

Registration number: 09281964

VUR Holdings (UK) Limited

Report and Consolidated Financial Statements

for the Year Ended 31 December 2017

VUR Holdings (UK) Limited

Company information

Directors C J Brennan - Director
S Siegel - Director
R Weissmann - Director

Registered number 09281964

Registered office One Fleet Place
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VUR Holdings (UK) Limited

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VUR Holdings (UK) Limited

Strategic Report

for the Year Ended 31 December 2017

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

The Company VUR Holdings (UK) Limited is part of the Village Group, defined as VUR Holdings (UK) Limited and its subsidiaries ("the Group"). The entities that comprise the Group are shown in Note 15.

The Company was incorporated on 27 October 2014 as part of a group of companies with the purpose of acquiring the Village Urban Resorts business from the De Vere Group.

On 25th November 2014, the entire share capital of De Vere Village Hotels Limited (now known as VUR Village Hotels Limited) was sold by the De Vere Group and acquired by a subsidiary of VUR Holdings (UK) Limited (VUR Investment (UK) Limited), the acquisition vehicle set up for this purpose. VUR Village Hotels Limited (including all of its subsidiaries) owned and operated the Village business of 25 hotels & fitness clubs throughout the UK at the time of acquisition. Post-acquisition, the Group has added 4 new hotels to its portfolio, which has now grown to 29 trading hotels.

Funding for the overall acquisition was achieved through bank borrowings of £315m by subsidiary company VUR Investment (UK) Limited and a total injection of funds into the Group of £78m loan and £111m of equity.

Post-acquisition, the Group has received a further £7m injection of equity.

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

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

Business model

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

The offering

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

A typical range of facilities within a Village hotel include:

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

Strategic Report

for the Year Ended 31 December 2017

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

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

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

High footfalls and cross-selling

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

“Village” – a Community meeting point

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

Strategy

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

Organic growth

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

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

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

Strategic Report

for the Year Ended 31 December 2017

Development of new hotels

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

Throughout 2015/16, the development economics and building design of the prototype business model have been re-engineered and the first new model opened in Portsmouth in November 2017 with the second due to open in Bristol in November 2018.

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

**OC&C Research March 2017*

Tax strategy

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

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

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Strategic Report

for the Year Ended 31 December 2017

Operating review

The Group made a profit after taxation £14,112,000 (2016: loss after taxation £22,078,000) which included £9,860,000 reversal of property impairment (2016: £21,919,000 property impairment) in respect of the directors fair value assessment of tangible fixed assets.

At 31 December, the directors value the Group's hotel property portfolio at £646,404,000 (2016: £571,114,000), an uplift of 13.1% on the prior year.

The Group generated a cash inflow from operations of £62,143,000 (2016: £54,063,000).

For the twelve months to 31 December 2017, the Group generated sales of £195,051,000 and operating profit of £41,636,000. The Group operated 29 hotels at the following locations:

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

VUR Holdings (UK) Limited

Strategic Report

for the Year Ended 31 December 2017

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

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

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

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

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

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

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

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

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

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

****STR Competitor set benchmarking 2017*

VUR Holdings (UK) Limited

Strategic Report

for the Year Ended 31 December 2017

Key Performance Indicators (KPI's)

Financial

The Groups Financial KPI's in the context of the Group's strategy are shown below. The development of new hotels (which recently commenced with the opening of Village Portsmouth) is a key driver in establishing Village as a national brand, whilst high customer volumes (occupancy and membership) remain the essential ingredients to the Village business model. Coupled with the key associated price measures (ADR & Membership Yield), these four measures provide the key insight into the Group's success at building demand in these two areas.

F&BPar provides the appropriate measure around the Group's success at building on-spend from residents and members and from the wider local community.

	Unit	2017	2016
Total Revenue	£m	195	185
Total Hotel EBITDA	£m	58	53
EBITDA as a % of revenue	%	30	29
No of Trading Hotels @ 31st Dec		29	28
No of Bedrooms (At Year End)		3,644	3,491
Average Occupancy	%	86	81
Average Daily Room Rate (ADR)	£	67	67
Revenue Per Available Room (RevPar)	£	57	54
Membership No's at Year-end		91,933	87,831
Membership Yield	£	34	56
F&B Revenue Per Available Room (F&BPAR)	£	56	54

Non-Financial

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

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

- **Hotel competitor benchmarking**

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

- **Guest satisfaction & online review scores**

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

- **Employee turnover and engagement**

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

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Strategic Report

for the Year Ended 31 December 2017

Financial Review & Capital Structure

Financing arrangements

At 31 December 2017, the Group's long-term liabilities as shown in Note 19 were:

Liability	£000's
Senior Loan	325,000
Debt finance fees (unamortised)	(2,547)
Related Party Loan	78,000
Accrued interest on Related Party Loan	38,773
Total long term liabilities	439,227

Senior Loan

Senior borrowing is provided by Wells Fargo Bank leveraged against the Group's property portfolio. The Facility was amended and restated in May 2018 as described in Note 28.

