogue with both KSL and its lenders, and a detailed treasury model updated with sufficient regularity ensures potential liquidity or financial covenant 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. As at year end the cash balance for the Group was £35,555,000.

***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.

***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, as outlined further below.

***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.

# VUR Holdings (UK) Limited

## Strategic Report for the Year Ended 31 December 2022 (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, that would most likely promote the success of the company for the benefit of its members as a 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 Group is developed in a way 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 Village at the heart of its community.

***Structure and Key Stakeholders***

The Group has a structure that allows for regular dialogue between Directors and the Executive Team for any matters that may arise, as well as key business priorities that 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 four times a year which is attended by the Directors, Senior Executive Team 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) matters. At these Board meetings, approval is sought for key decisions that will impact the Group.

In addition to main Board meetings, shareholders are updated as to the financial status of the Group every month by the Directors. Through these communications the Group maintains an open dialogue with its shareholders, who are in turn able to feed into key strategic decisions.

***Employees***
The Group provides regular updates to its employees at all levels through three different and key methods. The Business communicates with line level employees through a TEAM Communication ( via a communication platform ) each month which highlights key business activity, people days and engagement initiatives alongside brand updates such as promotions. The Business communicates operational change and activity to Managers through a monthly pack which is an extensive overview of the month ahead along with a monthly commercial pack which outlines financial performance against the key KPIs for General Managers to identify opportunity for the month ahead.

The Business is keen to ensure that this communication channel works both ways and that the methods are effective, and conducts a regular employee survey to take onboard employees' suggestions and any concerns. This is done twice a year (October and May). The Business saw a 9% increase on employee engagement in October 2022 to 86% from 77% in April 2022, with positive results indicating a strongly engaged, motivated & loyal workforce. The Group is targeted to achieve over 85% in May 2023. The Group also has initiatives such as "GM Round Tables" to allow hotel leaders to discuss ideas with the central function heads that will drive business change.

The Executive Team believes that engagement is key to the success of the Group, enhancing loyalty and employee longevity with the Group, as well as ensuring employees are immersed within the Group's values and vision. It ensures employees have a sense of purpose, value and belonging. Strong engagement drives delivery of product and guest experience, brand and ultimately the profitability of the Group. It is driven through training and development and the Group has multiple development programmes at grass roots level and for both middle and senior management in hotels. The programmes offered range from intuitive gamification for brand standards, to Management Development programmes to grow future leaders. The development programme saw 52 leaders graduate in 2022 and 64 enrolments in 2023, with 16 graduates now being in a more senior leadership role.

***Guests***
Guests are a priority and the Group trains its management team on the importance of service and standards. Providing guests with high standards of service is vital, as by understanding the guest journey Village can look to improve its offering.

The Group engages with third party providers who provide consolidated online customer feedback to understand how guests feel about their experience. In addition, reviews on TripAdvisor and Booking.com are closely monitored to produce a Global Review Index (GRI) that gives each property a score to measure guest satisfaction. All guests who stay at a Village hotel are also asked to complete an online Guest Satisfaction Survey, (GSS), which covers all areas of the guest journey.

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

The Group engaged in a Mystery Customer programme which covers all areas of the operation which supports the drive of brand standards as well as hospitality and service. This happens in all 33 locations every month and produces a report detailing a customer's likelihood to recommend and likelihood to return. This sits neatly alongside online customer feedback to give two clear customer metrics to drive hotels forward. Along with employee engagement the Business has seen a direct correlation between guest satisfaction and employee engagement, as both metrics move positively forward YOY.

***Leisure Members***
Health & Wellness accounts for approximately 24% of the Group's revenue. Village sees member engagement as one of the key elements in ensuring member retention and liaises with members on a national basis through direct marketing and member communications and regular updates in clubs that appeal to a more local base. The app also facilitates these direct communications with members.

***Suppliers***
Village considers itself to be in partnership with its suppliers, operating an Ethical Code of Conduct and undertaking regular audits of all material suppliers to ensure good practice and accountability. The Procurement team undertakes visits to key suppliers on their premises and meets with their senior teams to jointly engage in regular dialogue, scoping out the need for both parties to ensure ethical, commercially viable and sustainable continuity of the supply chain.

The Procurement team also obtains feedback from the Hotels to ensure that they stay close to the observations and requirements of the hotel operators and jointly agree plans and shared objectives to continually improve goods and services. Financial and Ethical controls are then put in place including ensuring 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 as engaged as possible. In 2022 this included various fundraisers, litter picks around its hotels, and donations of hotel stays and lunches to local community charities and carers.

***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 Group.

***Decisions and Impact***
Sustainability is a focus for the Village, and it continues to work with a third party in targeting a reduction in energy usage 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.

**Environmental, Social and 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 2022 was to create a new ESG Steering Committee, comprised of many of the Executive Team, who meet regularly to establish the Group's ESG goals, as well as the measures they will implement within the Business to meet these. This has in turn led to the creation of the Sustainability Stars programme, a team of influential rising stars from across the Business who can feed in valuable additional ideas to promote our ESG agenda and lead the implementation of new initiatives on the ground.

The Group has instigated several new initiatives in 2022 and beyond as part of its commitment to Net-Zero. These include trialling pool/energy monitoring at one of its hotels, introducing external recycling bins to all hotels to segregate recycling from landfill and internal bins at head office to encourage waste segmentation. Village has focused on local charitable initiatives and has held numerous charity events in addition it has a new national relationship with the charity 'Sense'.

One of the most impactful decisions was to change energy providers to 100% renewable electricity and a 'green gas' tariff, to be fully implemented in 2023. In line with this decision the Group has launched a fully electric car scheme for employees.

The Group continues to engage a third-party environmental consultant, to incorporate monitoring systems onto its Building Management Systems (BMS) to evaluate energy usage and advise on actions to be taken to reduce energy consumption. In 2022 the Group made significant financial investment into the BMS to ensure data was accurate and could be relied upon.

An e-learning module on the 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 and 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 (BREEAM) 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. At 31 December 2022 five properties in the Group's portfolio had BREEAM ratings, three very good and two good.

***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's privacy policy can be found at https://www.village-hotels.co.uk/privacy-policy/

***Procurement Policy***
The Procurement team works closely with the Risk and 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 recognises 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. It is 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. The Group achieves this through policies and governance, which are supported by a committed organisation and leadership. The Group's Modern Slavery statement can be found at:
https://www.village-hotels.co.uk/modern-slavery-statement/

***Employees***
The Group recognises that employees are its future and Village offers several opportunities for our teams to help them develop their true potential. The number of employees in the Group at 31 December 2022 was 4,743, which rose from 4,115 at 31 December 2021.

***Equal opportunities***
The Group is committed to being an equal opportunities employer and to maintaining a working environment free from discrimination, victimisation, harassment and bullying. During recruitment, transfer, promotion, training or in the assessment of salary and benefits, the Group aims to ensure that all applicants, employees and workers receive equal treatment irrespective of their sex, marital or civil partnership status, sexual orientation, race, colour, ethnic or national origins, religion or belief, working hours, disability, age or temporary agency status.

***Training and identifying talent***
The Group provides training to all employees on how to deliver excellent service to all its customers and uses an annual appraisal system to identify further training needs around its core values and to build succession plans. The Group encourages growth from within and identifies team members who have the qualities for future senior roles within the Group. 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 ongoing 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, as outlined above. In order to retain this high level of engagement, the Group launched a new platform of Reward and Recognition in 2022. The platform "My Village Rewards" allows for multiple benefits in one hub, giving all employees access to multiple benefit types such as high street discounts, Gym Membership, lifestyle benefits and more. The platform then offers support and advice through a wellbeing programme, financial advice portal and access to an Employee Assist programme. Aside from the benefits the "My Village Hub" also allows for peer-to-peer recognition through a points system. This is where employees can be awarded points for tactical incentives that may have impacted on profit, product or people. Points are awarded for great performance and are redeemed against prizes from a wide-ranging catalogue.