The Group monitors and reports its trading position and financial covenants to its Lender on a monthly and quarterly basis.

Liquidity & Capital Resources

Strong financial management is integral to the Group's strategy to develop new hotels, funded where possible through the utilisation of free cash flow generated by operating activities.

Treasury Policies

The Group's Treasury function is controlled by senior finance management who operate in line with guidelines as agreed by the Board. This ensures that there is sufficient liquidity to fulfil day-to-day operational needs as well as capital project requirements.

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

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

Capital Structure

The Company has issued share capital comprising 118,000,000 Ordinary Shares of £1 each as shown in Note 22. VUR Holdings II Sarl holds 100% of the share capital. The ultimate controlling party is disclosed in note 26.

Strategic Report

for the Year Ended 31 December 2017

Business risks

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

Financial loss

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

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

Personal health, safety and security

Thousands of people stay in the hotels and visit our leisure and food & beverage offerings every day. The Group employs a dedicated Health and Safety team to ensure that robust processes are in place at all times to protect our customers and employees, whose wellbeing is our paramount concern and to maintain the highest hygiene standards.

UK Economy and Brexit

The Group's revenues are significantly influenced by the level of UK economic activity. The effect of the UK's decision to leave the European Union is unlikely to become clear until negotiated terms are finalised and the impact on consumer disposable income and spending patterns begins to feed through the economic cycle. The Group's businesses are all subject to a regular and comprehensive cycle of budgeting, forecasting and peer group competitive analysis that facilitates the identification of market trends so that early action can be taken to mitigate potential shortfalls or identify new revenue growth opportunities.

Cyber Security

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

Information Technology

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

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

VUR Holdings (UK) Limited

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Financial instrument risks

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

Foreign exchange risk

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

Cash flow interest rate risk

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

Liquidity risk

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

Credit risk

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

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

Going concern

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

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

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

Trends and factors affecting future performance

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

Leaving the European Union

In the short term, the uncertainty around the negotiations of the UK's departure from the European Union (Brexit) may have an adverse impact on the whole of the hospitality industry. Until the position is finalised the effects are still unclear.

Strategic Report

for the Year Ended 31 December 2017

Pressure from the High Street

The continuing pressures on the High Street F&B market will ensure that retailers will be continuing to compete for customers via tactical marketing and aggressive discounting.

Through 2018, the Group intends to counter-act these pressures with the re-modelling of its F&B operations and enhancement of the business proposition.

Changing culture pattern of working environments

With a growing number of businesses discarding large expensive offices in favour of hot-desking, home working and flexible working hours for employees, the Group views this as a great opportunity to offer and promote a membership-based Business Club which aligns with these trends and will utilise prime floor-space created by the re-modelling of core F&B model.

Future health club demand

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

Environmental & Social Governance

The Group is committed to being a responsible and environmentally friendly business and continues to undertake key initiatives to support the environment.

Since 2016, the Group has engaged a 3rd party environmental consultant, to incorporate monitoring systems onto our Building Management systems (BMS) to evaluate energy usage and advise on actions to be taken to reduce energy consumption. The Group have also invested in the re-commissioning of its existing BMS to ensure all building services plant and equipment running efficiently.

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

New development hotels

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

This rating is only awarded on the basis that the development is designed and managed with the environmental impacts in mind and the award requires ecological surveys to minimise impacts on land and natural habitats, energy efficient lighting and plant, thermally efficient external envelop, natural ventilation, as well as a day-to-day 'travel plan' to understand how customers and staff will access the hotel.

The Group also engages a construction contractor, who is certified by The Carbon Trust Supply Chain Standard for reducing CO2 through their supply chain.

Strategic Report

for the Year Ended 31 December 2017

Waste disposal and recycling

In 2017, the Group met the requirements of the European Union Directive on packaging and packaging waste (94/62/EC) and regular internal benchmarking is used to measure each hotel's volume of recycled waste versus landfill. The Group's aim is to divert 60% of its waste away from landfill and for 2017 the business achieved 48%.

The Group is also compliant with Recycle Pak, a National Compliance Scheme registered to serve companies under the Packaging Waste Regulations.

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 has been working steadfastly towards ensuring compliance with the implementation of GDPR, which came into force on 25 May 2018. The Group seeks to ensure that we adopt the approach sought by this Regulation and are as transparent as possible with both customers and employees in advising on the data we are collecting from them and for what purpose.

The Group'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 & 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 recognises 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.

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 our future and Village offers a number of opportunities for our teams to help them develop their true potential.

VUR Holdings (UK) Limited

Strategic Report

for the Year Ended 31 December 2017

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 & identifying talent

The Group provides training to all employees on how to deliver excellent service to all of our guests and uses an annual appraisal system to identify further training needs around our core values and to build succession plans. The Group encourages growth from within in all of its employees and identifies team members who have the qualities for future senior roles within the business. Development programmes are in operation to enable those employees to achieve their full potential within Village.

Employee engagement

The Group encourages honest feedback from all its employees and carries out annual Employee Engagement Surveys to gather views on various topics covering employee wellbeing and their affinity to the Village brand.

Employee health & wellbeing

The Group understands how important it is to look after the health and wellbeing of its employees. Gym memberships are therefore offered to all staff and their families to encourage an active and healthy lifestyle. A confidential Employee Assistance programme is also provided to support employees in dealing with all aspects of life's challenges.

Gender Diversity Information

The Group strives to create a transparent, inclusive and egalitarian culture that recognises diversity not just in terms of gender, but all colleagues regardless of their race, religion or background.

At December 2017, the table below shows the breakdown of roles by gender:

	Company Directors	Senior Leadership Team	Employees
Female		5	2,858
Male	2	8	1,921

VUR Holdings (UK) Limited

Strategic Report

for the Year Ended 31 December 2017

The Group carried out its Gender Pay Gap review for 2017 with the results shown below.

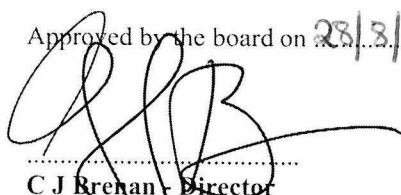
Difference between men & women	Mean	Median
Gender Pay Gap	2%	0%
Gender Bonus Gap	30%	50%

The Group is confident that the gender pay gap does not represent an issue and commits to ensuring that the approach to pay remains gender-indifferent.

The Group's full Gender Pay Gap Statement can be found at:

<https://www.village-hotels.co.uk/media/5011/village-hotel-club-gender-pay-gap-report.pdf>

Approved by the board on 28/3/18 and signed on its behalf by:



.....
C J Brennan - Director
Director

VUR Holdings (UK) Limited

Directors' Report

for the Year Ended 31 December 2017

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

Principal activity

The principal activity of the Company is that of a holding company of the Village Group. The Village Group owns and operates hotels and leisure clubs.

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 £14,112,000 (2016 - loss of £22,078,000). This result includes reversal of prior year impairment of £9,860,000.

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

Directors of the Group

The Group considers its Board to comprise of the directors who held office during the year, the Executive Chairman and the Chief Executive Officer:

C J Brennan - Director

S Siegel - Director

R Weissmann - Director

G R Davies - Executive Chairman

P Roberts - Chief Executive Officer

Coley Brennan – Partner & Head of Europe KSL Capital Partners

Coley joined KSL in May 2005, after spending 5 years in the Real Estate, Gaming, Lodging & Leisure Group of Deutsche Bank Securities. He holds a B.S. in Real Estate and Finance from Cornell University's School of Hotel Administration.

Steven Siegel – Partner & 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.

Directors' Report

for the Year Ended 31 December 2017

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.

He has a B.A. from Tufts University and a J.D. from Columbia University School of Law.

Gary Davis – Executive Chairman 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. In July 2017, Gary moved up to the role of Executive Chairman to focus on the strategic development of the business and new build roll out plans.

Paul Roberts – Chief Executive Officer Village Group

Paul joined the Village Group in July 2017 as CEO to support and strengthen the leadership structure in its focus to ensure the fast pace 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 Morgans Hotel Group, MacDonald Hotels and Raffles International.