Employee engagement is also well positioned with the Group's BIG PEOPLE DAYS - where employees engage in activities to have fun, work together, feel valued as well as charity and local community events.

***Employee health and 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 provides as standard mental health awareness training via My village Rewards to raise awareness of how its 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. Over 2022 the Group has invested in 43 Mental Health First Aiders to support on property both employees and guests.

***Gender Diversity Information***
The Group is committed to diversity in all forms and strives to create a transparent, inclusive and egalitarian culture that recognises diversity not just in terms of gender, but supports all colleagues regardless of their race, religion, sexual orientation or background.

The Group uses development and internal training to grow all employees in their chosen career paths, regardless of gender. This is supported by an enhanced recruitment process, ensuring that the Group is the best in class in recruiting employees who match the values of the brand. The Group commits to continue to attract women to its Group through continually reviewing its benefits and packages and giving equal access to development opportunities to all.

The largest employer in the Group, VUR Village Trading No 1 Limited, is required to comply with regulations on gender pay gap reporting. The report for that Company is outlined below.

At 30 April 2022, the table below shows the breakdown of roles by gender:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Company directors | Senior leadership team | Employees | Company directors | Senior leadership team | Employees |
| Female | - | 12 | 2,472 | - | 9 | 1,562 |
| Male | 2 | 12 | 1,692 | - | 9 | 1,232 |

VUR Village Trading No 1 Limited carried out its Gender Pay Gap review for 2022 with the results shown below:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Mean | Median | Mean | Median |
| Gender Pay Gap | 10.23% | 0% | 14% | 15% |
| Gender Bonus Gap | 61.7% | 48.4% | -169% | -400% |

Note that in 2021 the gender pay gap of VUR Village Trading No 1 Limited was such that women received a higher pay and bonus on average than men. The executive directors are not direct employees of that Company.

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

***Flexible working***
Village operates a flexible working policy and recognises the requirement for flexible working options and work life balance. A great number of requests have been approved, providing a positive impact for employees and particularly those returning from parental leave at all levels within the Group. The introduction of homeworking and video conferencing has allowed further flexibility and retention of both male and female employees. The Group continues to monitor both productivity and staff feedback on the benefits of working flexibly.

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

***Promotion and progression***
Village is committed to promoting from within and has numerous examples of internal moves across the brand showing a strength in progressing employees through career paths. Village operates a Rising Star programme which focuses on the promotion of talent within the Business into leadership and General Management roles across three grades, providing learning modules and mentoring. The programme began in 2019 and currently has 57 employees participating. Village is particularly committed to driving more females into General Management roles.

Approved and authorised by the Board on 29 June 2023 and signed on its behalf by:

DocuSigned by:
Stephen Walker
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S V S Walker
Director

# VUR Holdings (UK) Limited

## Statement of Corporate Governance for the Year Ended 31 December 2022

**Introduction**
The Wates Corporate Governance Principles for Large Private Companies serve as the framework to demonstrate how Directors have had regard for the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duties, such as how Directors have engaged with and have considered the interests of stakeholders including UK employees, suppliers, customers and those in a principal business relationship with the Company. Reporting against the Wates Principles is included in the Corporate Governance Statement below.

**Corporate Governance Statement**
For the year ended 31 December 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies. The Directors have set out below an explanation of how the Wates Principles have been applied during the year.

**Principle 1 - Purpose and Leadership**
The Directors of the Company are considered the Main Board (“Main Board"). The Main Board engages with the wider executive team (“the Executive Team ") that is made up of key leaders in the Company who have accountability and responsibility of a defined operational or compliance role. The Main Board actively engages with the Executive Team in setting the intentions and purpose of the Company.

The Company is a unique hotel owner operator. It owns all 33 hotels in the UK and is able to assess full control over its operations. The Company’s strategy is to provide customers with a complete ‘all-in-one’ experience through its exceptional hotel rooms, a food and beverage offering of a pub and grill, and a coffee shop, a full leisure facility and gym complete with a swimming pool. It also offers a co-working space in a number of its hotels.

The Company champions the wellbeing of its employees and having a positive impact on the communities it operates in.

**Principle 2 - Leadership composition**
The Company is a privately owned company. It is not listed on the stock exchange but it does adhere to the principles of good governance to guarantee economic performance, exemplary administration and management, and trust and transparency.

The Company has a Corporate Governance Policy that enables it to manage and identify who can report to the Board and can deal more effectively with the challenges of running a large company.

The intention of the Corporate Governance Policy is to ensure that the business has appropriate decision-making processes and controls in place so that the interest of all stakeholders (shareholders, employees, suppliers, customers and the community) are balanced. It includes the processes by which the Company's objectives are set and pursued in the context of the social regulatory and market environment. It is concerned with practices and procedures for trying to make sure the Company can achieve its objectives but also ensure that stakeholders can have confidence that their trust in the Company is well founded.

The Company's Senior Executive Team is composed of a Chief Executive Officer, a Chief Financial Controller, Director of People and Operations, and General Counsel. The Senior Executive Team attends Main Board Meetings quarterly.

The Executive Team meets once a week to discuss performance, risk, and highlight areas that need discussion. The Executive Team has a diverse offering of skills and expertise in the wide range of services offered by the Company from Food & Beverage to Leisure to Sales and Marketing to in-house financial and legal expertise. The Executive Team's size and composition is regarded as appropriate to the Company's complex, yet focused business.

The Executive Team attends an informal meeting with the Main Board every second month, and in addition members of the Main Board will attend meetings with specific members of the Executive Team to discuss areas of operational significance or risk.

**Principle 3 - Leadership responsibilities**
Each member of the Executive Team understands what they are accountable and responsible for, and they provide a report each week at the Executive Team meeting. To ensure full transparency a monthly report is also sent to the Main Board. The Main Board ultimately retains responsibility for all decision making in business operations and ensures delegated decision makers are individuals with the most experience and relevant knowledge.

All members of the Executive Team are required to consider any conflicts or potential conflicts and declare them at least annually to the General Counsel. The Company has a strong Ethical Code and actively manages anti-bribery and corruption. It also operates a framework of disclosure for whistleblowing and in particular modern slavery.

**Principle 4 - Opportunity and Risk**
The Company pursues a combined organic and development led growth strategy.

Through investing in the current portfolio, the Company seeks to improve the revenue and profitability of its existing hotels. In addition, the development team works closely with the Executive Team, to identify opportunities to expand the Company's footprint via acquisition, with the goal of enhancing national coverage, improving distribution and maximising revenue. Comprehensive commercial, financial, property and legal due diligence is undertaken on any potential new acquisition.

The Company is committed to transparency in managing risk. Risk is categorised for management purposes into operational, corporate, and financial risk. A Core Risk Team (comprising General Counsel, Head of Risk and Safety, Internal Audit and Compliance) meets every quarter to review all risks within the business. A Senior Risk Committee (comprising CEO, CFO, General Counsel and Director of People and Operations) meets twice a year. Risk is discussed at Board Meetings with the Main Board and there is an additional risk update provided to the Main Board twice a year outside of the Main Board meeting.

Every risk in the business has a mitigation plan / strategy that is reviewed not less than once every six months and identifies risk owners and implementation plans necessary to address each risk.

All employees are inducted and continually trained on significant risks including but not limited to life safety and cyber security. The Company engages third party experts to audit fire safety, food safety, and IT system security at least annually. The feedback from these audits is shared with the Executive Team.

**Principle 5 - Remuneration**
The Main Board oversees the remuneration of the Executive Team, with market rate salaries to ensure retention. A large proportion of the Company's people are paid in line with industry standards.

The Company is committed to creating a culture of excellence that not only enables employees to reach their full potential but also enables the Company to thrive.

**Principle 6 - Stakeholder Relationships and Engagement**
*Business relationships:* The Company works with some of the largest business operations and government departments in the UK. The Company builds strong, sustainable relationships with its clients and suppliers, which are essential to the long-term success of the business.

*People:* The Company has a vision to engage & motivate all employees, by encouraging growth and nurturing through training, development, reward & recognition. The Company encourages development of all employees and operates numerous operational training programmes in addition to three in-house leadership and development programmes for individuals to join.

*Apprentices:* The Apprentice programme provides opportunities to make a real impact within a Company that truly cares. The intake from this programme provides the next generation of people who can take on complex challenges and make a difference in the world through innovation, creativity, and teamwork. The programme helps attract people to the industry with a passion to learn and to grow awareness of careers in hospitality.

*Disabled employees:* The Company encourages the employment of disabled people and provides a fair and encouraging approach to any such employment applications. In the event that any of the people within the Company become disabled whilst in service, the business strives to support their needs with every effort being made to continue their employment. This may include adapting work environments, transfers to alternative duties, or if required, retraining to undertake new roles.

*People engagement:* The true value of the business resides within its people - as such, there are regular and various means and media used for communication. An intranet site is maintained that provides the Company's people with the latest information, using applications that provide instantaneous news updates along with instant access to benefits, incentives & growth opportunities. The Company operates an extensive rewards programme called ‘My Village Rewards’ and an annual people engagement survey is carried out to enable the Executive Team to review the performance of all departments and implement both local and brand plans to drive higher engagement and retention of its employees.

*Culture and values*: The Company is defined by its values; they drive the business to succeed and underpin its conduct and approach. The values are at the forefront of every decision that is made and define the behaviours of the Company's people. Values drive the business to be the best it can. In the collective, the Company's people and values form its corporate culture, which serve the best interests of its employees, guests, members and shareholders.

*Sustainability and Community:* The Company operates a Village Green vision ‘to have a positive impact on the communities in which the Company operates in both environmentally and socially.’ The Company is committed to its Environmental, Social and Governance (ESG) policy and principles in order to operate as a responsible business. The Company understands that a better sustainable future is within its reach and wants to play a significant part in getting there. The Company recognises that an essential part of being a responsible business is caring for the environment. The work around environmental issues are led by the Executive Team and their role is to encourage every hotel to reduce its impact on the environment and ultimately reduce our carbon footprint and create a clear and transparent path to Net-Zero. It is also recognised that climate change is at a critical point. The Company has numerous policies in place to drive and assist this which focus on specific operations and how it can mitigate its current impact on the environment.

The Company believes, linked to its environmental principles, that in order to achieve its aim to become a more sustainable business, it must also consider the wider community that each hotel operates in, and Village Green initiatives encompass this approach.

# VUR Holdings (UK) Limited

## Directors Report for the Year Ended 31 December 2022

The Directors present their report and the for the year ended 31 December 2022.

**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 dining and leisure facilities.

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

**Results and dividends**
The profit for the year, after taxation, amounted to £21,798,000 (2021: Restated profit of £59,949,000 (See note 2)). This result includes revaluation gains of tangible assets of £4,276,000 (2021: Revaluation gains of £43,875,000).

The Company made payment of a dividend of £43,846,000 to the shareholders in the year, and as such the Directors do not recommend the payment of a final dividend (2021: £nil).

**Directors of the Group**
The Group considers its Board to comprise of the Directors who held office during the year, as set out below, the Chief Executive Officer and Chief Finance Officer:

C J Brenan

S Siegel

R Weissmann

S V S Walker

G R Davis

P Roberts

The Directors have oversight of the company on behalf of KSL.

**Coley Brenan - Partner and Head of Europe KSL Capital Partners**
Coley joined KSL in May 2005, after spending 5 years in the Real Estate, Gaming, Lodging and Leisure Group of Deutsche Bank Securities. He holds a B.S. in Real Estate and Finance from Cornell University's School of Hotel Administration. Coley runs the European office for KSL Capital based in London.

**Steven Siegel - Partner and Chief Operating Officer KSL Capital Partners**
Steven joined KSL in March 2005 after serving as their outside counsel since 2002. He is the former Chairman of the Board of Directors of Special Olympics Colorado and holds a J.D. from the University of Chicago and a B.A. in Economics from the Wharton School of the University of Pennsylvania. He began his legal career as an associate with Cravath Swaine & Moore in 1987.

From 1990 through to 1995, he was with the New York office of Kirkland & Ellis LLP, becoming a partner in 1993. In 1995, he was a partner of Brownstein Hyatt & Farber, P.C., where he served as chair of the Corporate and Securities Department and as a member of the firm's executive committee.

**Richard Weissmann - Partner KSL Capital Partners**
Richard joined KSL in March 2008. Previously, he was a Managing Director in the Investment Banking Division of Goldman Sachs & Co., where he led Goldman's Hospitality and Gaming Practice. Prior to joining Goldman in 1998, he was an attorney in the real estate and corporate groups with the law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York City.

He began his career in 1984 as a real estate developer in the New York metropolitan area and has a B.A. from Tufts University and a J.D. from Columbia University School of Law.

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

**Gary Davis - Chief Executive Officer, Village Group**
Following the acquisition of Village in November 2014, Gary Davis re-joined the Village Group as Chief Executive Officer from hotel chain Malmaison and Hotel du Vin where he had held the position of CEO since January 2012. It was a welcome home to Gary having previously held the Village CEO position during its De Vere ownership from 2007 to 2012. Gary brought with him a wealth of experience in hotel operations. Gary is also focused on the strategic development of the Group and new build roll out plans.

**Paul Roberts - Chief Finance Officer, Village Group**
Paul joined the Village Group in July 2017 to support and strengthen the leadership structure in its focus to ensure the fast-paced growth of Village, having previously held the position of CEO and formerly finance director at Malmaison and Hotel du Vin. Paul joined Malmaison in 2012 from De Vere Group where he was finance director of the De Vere Hotels portfolio. Prior to De Vere, Paul held senior positions at Morgan's Hotel Group, MacDonald Hotels and Raffles International.

**Going concern**
The Directors have adopted the going concern basis in preparing these financials statements after assessing the financial forecasts of the Company and the wider Group for the period to 30 September 2024 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 increase in utility costs) and its impact on consumer discretionary spending.

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 in March 2022, the Group is required to meet its financial covenant to avoid breaching the terms of its facility agreement. 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.

In order to assess 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. They have therefore applied several sensitivities to the forecasts to assess the impact of these potential negative market conditions on trading. The sensitised forecasts assume 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 across the Group's revenues due to reduced consumer discretionary spending

• Increasing costs of Food & Beverage

• Potential further increases in national living wage rates

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 for the period to 30 September 2024.

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 forecasts, challenging the forecasted values by incorporating severe scenarios which include a severe but plausible scenario as follows:

• Food and Beverage costs increase by a further 10% on the base case forecast

• Utilities increase by 75% (utilities are currently partially hedged through 2023)

• Departmental payroll increases by 10% on the base case

• Rooms occupancy falls by 10% on the base case

• Health & Fitness joiners fall by 20% on the base case; and

• Meetings & Events revenues fall by 20% on the base case forecast

The implications of this scenario are as follows:

• The Business would continue to make its investment in capex (both FF&E and discretionary) as currently planned per the forecast.