Matters covered in the strategic report

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

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.

Post balance sheet events

On 9 May 2018, the Company amended and restated its loan facility agreement with Wells Fargo Bank to £400,000,000. On that date, £325,000,000 of Facility A was drawn down to repay the existing facility and £50,000,000 (before fees) of Facility B was drawn down to repay £45,000,000 of accrued interest and loan principle of VUR Holdings (UK) Limited.

Amounts borrowed by VUR Holdings (UK) Limited are left outstanding on non interest bearing intercompany account. Facility C of £25,000,000 is available, subject to meeting covenant tests at the utilisation date. At the date of signing the accounts, Facility C has not yet been drawn down.

VUR Holdings (UK) Limited

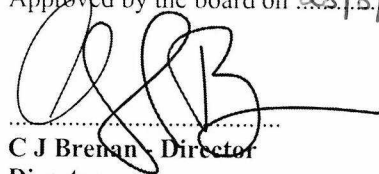
Directors' Report

for the Year Ended 31 December 2017

Reappointment of auditors

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

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



C J Brennan - Director
Director

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Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent Auditor's Report to the Members of VUR 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 2017, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 17], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

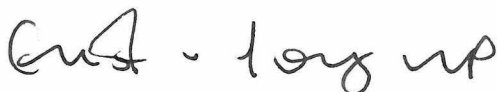
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



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

2 St Peters Square
Manchester
M2 3EY

Date: 31/8/18

VUR Holdings (UK) Limited

Consolidated Profit and Loss Account

for the Year Ended 31 December 2017

	<i>Note</i>	<i>2017</i> <i>£ 000</i>	<i>2016</i> <i>£ 000</i>
Turnover	3	195,051	184,952
Cost of sales		<u>(97,687)</u>	<u>(92,630)</u>
Gross profit		97,364	92,322
Administrative expenses		(67,235)	(63,812)
Exceptional administrative expenses	8	9,860	(21,919)
Other operating income	4	<u>1,647</u>	<u>1,562</u>
Operating profit	5	<u>41,636</u>	<u>8,153</u>
Other interest receivable and similar income	9	92	40
Interest payable and similar expenses	10	<u>(26,194)</u>	<u>(30,231)</u>
		<u>(26,102)</u>	<u>(30,191)</u>
Profit/(loss) before tax		15,534	(22,038)
Taxation	11	<u>(1,422)</u>	<u>(40)</u>
Profit/(loss) for the financial year		<u>14,112</u>	<u>(22,078)</u>
Profit/(loss) attributable to:			
Owners of the company		<u>14,112</u>	<u>(22,078)</u>

The above results were derived from continuing operations.

The notes on pages 28 to 44 form an integral part of these financial statements.

VUR Holdings (UK) Limited

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2017

	<i>2017</i> <i>£ 000</i>	<i>2016</i> <i>£ 000</i>
<i>Profit/(loss) for the year</i>	14,112	(22,078)
Unrealised surplus on revaluation of tangible fixed assets	<u>38,133</u>	<u>32,889</u>
<i>Total comprehensive income for the year</i>	<u><u>52,245</u></u>	<u><u>10,811</u></u>
<i>Total comprehensive income attributable to:</i>		
Owners of the company	<u><u>52,245</u></u>	<u><u>10,811</u></u>

The notes on pages 28 to 44 form an integral part of these financial statements.

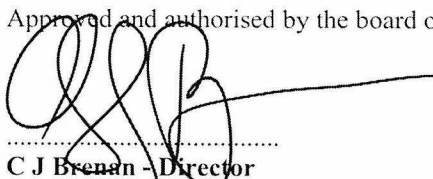
VUR Holdings (UK) Limited

Consolidated Balance Sheet

as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	12	1,546	2,318
Tangible assets	14	646,404	571,114
		<u>647,950</u>	<u>573,432</u>
Current assets			
Stocks	16	1,650	1,423
Debtors: amounts falling due after more than one year	17	5,099	5,175
Debtors: amounts falling due within one year	17	9,985	10,724
Cash at bank and in hand		6,870	10,899
		<u>23,604</u>	<u>28,221</u>
Creditors: amounts falling due within one year	19	<u>(28,193)</u>	<u>(25,796)</u>
Net current (liabilities)/assets		<u>(4,589)</u>	<u>2,425</u>
Total assets less current liabilities		643,361	575,857
Creditors: Amounts falling due after more than one year	19	<u>(439,227)</u>	<u>(423,968)</u>
Net assets		<u>204,134</u>	<u>151,889</u>
Capital and reserves			
Called up share capital	22	118,000	118,000
Revaluation reserve	21	102,466	64,333
Profit and loss account	21	<u>(16,332)</u>	<u>(30,444)</u>
Equity attributable to owners of the company		<u>204,134</u>	<u>151,889</u>
Shareholders' funds		<u>204,134</u>	<u>151,889</u>

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


 C J Brennan - Director
 Director

The notes on pages 28 to 44 form an integral part of these financial statements.

VUR Holdings (UK) Limited

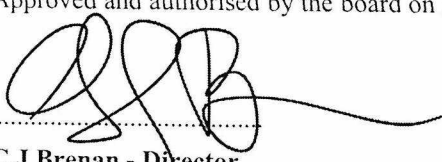
Balance Sheet

as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Investments	15	196,000	196,000
Current assets			
Debtors: amounts falling due after more than one year		824	824
Debtors: amounts falling due within one year	17	34	34
		<u>858</u>	<u>858</u>
Total assets less current liabilities		196,858	196,858
Creditors: Amounts falling due after more than one year	19	<u>(116,774)</u>	<u>(104,294)</u>
Net assets		<u>80,084</u>	<u>92,564</u>
Capital and reserves			
Called up share capital		118,000	118,000
Profit and loss account		<u>(37,916)</u>	<u>(25,436)</u>
Shareholders' funds		<u>80,084</u>	<u>92,564</u>

The company made a loss after tax for the financial year of £12,480,000 (2016 - loss of £12,446,000).

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


C J Brennan - Director
Director

The notes on pages 28 to 44 form an integral part of these financial statements.

VUR Holdings (UK) Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017 Equity attributable to the parent company

	Share capital £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2016	111,000	31,444	(8,366)	134,078
Loss for the year	-	-	(22,078)	(22,078)
Other comprehensive income	-	32,889	-	32,889
Total comprehensive income	-	32,889	(22,078)	10,811
New share capital subscribed	7,000	-	-	7,000
At 31 December 2016	118,000	64,333	(30,444)	151,889
At 1 January 2017	118,000	64,333	(30,444)	151,889
Profit for the year	-	-	14,112	14,112
Other comprehensive income	-	38,133	-	38,133
Total comprehensive income	-	38,133	14,112	52,245
At 31 December 2017	118,000	102,466	(16,332)	204,134

The notes on pages 28 to 44 form an integral part of these financial statements.

VUR Holdings (UK) Limited

Statement of Changes in Equity

for the Year Ended 31 December 2017

	<i>Share capital</i> £ 000	<i>Profit and loss</i> <i>account</i> £ 000	<i>Total</i> £ 000
At 1 January 2016	111,000	(12,990)	98,010
Loss for the year	-	(12,446)	(12,446)
Other comprehensive income	-	-	-
Total comprehensive income	-	(12,446)	(12,446)
New share capital subscribed	7,000	-	7,000
At 31 December 2016	118,000	(25,436)	92,564
	<i>Share capital</i> £ 000	<i>Profit and loss</i> <i>account</i> £ 000	<i>Total</i> £ 000
At 1 January 2017	118,000	(25,436)	92,564
Loss for the year	-	(12,480)	(12,480)
Total comprehensive income	-	(12,480)	(12,480)
At 31 December 2017	118,000	(37,916)	80,084

The notes on pages 28 to 44 form an integral part of these financial statements.

VUR Holdings (UK) Limited

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2017

	2017 £ 000	2016 £ 000
<i>Cash flows from operating activities</i>		
Profit/(loss) for the year	14,112	(22,078)
Adjustments to cash flows from non-cash items		
Amortisation of intangible assets	772	772
Depreciation of tangible assets	16,364	14,575
(Reversal of impairment)/impairment of tangible assets	(9,860)	21,919
(Profit) on disposal of tangible assets	(75)	(234)
Interest paid	26,194	30,231
Interest received	(92)	(40)
Taxation credit	1,422	40
(Increase)/decrease in stocks	(227)	19
Decrease/(increase) in debtors	816	(738)
Increase in creditors	12,717	9,799
(Decrease) in provisions	-	(202)
Net cash flow from operating activities	62,143	54,063
<i>Cash flows from investing activities</i>		
Purchase of tangible fixed assets	(42,924)	(48,654)
Sale of tangible fixed assets	75	234
Interest received	92	40
Net cash flows from investing activities	(42,757)	(48,380)
<i>Cash flows from financing activities</i>		
New secured loans	2,779	7,936
Issue of ordinary shares	-	7,000
Interest paid	(26,194)	(30,231)
Net cash flows from financing activities	(23,415)	(15,295)
<i>Net decrease in cash and cash equivalents</i>	(4,029)	(9,612)
Cash and cash equivalents at 1 January	10,899	20,511
<i>Cash and cash equivalents at 31 December</i>	6,870	10,899