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

• Loan to Value is met throughout the period with 25% headroom.

• The lowest cash balance would be £7.3m in May 2024, building to £12.3m by the end of September 2024. 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 £29.6m in May 2023, and £7.3m 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. Interest has been hedged through to March 2024 with an interest rate cap at 3%. The Directors are considering options available to them in respect of future hedging arrangements post expiry.

Furthermore, the Directors also feel that whilst the sensitivities applied are each plausible, it is unlikely that all 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 2024) therefore there will be no breach of the Facility Agreement. The forecasts show sufficient liquidity in the Business to continue to pay all its debts as 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.

**Post balance sheet events**

Since the year end, the Group has commenced a review of its corporate group structure, with a view to removing several companies with no trading activities. At the time of signing accounts the review is in progress and still to be finalised.

**Matters covered in the strategic report**

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

**Streamlined Energy and Carbon Reporting Framework Regulations (SECR)**

The Group recognises that an essential part of being a responsible business is caring for the environment. A third-party energy consultant continues to be engaged by Village and 2022 will see the introduction of hotel level targets for consumption on energy and waste with the overall intention of reducing 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 and this smart building hardware is introduced to every new Village Hotel.

The Group’s 2022 strategy was to establish a clear leadership team focussed on ESG, with particular focus on reducing the Group’s carbon emissions, and with a longer-term view to setting a Science Based Target to Net Zero for the Group. This ESG Steering Committee meets regularly and implements a number of initiatives focused on carbon reduction within the year.

**Greenhouse Gas Emissions**
This statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting.

*Methodology*
The Group quantifies and reports the Group's organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. The Group consolidates the organisational boundary according to the operational control approach, which includes all Village's UK sites. The Group has adopted a materiality threshold of 5% for GHG reporting purposes. The GHG sources that constituted our operational boundary for the year are:

• Scope 1: Natural gas, diesel
• Scope 2: Electricity, heat
• Scope 3: Expensed mileage

In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from previous years as a proxy.

The Scope 2 Guidance requires that the Group quantifies and reports Scope 2 emissions according to two different methodologies ("dual reporting"): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

At the Village Whiston site in Liverpool, electricity and heat are generated from a CHP system, which Village Hotels does not own. Village are charged for the electricity and heat generated and the emissions resulting from this usage are accounted for, using an emissions factor based on the natural gas consumption. The Group has assumed that the emissions from the electricity and heat are proportional to the share of energy generated.

The table below shows the Group's GHG emissions for the financial year 2022 (1 January 2022 to 31 December 2022). During the reporting period, the measured Scope 1 and 2 emissions are detailed below:

| | **01/01/2021 - 31/12/2021** | **01/01/2022 - 31/12/2022** | |
|---|---|---|---|
| **Scope – Emissions covered in the report** | **Total (tCO2e)** | **Total (tCO2e)** | **% Change** |
| **Scope 1** | **10,085** | **11,747** | **16%** |
| Natural gas | 9,176 | 11,731 | 28% |
| Fuel for transport | 898 | - | -100% |
| Other fuels | 12 | 16 | 33% |
| **Scope 2 - Location based** | **8,966** | **9,854** | **10%** |
| **Scope 2 - Market based** | **12,332** | **13,225** | **7%** |
| Total Scope 1 & 2 – Location based | 19,051 | 21,600 | 13% |
| Total Scope 1 & 2 – Market based | 22,471 | 24,971 | 11% |
| Scope 1 & 2 intensity per m2 - Location based | 0.07 tCO2e/m2 | 0.07 tCO2e/m2 | 6% |
| **Scope 3** | **637** | **246** | **-61%** |
| Business travel | 637 | 246 | -61% |

Location-based emissions have experienced a 10% overall increase compared to 2021. This increase can be attributed primarily to the recovery in occupancy rates following the adverse effects of the COVID-19 pandemic on the hospitality sector, including imposed lockdowns. It is important to note that there were disruptions that continued into the first quarter of 2022, impacting year-on-year reporting.

Notably, scope 3 emissions, specifically business mileage, have seen a significant increase of 79%. This indicates a broader return to pre-pandemic working practices, with reduced levels of remote work and an increase in in-person meetings.

In the reporting for 2022, there has been a methodology change. This includes the reclassification of previously reported owned vehicle emissions into scope 3 expensed mileage. Additionally, there has been an update in the data collection method, using miles instead of litres for measurement.

During the year, the Group's total fuel and electricity consumption totalled 116,338 MWh, of which 100% was consumed in the UK. The split between fuel, electricity, and heat consumption is displayed below.

| **Energy consumption (MWh)** | **01/01/2021 - 31/12/2021** | **01/01/2022 - 31/12/2022** |
|---|---|---|
| | **Total** | **Total** |
| Electricity | 41,033 | 50,314 |
| Fuels (1) | 53,991 | 65,316 |
| Heat (2) | 708 | 708 |

*(1 )Natural gas and transportation fuels (petrol and diesel)*
*(2) Combined heat and power*

The Group's emissions have been verified to a reasonable level of assurance by an external third party GHG specialist according to the ISO 14064-3 standard.

**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 Group. The indemnities constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2022 financial year and remain in force for the Directors of the Group.

**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 and authorised by the Board on 29 June 2023 and signed on its behalf by:

DocuSigned by:

Stephen Walker

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S V S Walker
Director

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 Group and parent Company financial statements in accordance with the requirements of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- state whether applicable UK accounting standards, including FRS 102, 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 appropriate to presume that the Company and/or the Group will not continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and Directors' report and Corporate Governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

**Opinion**

We have audited the financial statements of VUR Holdings (UK) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes 1 to 25 , 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 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

# VUR Holdings (UK) Limited

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

**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. 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:

• Analysis of management's base case and downside scenarios which passed covenant tests throughout the review period together with analysis of the assumptions contained within.

• Performing independent analysis and further downside sensitivities which demonstrated no covenant breaches throughout the review period.

• Assessing the appropriateness of managements scenarios and applying judgement in light of the latest data available in relation to interest rates, inflation levels and the cost-of-living crisis performing further downside sensitivities in respect of each.

• Performing clerical accuracy checks on the information presented by management on their future forecasts for the business.

• Agreeing opening cash balance in the model to bank statements.

• Considering prior periods forecasting accuracy by management and the likely dividend policy in the scenarios presented throughout the going concern assessment period.

• Assessing the appropriateness of the going concern disclosure within the financial statements

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 group and parent company's ability to continue as a going concern for a period to 30th September 2024.

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 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.

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

**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 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 30, 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 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.

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 and National Minimum Wage Act.

• We understood how VUR Holdings (UK) 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 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 non-compliance 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. 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.

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

Date: 30 June 2023

# VUR Holdings (UK) Limited

## Consolidated Profit and Loss Account for the Year Ended 31 December 2022

| | Note | 2022<br>£ 000 | As restated<br>2021<br>£ 000 |
|---|---|---|---|
| Turnover | 3 | 227,650 | 139,963 |
| Cost of sales | | (100,567) | (66,674) |
| **Gross profit** | | 127,083 | 73,289 |
| Exceptional items | 8 | 4,155 | 43,693 |
| Administrative expenses | | (89,971) | (73,891) |
| Other operating income | 4 | 315 | 10,771 |
| **Operating profit** | 5 | 41,582 | 53,862 |
| Other interest receivable and similar income | 9 | 13 | - |
| Interest payable and similar expenses | 10 | (23,810) | (13,201) |
| | | (23,797) | (13,201) |
| **Profit before tax** | | 17,785 | 40,661 |
| Taxation credit | 11 | 4,013 | 19,288 |
| **Profit for the financial year** | | 21,798 | 59,949 |
| **Profit attributable to:** | | | |
| Owners of the company | | 21,798 | 59,949 |
| **Profit for the year** | | 21,798 | 59,949 |
| Unrealised surplus on revaluation of tangible fixed assets | 12 | 10,697 | 36,572 |
| **Total comprehensive income for the year** | | 32,495 | 96,521 |

The above results were derived from continuing operations.

The prior year results have been restated to reflect the recalculation of deferred tax. Refer to note 2 of the accounts for further information.

# VUR Holdings (UK) Limited

## (Registration number: 09281964)
## Consolidated Balance Sheet as at 31 December 2022

| | Note | 2022<br>£ 000 | As restated<br>2021<br>£ 000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 12 | 704,050 | 683,350 |
| Other non-current assets | 11 | 6,478 | 6,343 |
| | | 710,528 | 689,693 |
| **Current assets** | | | |
| Stocks | 14 | 874 | 1,657 |
| Debtors: amounts falling due after more than one year | 15 | - | 5,445 |
| Debtors: amounts falling due within one year | 15 | 28,587 | 11,253 |
| Cash at bank and in hand | | 35,555 | 29,079 |
| | | 65,016 | 47,434 |
| **Creditors**: Amounts falling due within one year | 16 | (43,132) | (45,182) |
| **Net current assets** | | 21,884 | 2,252 |
| **Total assets less current liabilities** | | 732,412 | 691,945 |
| **Creditors**: Amounts falling due after more than one year | 16 | (459,247) | (407,429) |
| **Net assets** | | 273,165 | 284,516 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 21,722 | 217,217 |
| Share premium reserve | 19 | 84,691 | 84,691 |
| Revaluation reserve | 19 | 72,306 | 61,609 |
| Profit and loss account | | 94,446 | (79,001) |
| Equity attributable to owners of the company | | 273,165 | 284,516 |
| Shareholders' funds | | 273,165 | 284,516 |

Refer to note 2 for details of prior year restatement.

Approved and authorised by the Board on 29 June 2023 and signed on its behalf by:

DocuSigned by:

Stephen Walker

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S V S Walker
Director

# VUR Holdings (UK) Limited

## (Registration number: 09281964)
## Company Balance Sheet as at 31 December 2022

| | Note | 2022 £ 000 | 2021 £ 000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 13 | 200,701 | 200,701 |
| **Current assets** | | | |
| Debtors | 15 | 12 | 11,584 |
| Cash at bank and in hand | | 263 | - |
| | | 275 | 11,584 |
| **Creditors**: Amounts falling due within one year | 16 | (341) | (1,760) |
| **Net current (liabilities)/assets** | | (66) | 9,824 |
| **Net assets** | | 200,635 | 210,525 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 21,722 | 217,217 |
| Share premium reserve | 19 | 84,691 | 84,691 |
| Profit and loss account | | 94,222 | (91,383) |
| Shareholders' funds | | 200,635 | 210,525 |

The company made a profit after tax for the financial year of £33,956,000 (2021 - profit of £44,024,000).

Approved and authorised by the Board on 29 June 2023 and signed on its behalf by:

DocuSigned by:

Stephen Walker

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S V S Walker
Director

# VUR Holdings (UK) Limited

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022
## Equity attributable to the parent company

| | Share capital £ 000 | Share premium £ 000 | Revaluation reserve £ 000 | Profit and loss account £ 000 | Total equity £ 000 |
|---|---|---|---|---|---|
| At 1 January 2022 | 217,217 | 84,691 | 61,609 | (79,001) | 284,516 |
| Profit for the year | - | - | - | 21,798 | 21,798 |
| Other comprehensive income (Note 19) | - | - | 10,697 | - | 10,697 |
| Total comprehensive income | - | - | 10,697 | 21,798 | 32,495 |
| Dividends | - | - | - | (43,846) | (43,846) |
| Share capital reduction | (195,495) | - | - | 195,495 | - |
| At 31 December 2022 | 21,722 | 84,691 | 72,306 | 94,446 | 273,165 |

| | Share capital £ 000 | Share premium £ 000 | Revaluation reserve As restated £ 000 | Profit and loss account As restated £ 000 | Total equity As restated £ 000 |
|---|---|---|---|---|---|
| At 1 January 2021 | 183,272 | 84,691 | 25,037 | (138,950) | 154,050 |
| Profit for the year | - | - | - | 59,949 | 59,949 |
| Other comprehensive loss (Note 19) | - | - | 36,572 | - | 36,572 |
| Total comprehensive loss | - | - | 36,572 | 59,949 | 96,521 |
| New share capital subscribed | 33,945 | - | - | - | 33,945 |
| At 31 December 2021 as restated | 217,217 | 84,691 | 61,609 | (79,001) | 284,516 |

Refer to note 2 for details of prior year restatement.

# VUR Holdings (UK) Limited

## Company Statement of Changes in Equity for the Year Ended 31 December 2022

| | Share capital<br>£ 000 | Share premium<br>£ 000 | Profit and loss account<br>£ 000 | Total<br>£ 000 |
|---|---|---|---|---|
| At 1 January 2022 | 217,217 | 84,691 | (91,383) | 210,525 |
| Profit for the year | - | - | 33,956 | 33,956 |
| Dividends | - | - | (43,846) | (43,846) |
| Share capital reduction | (195,495) | - | 195,495 | - |
| At 31 December 2022 | 21,722 | 84,691 | 94,222 | 200,635 |

| | Share capital<br>£ 000 | Share premium<br>£ 000 | Profit and loss account<br>£ 000 | Total<br>£ 000 |
|---|---|---|---|---|
| At 1 January 2021 | 183,272 | 84,691 | (135,407) | 132,556 |
| Profit for the year | - | - | 44,024 | 44,024 |
| New share capital subscribed | 33,945 | - | - | 33,945 |
| At 31 December 2021 | 217,217 | 84,691 | (91,383) | 210,525 |

# VUR Holdings (UK) Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

| | Note | 2022<br>£ 000 | As restated<br>2021<br>£ 000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 21,798 | 59,949 |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation and amortisation | 5 | 16,921 | 16,531 |
| (Revaluation) of tangible fixed assets | 8 | (4,276) | (43,875) |
| Loss on disposal of tangible assets | 5 | 695 | - |
| Interest received | 9 | (13) | - |
| Finance costs | 10 | 23,810 | 13,201 |
| Taxation charge/(credit) | 11 | (4,013) | (19,288) |
| | | 54,922 | 26,518 |
| Working capital adjustments | | | |
| Decrease/(increase) in stocks | 14 | 783 | (944) |
| (Increase)/decrease in debtors | 15 | (3,688) | (6,281) |
| Increase in creditors | 16 | 7,798 | 15,963 |
| Cash generated from operations | | 59,815 | 35,256 |
| Corporation tax received | 11 | 178 | 590 |
| Net cash flow from operating activities | | 59,993 | 35,846 |
| **Cash flows from investing activities** | | | |
| Purchase of tangible assets | | (19,082) | (22,211) |
| Acquisitions | | - | (7,085) |
| Cash from acquisitions | | - | 3,250 |
| Payment of related party acquisition debt | | - | (8,591) |
| Sale of tangible assets | | (695) | - |
| Net cash flows from investing activities | | (19,777) | (34,637) |

The notes on pages 42 to 62 form an integral part of these financial statements.