The notes on pages 28 to 44 form an integral part of these financial statements.

Notes to the Financial Statements

for the Year Ended 31 December 2017

1 General information

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

The address of its registered office is:

One Fleet Place

London

EC4M 7WS

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

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

Basis of preparation

These financial statements have been prepared using the historical cost convention.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2017.

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

Judgements and key sources of estimation and uncertainty

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

Revaluation of tangible fixed assets

The Group carries its operating properties at fair value, with changes in fair value being recognised in profit or loss or revaluation reserve as applicable. The Group engaged independently suitably qualified external valuers Savills to determine fair value. The valuation was performed in March 2018. In arriving at their valuation, Savills used an Income Approach using the Discounted Cash Flow Method. The valuation assumes that the highest and best use of the assets is as trading hotels.

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

Impairment of non-financial assets

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

The following principal accounting policies have been applied:

Going concern

The Group secures its funding requirements from equity injection and borrowings from fellow group companies financed by investment funds managed by KSL Capital Partners. Borrowing facilities granted to VUR Holdings (UK) Limited are unsecured.

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

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

Revenue recognition

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

Sale of goods

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

Rendering of services

The Village Group supplies conference and event facilities as well as hotel rooms to business and private customers. Sales of rooms and conference and event facilities are recognised on the dates those facilities are used. Deposits received in advance are not recognised as revenue until the day of the stay or event.

Revenue from hotel management services is recognised as other operating income when the group obtains the right to consideration in exchange for its performance.

Intangible assets

Goodwill represents the difference between purchase consideration and the fair value of the assets and liabilities acquired. After initial recognition, goodwill is stated at cost less amortisation less any impairment losses, with the original carrying value being reviewed for impairments annually and whenever events or circumstances indicate that the carrying value may be impaired.

Goodwill is amortised on a straight line basis over 5 years, the period over which the directors estimate that the benefit will be derived.

Notes to the Financial Statements

for the Year Ended 31 December 2017

Tangible assets

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

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

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

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	25% per annum
Small operating equipment	50% per annum

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

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

Revaluation of tangible fixed assets

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

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

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

Notes to the Financial Statements

for the Year Ended 31 December 2017

Impairment of fixed assets and goodwill

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

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

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

Fair value less costs to sell is based on the 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.

Valuation of investments

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

Stocks

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

Debtors

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

Cash and cash equivalents

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

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

Creditors

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

Notes to the Financial Statements

for the Year Ended 31 December 2017

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.

Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the 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.

Interest income

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

Borrowings

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

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.

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, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used.

Deferred taxation

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

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

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

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

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.

3 Turnover

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

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

4 Other operating income

	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>
Hotel management services	<u>1,647</u>	<u>1,562</u>
	<u>1,647</u>	<u>1,562</u>

5 Operating profit

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

	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>
Depreciation of tangible fixed assets	16,364	14,575
Impairment of tangible fixed assets (note 8)	-	21,919
Amortisation of negative goodwill	772	772
Reversal of prior year impairment (note 8)	(9,860)	-
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	86	85
Other non-audit services	25	25
Operating lease rentals - plant and machinery	586	569
Operating lease rentals - other operating leases	5,246	5,167
Profit on disposal of fixed asset	<u>(75)</u>	<u>(234)</u>

The auditors' fee of £86,000 (2016: £85,000) which included £1,000 (2016: £1,000) in respect of the Company was settled by a fellow subsidiary company VUR Village Trading No 1 Limited.