# VUR Holdings (UK) Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2022 (continued)

| | Note | 2022 £ 000 | As restated 2021 £ 000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Interest received | | 13 | - |
| Interest paid | | (23,629) | (11,733) |
| Interest rate hedge receipts | | 208 | - |
| Dividends paid | | (43,846) | - |
| Increase in borrowings | 17 | 465,000 | (1,538) |
| Repayment of borrowings | | (408,462) | - |
| Repayment of shareholder loans | | (11,903) | - |
| Payment of third party acquisition debt | | - | (1,864) |
| Loan finance fees paid | | (9,254) | (290) |
| Issue of ordinary shares | 18 | - | 33,945 |
| Purchase of interest rate cap | | (1,867) | - |
| Net cash flows from financing activities | | (33,740) | 18,520 |
| Net increase in cash and cash equivalents | | 6,476 | 19,729 |
| Cash and cash equivalents at 1 January | | 29,079 | 9,350 |
| Cash and cash equivalents at 31 December | | 35,555 | 29,079 |

The notes on pages 42 to 62 form an integral part of these financial statements.

## 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:
3rd Floor
63 St James's Street
London
SW1A 1LY

## 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 United Kingdom and Republic of Ireland and the Companies Act 2006'.

**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 2022. 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.

## 2 Accounting policies (continued)

**Prior period restatements**
As part of its deferred tax calculations in the period, the Group reviewed its fixed asset base and identified that the net book value of those assets had been incorrectly recorded in its deferred tax workings for the prior year. This resulted in an error in the calculation of deferred tax in relation to accelerated capital allowances in the prior period. Prior period comparatives have therefore been restated to correct the deferred tax liability in relation to accelerated capital allowances.

The recognition of tax losses was also reconsidered following this restatement to ensure that the Group only recognised sufficient tax losses to cover its forecast taxable profits in the forecast period.

See below for the impact on the prior period:

| | As previously reported 2021 £000 | As restated 2021 £000 |
|---|---|---|
| Accelerated capital allowances - asset/(liability) | (18,893) | 1,599 |
| Corporate Interest Restriction | 3,176 | - |
| Tax losses carried forward | 5,121 | 4,744 |
| Provision for deferred tax - asset/(liability) | (10,596) | 6,343 |
| Net assets | 267,577 | 284,516 |
| Deferred tax (charge)/credit | (3,134) | 19,103 |
| Total tax (charge)/credit | (2,949) | 19,288 |
| Profit for the year | 37,712 | 59,949 |
| Other comprehensive income | 41,870 | 36,572 |

**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 2022 by Savills Chartered Surveyors. 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:

**2 Accounting policies (continued)**

**Going concern**

The Directors have adopted the going concern basis in preparing these financials statements after assessing the financial forecasts of the Company and the wider Group for the period to 30 September 2024 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 increase in utility costs) and its impact on consumer discretionary spending.

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 in March 2022, the Group is required to meet its financial covenant to avoid breaching the terms of its facility agreement. 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.

In order to assess 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. They have therefore applied several sensitivities to the forecasts to assess the impact of these potential negative market conditions on trading. The sensitised forecasts assume 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 across the Group's revenues due to reduced consumer discretionary spending

• Increasing costs of Food & Beverage

• Potential further increases in national living wage rates

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 for the period to 30 September 2024.

**2 Accounting policies (continued)**

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 forecasts, challenging the forecasted values by incorporating severe scenarios which include a severe but plausible scenario as follows:

• Food and Beverage costs increase by a further 10% on the base case forecast

• Utilities increase by 75% (utilities are currently partially hedged through 2023)

• Departmental payroll increases by 10% on the base case

• Rooms occupancy falls by 10% on the base case

• Health & Fitness joiners fall by 20% on the base case; and

• Meetings & Events revenues fall by 20% on the base case forecast

The implications of this scenario are as follows:

• The Business would continue to make its investment in capex (both FF&E and discretionary) as currently planned per the forecast.

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

• Loan to Value is met throughout the period with 25% headroom.

• The lowest cash balance would be £7.3m in May 2024, building to £12.3m by the end of September 2024. 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 £29.6m in May 2023, and £7.3m 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. Interest has been hedged through to March 2024 with an interest rate cap at 3%. The Directors are considering options available to them in respect of future hedging arrangements post expiry.

Furthermore, the Directors also feel that whilst the sensitivities applied are each plausible, it is unlikely that all 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 2024) therefore there will be no breach of the Facility Agreement. The forecasts show sufficient liquidity in the Business to continue to pay all its debts as 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.

## 2 Accounting policies (continued)

**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.

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.

**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.

**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.

**2 Accounting policies (continued)**

**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 |

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

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

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

**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 Directors' estimates of the current market value of the income generating unit. If the carrying value of the cash generating unit exceeds the recoverable value so calculated, the excess is immediately charged to the profit and loss account.

**2 Accounting policies (continued)**

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

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

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

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

**Trade 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.

**Trade 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.

**Foreign currency transactions and balances**
Foreign currency denominated purchases or sales of goods and services are initially translated at the exchange rate ruling at the transaction date. Any exchange differences arising on subsequent settlement of those transaction or upon the retranslation of foreign currency assets and liabilities at the balance sheet date are taken immediately to the profit and loss account.

**2 Accounting policies (continued)**

**Finance costs**
Finance costs are charged to the Consolidated statement of comprehensive income over the term of the loan using the effective interest method so that the amount charged is at a constant rate on the carrying amount costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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

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

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

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

Deferred 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. In calculating this, the Business assesses the expected use of those assets against its five year forecast 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.

Specifically this also involves activities that are one-off in nature and as such are not expected to be repeated in future years, or relate to activities or costs incurred outside the Group's target geographic market. Any such potentially unusual items are specifically highlighted and reviewed by the senior finance team before determination as to whether they are classified as exceptional.

**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.

## 2 Accounting policies (continued)

**Dividends**

Dividends on equity shares are recognised as a deduction of equity when a liability to pay the dividend arises. Consequently, interim dividends are recognised when paid and final dividend when approved in general meeting.

## 3 Turnover

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

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Sale of goods | 67,619 | 40,883 |
| Services rendered | 160,031 | 99,080 |
| | 227,650 | 139,963 |

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

## 4 Other operating income

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Coronavirus job retention scheme | - | 8,676 |
| Covid-related Government grants | - | 1,090 |
| Hotel management services | 315 | 1,005 |
| | 315 | 10,771 |

## 5 Operating profit

Arrived at after charging/(crediting)

| | Note | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|---|
| Depreciation of tangible fixed assets | 12 | 16,921 | 16,531 |
| (Reversal of prior impairment loss) on fixed assets | 8 | (4,276) | (43,875) |
| Auditor's remuneration | | 223 | 272 |
| Operating lease rentals - plant and machinery | | 305 | 269 |
| Operating lease rentals - other operating leases | | 5,648 | 5,633 |
| Loss on disposal of fixed assets | | 695 | - |

The auditors' fee of £223,000 (2021: £272,000) which included £2,000 (2021: £2,000) in respect of the Company, and 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:

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Wages and salaries | 63,102 | 51,967 |
| Social security costs | 4,607 | 3,551 |
| Cost of defined contribution scheme | 1,141 | 1,006 |
| | 68,850 | 56,524 |

The average number of persons employed by the Group (including the Chief Executive Officer and the Chief Financial Officer) during the year, all of whom were engaged in hotel operations, was as follows:

| | 2022<br>No. | 2021<br>No. |
|---|---|---|
| Hotel based employees | 4,136 | 3,183 |
| Support centre employees | 184 | 163 |
| Executive team | 20 | 19 |
| | 4,340 | 3,365 |

The Executive team received total remuneration from the Group of £2,471,000 in the year.

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 £219,000 (2021: £181,000).

The Company has no staff costs for the year ended 31 December 2022 nor for the year ended 31 December 2021.