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

6 Employees and directors' remuneration

Staff costs were as follows:

	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>
Wages and salaries	56,704	54,191
Social security costs	3,754	3,660
Cost of defined contribution scheme	606	575
	<u>61,064</u>	<u>58,426</u>

The average number of persons employed by the group (including directors) during the year, all of whom were engaged in hotel operations, was as follows:

<i>2017</i>	<i>2016</i>
<i>No.</i>	<i>No.</i>
<u>4,110</u>	<u>3,893</u>

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

7 Directors' remuneration

Charges for the directors are made by way of a management charge from outside of the Village group of companies. It is not practicable to identify the element of their remuneration that relates to their services as directors of the Company or its subsidiaries.

8 Exceptional items

	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>
(Reversal of impairment)/impairment of tangible fixed assets	<u>(9,860)</u>	<u>21,919</u>
	<u>(9,860)</u>	<u>21,919</u>

9 Other interest receivable and similar income

	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>
Bank interest received	<u>92</u>	<u>40</u>

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

10 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
Interest on bank overdrafts and borrowings	<u>26,194</u>	<u>30,231</u>

11 Taxation

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	1,422	-
Deferred taxation		
Arising from origination and reversal of timing differences	<u>-</u>	<u>40</u>
Tax expense in the income statement	<u>1,422</u>	<u>40</u>

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

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit/(loss) on ordinary activities before tax	<u>15,534</u>	<u>(22,038)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	2,990	(4,408)
Effects of:		
Capital allowances for year in excess of depreciation	(2,320)	436
Utilisation of tax losses	-	(453)
Non-taxable impairments	(1,898)	4,384
Other non-taxable items	2,667	41
Transfer pricing not reflected in the accounts	(17)	-
Arising from origination and reversal of timing difference	<u>-</u>	<u>40</u>
Total tax charge	<u>1,422</u>	<u>40</u>

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

A deferred tax asset of £21,541,000 calculated at a rate of 17% (2016: £29,475,000), being the excess of tax losses over accelerated capital allowances, is unrecognised because the likelihood of realisation fails to meet the "more likely than not" criterion.

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

12 Intangible assets

Group

	<i>Goodwill</i> <i>£ 000</i>	<i>Total</i> <i>£ 000</i>
<i>Cost or valuation</i>		
At 1 January 2017	3,945	3,945
At 31 December 2017	3,945	3,945
<i>Amortisation</i>		
At 1 January 2017	1,628	1,628
Amortisation charge	771	771
At 31 December 2017	2,399	2,399
<i>Carrying amount</i>		
At 31 December 2017	1,546	1,546
At 31 December 2016	2,318	2,318

Goodwill arising on the acquisition of VUR Village Hotels Ltd is being amortised evenly over the directors' estimate of its useful life of 5 years.

13 Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £12,480,000 (2016 - £12,446,000).

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

14 Tangible assets

Group

	<i>Land and buildings £ 000</i>	<i>Fixtures and fittings £ 000</i>	<i>Total £ 000</i>
Cost or valuation			
At 1 January 2017	547,792	50,789	598,581
Additions	27,035	16,626	43,661
Revaluations	47,993	-	47,993
At 31 December 2017	622,820	67,415	690,235
Depreciation			
At 1 January 2017	10,489	16,978	27,467
Charge for the year	7,792	8,572	16,364
At 31 December 2017	18,281	25,550	43,831
Carrying amount			
At 31 December 2017	604,539	41,865	646,404
At 31 December 2016	537,303	33,811	571,114

The cumulative revaluation of £85,759,000 in 2017 below shows the net movement in relation to the valuations from 2011 to 2017.

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

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

As the result of the valuation a reversal of prior year impairment losses £9,860,000 (2016: impairment charge £21,919,000) has been recognised in the income statement during the year with £38,133,000 (2015: 32,889,000) recognised in the revaluation reserve.

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

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

Cost or valuation at 31 December 2017 is represented by:

	<i>Land and buildings £ 000</i>	<i>Fixtures and fittings £ 000</i>	<i>Total £ 000</i>
Cost	537,061	67,415	604,476
Cumulative revaluation	85,759	-	85,759
	<u>622,820</u>	<u>67,415</u>	<u>690,235</u>

15 Investments

Company

Details of undertakings

The following were subsidiary undertakings of the company:

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

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

VUR Village Holdings No 3 Limited	Holding company	Ordinary	100%	100%
VUR Swindon Limited	Hotel management	Ordinary	100%	100%