## 7 Directors' remuneration

Charges for the Directors are made by way of a management charge from outside of the Village group of companies. The Directors are not remunerated for their remuneration that relates to their services as Directors of the Company or its subsidiaries (2021: £nil).

# VUR Holdings (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 8 Exceptional items

| | Note | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|---|
| Reversal of prior impairment loss on fixed assets | 12 | 4,276 | 43,875 |
| Redundancy fees | | - | (182) |
| Non UK trademarks | | (121) | - |
| | | 4,155 | 43,693 |

In the prior year the Group incurred costs in relation to redundancies. None of these costs are expected to reoccur in future years as trading continues to improve.

### 9 Interest receivable

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Bank interest received | 13 | - |

### 10 Interest payable and similar expenses

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Interest on bank overdrafts and borrowings | 29,528 | 13,201 |
| Purchase of interest rate cap | 2,483 | - |
| Net changes in fair value of interest rate cap | (8,201) | - |
| | 23,810 | 13,201 |

Village has purchased interest rate caps to reduce its exposure to interest rate fluctuations. The fair value gain on that asset is represented above.

## 11 Taxation

### (a) Tax on profit

The tax (credit) is made up as follows:

| | 2022<br>£ 000 | As restated<br>2021<br>£ 000 |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax at 19% (2021: 19%) | - | - |
| UK corporation tax adjustment to prior periods | (313) | (185) |
| Total current taxation | (313) | (185) |
| **Deferred taxation** | | |
| Origination and reversal of timing differences | (3,538) | (19,574) |
| Impact on deferred tax of rate change | - | 471 |
| Adjustments in respect of prior periods | (162) | - |
| Total deferred taxation | (3,700) | (19,103) |
| Total tax (credit) | (4,013) | (19,288) |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 : 19%).

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

The tax charge is made up as follows:

| | 2022<br>£ 000 | As restated<br>2021<br>£ 000 |
|---|---|---|
| **Deferred taxation** | | |
| Deferred tax charge on revalution gain charged to the revaluation reserve | 3,566 | 12,191 |
| Total tax charge | 3,566 | 12,191 |

# VUR Holdings (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

**11 Taxation (continued)**

**(c) Factors affecting the total tax charge:**

| | **2022 £ 000** | **As restated 2021 £ 000** |
|---|---|---|
| Profit before tax | 17,785 | 40,661 |
| Corporation tax at standard rate of 19% (2021: 19%) | 3,379 | 7,726 |
| Income not taxable for tax purposes | - | 2,516 |
| Prior period adjustments | (313) | (185) |
| Prior period adjustments (deferred tax) | (162) | - |
| Impact on deferred tax of rate change | - | 471 |
| Movements in deferred tax assets not previously recognised | (6,917) | (29,816) |
| Total tax credit | (4,013) | (19,288) |

**(d) Deferred tax**

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

Included in non-current assets:

| | **2022 £ 000** | **As restated 2021 £ 000** |
|---|---|---|
| Accelerated capital allowances | (1,571) | (1,599) |
| Tax losses carried forward | (4,907) | (4,744) |
| Provision for deferred tax | (6,478) | (6,343) |

| | **2022 £ 000** | **As restated 2021 £ 000** |
|---|---|---|
| Asset at 1 January 2022 | (6,343) | 569 |
| Deferred tax credit in group profit and loss account | (3,701) | (19,103) |
| Amount charged to the revaluation reserve | 3,566 | 12,191 |
| Asset at 31 December 2022 | (6,478) | (6,343) |

A deferred tax asset of £43,480,000 (2021: £43,480,000) calculated at a rate of 25% (2021: 25%), in relation to tax losses, has not been recognised as it relates to losses which may not be used to offset taxable profits elsewhere in the group.

## 12 Tangible assets

**Group**

| | Leasehold properties £ 000 | Plant and machinery £ 000 | Total £ 000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 January 2022 | 702,740 | 100,612 | 803,352 |
| Revaluations | 18,539 | - | 18,539 |
| Additions | 10,990 | 8,092 | 19,082 |
| At 31 December 2022 | 732,269 | 108,704 | 840,973 |
| **Depreciation** | | | |
| At 1 January 2022 | 61,188 | 58,814 | 120,002 |
| Charge for the year | 12,971 | 3,950 | 16,921 |
| At 31 December 2022 | 74,159 | 62,764 | 136,923 |
| **Carrying amount** | | | |
| At 31 December 2022 | 658,110 | 45,940 | 704,050 |
| At 31 December 2021 | 641,552 | 41,798 | 683,350 |

The cumulative revaluation gain of £30,298,000 in 2022 below shows the net movement in relation to the valuations from 2015 to 2022.

As the result of the valuation a revaluation gain of £4,276,000 (2021: revaluation gain of £43,875,000) has been recognised in the income statement during the year with a profit of £14,263,000 (2021: Profit of £48,764,000 recognised in the revaluation reserve. This was before deferred tax charges of £1,069,000 (2021: £10,969,000) and £3,566,000 (2021: £12,191,000) were charged to the income statement and revaluation reserve respectively in relation to the revaluation gains.

The Directors estimated the fair value of the Group's tangible fixed assets based on a valuation performed in December 2022 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.

## 12 Tangible assets (continued)

Cost or valuation at 31 December 2022 is represented by:

| | Land and buildings £ 000 | Plant and machinery £ 000 | Total £ 000 |
|---|---|---|---|
| Cost | 701,971 | 108,704 | 810,675 |
| Cumulative revaluation | 30,298 | - | 30,298 |
| | 732,269 | 108,704 | 480,973 |

## 13 Investments

**Company**

| | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Investments in subsidiaries | 200,701 | 200,701 |

| **Subsidiaries** | **£ 000** |
|---|---|
| **Cost or valuation** | |
| At 1 January 2022 | 200,701 |
| **Carrying amount** | |
| At 31 December 2022 | 200,701 |
| At 31 December 2021 | 200,701 |

**Details of undertakings**

The following were subsidiary undertakings of the company:

| Undertaking | Principal activity | Holding | Proportion of voting rights and shares held 2022 | 2021 |
|---|---|---|---|---|
| **Subsidiary undertakings** | | | | |
| VUR Mezzanine I (UK) Limited | Holding company | Ordinary | 100% | 100% |
| VUR Mezzanine II (UK) Limited | Holding company | Ordinary | 100% | 100% |
| VUR Investment (UK) Limited | Holding company | Ordinary | 100% | 100% |
| VUR Village Hotels Limited | Holding company | Ordinary | 100% | 100% |

# VUR Holdings (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 13 Investments (continued)

| Undertaking | Principal activity | Holding | Proportion of voting rights and shares held | |
|---|---|---|---|---|
| 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 St Davids Hotel Limited | Non-trading company | Ordinary | 100% | 100% |
| VUR Village Trading No 2 Limited | Non-trading company | Ordinary | 100% | 100% |
| VUR Village Hotel Holdings Limited | Holding company | Ordinary | 100% | 100% |
| VUR Village Holdings No 2 Limited | Holding company | Ordinary | 100% | 100% |
| VUR Village Holdings No 3 Limited | Holding company | Ordinary | 100% | 100% |
| VUR Swindon Limited | Holding company | Ordinary | 100% | 100% |
| Tabamara Limited | Property investment company | Ordinary | 100% | 100% |

The Company holds 100% of VUR Mezzanine I (UK) Limited directly, all other subsidiary holdings are indirect. All subsidiary undertakings (apart from Tabamara Limited) are registered in England and Wales. VUR Mezzanine I (UK) Limited, VUR Mezzanine II (UK) Limited and VUR Investment (UK) Limited share the same registered address as the Company, 3rd Floor, 63 St James's Street, London, SW1A 1LY. The registered address for Tabamara Limited is Trident Chambers, Wickhams Cay, Road Town, Tortola (British Virgin Islands). The registered address for all other subsidiaries is, Cygnet Court Ground Floor, 230 Cygnet House, Centre Park, Warrington, WA1 1PP.