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

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

16 Stocks

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

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

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

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

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

17 Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Due after more than one year				
Other debtors	<u>5,099</u>	<u>5,175</u>	<u>824</u>	<u>824</u>
	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Due within one year				
Trade debtors	1,953	4,289	-	-
Other debtors	2,340	1,615	35	34
Prepayments and accrued income	<u>5,692</u>	<u>4,820</u>	<u>-</u>	<u>-</u>
	<u>9,985</u>	<u>10,724</u>	<u>35</u>	<u>34</u>

18 Cash and cash equivalents

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Cash at bank and in hand	<u>6,870</u>	<u>10,899</u>	<u>-</u>	<u>-</u>

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

19 Creditors

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>Due within one year</i>				
Trade creditors	4,640	5,795	-	-
Other taxation and social security	4,605	3,575	-	-
Other creditors	3,211	1,112	-	-
Accruals and deferred income	15,737	15,314	-	-
	<u>28,193</u>	<u>25,796</u>	<u>-</u>	<u>-</u>
<i>Due after one year</i>				
Bank borrowings	322,453	319,674	-	-
Other borrowings	78,000	78,000	78,000	78,000
Accruals and deferred income	38,774	26,294	38,774	26,294
	<u>439,227</u>	<u>423,968</u>	<u>116,774</u>	<u>104,294</u>

20 Loans and borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>Non-current loans and borrowings</i>				
Bank loans wholly repayable < 5 years	325,000	325,000	-	-
Other loans wholly repayable < 5 years	78,000	78,000	78,000	78,000
Debt issue costs	(2,547)	(5,326)	-	-
	<u>400,453</u>	<u>397,674</u>	<u>78,000</u>	<u>78,000</u>

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

On 14th November 2016, a loan facility of £325,000,000 was agreed with Wells Fargo Bank.

The finance facility is secured over all of the assets owned and operated by VUR Investment (UK) Limited and its subsidiaries. The loan is repayable in November 2019, although the Company has an option to extend for 24 months subject to certain financial conditions being satisfied. The facility has been restated as disclosed in note 28.

Interest has been charged at an average rate over the period of 4.22% (2016: 5.63%).

Other loans are unsecured and interest is charged at 16% (2016: 16%). Interest on the unsecured loan is accrued but not paid and is due for payment at the end of the 5 year term of the loan in 2019.

21 Reserves

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.

22 Share capital

Authorised, allotted, called up and fully paid shares

	2017		2016	
	<i>No. 000</i>	<i>£ 000</i>	<i>No. 000</i>	<i>£ 000</i>
Ordinary shares of £1 each	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>

23 Contingent liabilities

Group

Under the terms of the loan facility agreement dated 14 November 2016 between VUR Investment (UK) Ltd and Wells Fargo Bank a charge exists over all of the assets owned and operated by the Group. Total borrowings under the loan facility agreement at the year-end amounted to £325,000,000 (2016 - £325,000,000).

VUR Holdings (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2017

24 Capital commitments

Group

Other financial commitments

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

25 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

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

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

26 Related party transactions

Group

The Group has unsecured borrowing from VUR Finance Sarl, a related party and subsidiary of the Group whose controlling party is Monroe Offshore Holdings V Limited, of £78,000,000 (2016: £78,000,000).

Interest charged for the year at a rate of 16% amounted to £12,480,000 (2016: £12,446,000).

Interest accrued but unpaid at the year end amounted to £38,774,000 (2016: £26,294,000).

During the year the group was charged 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, of £264,000 (2016: £415,000).

Amounts due to related parties at the year end amounted to £nil (2016: £nil).

Notes to the Financial Statements

for the Year Ended 31 December 2017

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 £2,250,000 (2016: £2,395,000).

27 Parent and ultimate parent undertaking

In the opinion of the directors the ultimate parent and controlling party of the Company is Monroe Offshore Holdings V Limited, a company registered in the Cayman Islands.

28 Post balance sheet event

On 9 May 2018, the Company amended and restated its loan facility agreement with Wells Fargo Bank to £400,000,000. On that date, £325,000,000 of Facility A was drawn down to repay the existing facility and £50,000,000 (before fees) of Facility B was drawn down to repay £45,000,000 of accrued interest and loan principle of VUR Holdings (UK) Limited.

Amounts borrowed by VUR Holdings (UK) Limited are left outstanding on non interest bearing intercompany account. Facility C of £25,000,000 is available, subject to meeting covenant tests at the utilisation date. At the date of signing the accounts, Facility C has not yet been drawn down.