### 14 Stocks

| | Group | | Company | |
|---|---|---|---|---|
| | 2022<br>£ 000 | 2021<br>£ 000 | 2022<br>£ 000 | 2021<br>£ 000 |
| Food and wet stock | 129 | 1,535 | - | - |
| Shop | 745 | 122 | - | - |
| | 874 | 1,657 | - | - |

The value of stock expensed during the year was £17,838,000 (2021: £9,207,000).

## 15 Debtors

| | Note | Group 2022 £ 000 | Group 2021 £ 000 | Company 2022 £ 000 | Company 2021 £ 000 |
|---|---|---|---|---|---|
| **Due within one year** | | | | | |
| Trade debtors | | 3,689 | 2,635 | - | - |
| Amounts owed by related parties | 23 | 45 | - | 12 | 11,584 |
| Other debtors | | 8,839 | 2,927 | - | - |
| Prepayments and accrued income | | 7,813 | 5,691 | - | - |
| Interest rate hedges | 11 | 8,201 | - | - | - |
| | | 28,587 | 11,253 | 12 | 11,584 |
| **Due after more than one year** | | | | | |
| Other debtors | | - | 5,445 | - | - |
| | | 28,587 | 16,698 | 12 | 11,584 |

The interest rate hedges relate to the interest rate hedge instrument.

Intercompany debtors totalling £1,128,000 were waived in the year as part of the refinance undertaken in March 2022. These included debtors owed to the Company by VUR Village Properties Ltd (£617,000), VUR Village Hotels and Leisure Ltd (£105,000), VUR Village Trading No 2 Ltd (£71,000) and VUR Investment (UK) Ltd (£335,000). Tabamara Ltd repaid £10,443,000 of the debt it owed to the Company, leaving £12,000 outstanding.

## 16 Creditors

| | Note | Group 2022 £ 000 | Group 2021 £ 000 | Company 2022 £ 000 | Company 2021 £ 000 |
|---|---|---|---|---|---|
| **Due within one year** | | | | | |
| Trade creditors | | 4,198 | 135 | - | - |
| Amounts owed to related parties | 23 | - | 9,847 | - | 596 |
| Amounts owed to group undertakings | | - | - | 61 | 885 |
| Other taxation and social security | | 7,567 | 5,283 | 1 | - |
| Other creditors | | 3,719 | 2,777 | - | - |
| Accruals and deferred income | | 27,648 | 27,140 | 279 | 279 |
| | | 43,132 | 45,182 | 341 | 1,760 |
| **Due after one year** | | | | | |
| Loans and borrowings | 17 | 459,247 | 407,429 | - | - |

## 16 Creditors (continued)

Intercompany creditors totalling £824,000 were waived in the year. These included creditors owed by the Company to VUR Mezzanine I (UK) Ltd (£824,000).

## 17 Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **£ 000** | **£ 000** | **£ 000** | **£ 000** |
| **Non-current loans and borrowings** | | | | |
| Bank loans wholly repayable < 5 years | 465,000 | 408,462 | - | - |
| Debt issue costs | (5,753) | (1,033) | - | - |
| | 459,247 | 407,429 | - | - |

The finance facility is secured over all of the assets owned and operated by VUR Investment (UK) Limited and its subsidiaries.

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, expiring on 25 March 2025.

Interest has been charged at an average rate over the period of 6.4% (2021: 3%) with the margin being 4.5%.

## 18 Share capital

**Allotted, called up and fully paid shares**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **No. 000** | **£ 000** | **No. 000** | **£ 000** |
| Ordinary shares of £0.10 (2021 - £1) each | 217,217 | 21,722 | 217,217 | 217,217 |

During the year to 31 December 2022, Nil (2021: 33,945,000) ordinary shares with aggregate nominal value of £Nil (2021: £33,945,000) were issued in VUR Holdings (UK) Limited.

On 1 March 2022 the Company underwent a share capital reduction of £195,495,000 by reducing the nominal value of each issued fully paid up ordinary share from £1 to 10p.

**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.

## 19 Reserves

**Group**

The changes to each component of equity resulting from items of other comprehensive income for the year ended 31 December 2022 were as follows:

| | Share premium 2022 £ 000 | Revaluation reserve 2022 £ 000 | Profit and loss account 2022 £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|
| Surplus/deficit on revaluation of fixed assets | - | 10,697 | - | 10,697 |
| Other comprehensive income | - | - | - | - |
| | - | 10,697 | - | 10,697 |

The changes to each component of equity resulting from items of other comprehensive income for the year ended 31 December 2021 were as follows:

| | Share premium 2021 £ 000 | Revaluation reserve 2021 £ 000 | Profit and loss account 2021 £ 000 | Total 2021 £ 000 |
|---|---|---|---|---|
| Surplus/deficit on revaluation of fixed assets | - | 36,572 | - | 36,572 |
| Other comprehensive income | - | - | - | - |
| | - | 36,572 | - | 36,572 |

**Revaluation reserve**

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

**Share premium account**

Share premium account includes the premiums received on issue of share capital by the Company in June 2019.

## 20 Commitments and contingent liabilities

Under the terms of the loan facility agreement dated 18 March 2022 between VUR Investment (UK) Limited and Village Finco 2022, LLC and Euro Ruby Private Limited 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 £465,000,000 (2021: £408,462,000).

## 21 Obligations under leases and hire purchase contracts

**Group**

**Operating leases**
The total of future minimum lease payments is as follows:

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Not later than one year | 5,665 | 5,628 |
| Later than one year and not later than five years | 22,585 | 22,513 |
| Later than five years | 170,526 | 175,535 |
| | 198,776 | 203,676 |

The Group made operating lease payments of £5,953,000 (2021: £5,902,000).

## 22 Dividends

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Dividend of £2.02 (2021 - £Nil) per ordinary share | 43,846 | - |

Following the refinance, the Company paid dividends of £43,846,000 to KSL on 25 March 2022 (2021: £Nil).

## 23 Related party transactions

***Group***
The Group repaid £9,604,000 of the loan balances owed to KSL at 31 December 2021 in the year.

During the year the Group accrued for management fees and recharged expenses disbursed on behalf of Village by KSL Capital Partners International LLP and KSL Advisors LLC, who provide management services and strategic advice to the investments funds that own and operate the Village Group. At year end the value of that accrual was £300,000 (2021: £300,000).

During the year, the Group earned a hotel management operations fee of £394,000 (2021: £1,005,000). Management fees were charged to Cameron House Resort Hotel Ltd. Fees of £45,000 were owed by that company to the Group at year end (2021: nil).

**Key management personnel**

***Summary of transactions with key management***
All Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £2,471,000 (2021: £2,820,000)

## 24 Parent and ultimate parent undertaking

100% of the share capital in the Company is owned by VUR Holdings II Sarl.

The smallest and largest group of companies in which the Company is a member and for which Group accounts are prepared at 31 December 2022 is VUR Holdings (UK) Limited, this Company.

In the opinion of the Directors the ultimate parent and controlling party of the Company is Monroe Offshore (Alternative), LP, a Limited Partnership registered in the Cayman Islands.

## 25 Post balance sheet events

Since the year end, the Group has commenced a review of its corporate group structure, with a view to removing several companies with no trading activities. At the time of signing accounts the review is in progress and still to be finalised.