

De Vere Group Limited

**Report and Financial Statements
31 December 2013**



Registered number 6798902

Contents

Company information	1
Group Chief Executive's statement	2
Directors' report	4
Strategic report	7
Independent auditor's report to the members of De Vere Group Limited	12
Consolidated profit and loss account	14
Consolidated statement of total recognised gains and losses	15
Notes to historical cost profits and losses	16
Consolidated and Company balance sheet	15
Consolidated cash flow statement	17
Notes to the financial statements	18

Company information

Directors:	N J D Bull (Chairman) A M Coppel CBE I B Cave C D Elliot
Secretary:	H McCallum
Registered office:	33 Cavendish Square London W1G 0PW
Registered number:	6798902 (England and Wales)
Auditors:	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY

Group Chief Executive's statement

In 2013, the De Vere Group maintained its position as one of the UK's leading hospitality and leisure businesses. It continued its strategy of enhancing the value of the businesses through an improved operating performance and focussed investment, and by making managed disposals of its portfolio.

Financial performance and status

For the twelve months to 31 December 2013, the Group generated sales of £359.8 million, operating profits (pre fixed asset impairments) of £33.3 million and cash flows of £1.0 million, a satisfactory outcome for the year. After taking fixed asset impairments and discontinued operations into account, the Group made an operating loss of £48.0 million.

Group sales were £163.2 million for Village Urban Resorts, £74.5 million for De Vere Hotels and £116.2 million for De Vere Venues. The performance of each brand is discussed further below.

The Group has facilities in place with the Bank of Scotland plc which provide availability of funds through to 30 June 2015. The facilities provide for £1.1 billion of loans to be made available to the Group, subject to the Group meeting various covenants relating to its performance.

These loans, together with a margin override agreement, bear interest at rates of between 1.5% and 3.0%. In addition to these loans, the Group has a revolving credit facility of £30.0 million, an overdraft facility of £5.0 million and a capital expenditure facility of £35.0 million. These facilities bear interest at rates of between 1.5% and 3.0%.

Asset Valuations

The hotel assets of De Vere Hotels and Village Urban Resorts were valued by DTZ, an independent third party valuer, as at 31 December 2013. The valuation of £601 million (2012 like-for-like: £683 million) represented a decrease in the value of the Group's freehold and long leasehold hotel portfolio of £82 million (2012: £33.9 million). De Vere Venues Limited was disposed of subsequent to the year end and its hotel assets have been recorded in the financial statements at the recoverable amount of £214 million (2012: £268 million).

Village Urban Resorts

Village Urban Resorts ("VUR") offers an integrated hub of accommodation, food & beverage and health & fitness facilities to business and leisure travellers, as well as to the local community, from its 25 properties. Its success over many years has been built on its reputation as a lively and youthful brand which represents great value for money.

VUR substantially maintained revenue at £163.2 million in 2013 compared with £164.4 million in 2012. We had notable success in our Getaway and Hideaway promotions and a strengthening of our corporate rate which helped to offset an overall decline in our food & beverage outlets and health & fitness clubs. However, trading profit before head office costs decreased from £47.9 million to £42.2 million, driven primarily by excessive discounting, higher cost of sales and higher energy costs.

Our development pipeline is strong with VUR Aberdeen opening in November 2014, VUR Edinburgh in January 2015 and VUR Glasgow in July 2015. These exciting modern sites will help to extend our brand reach into lucrative Scottish markets.

De Vere Hotels

As at 31 December 2013, De Vere Hotels owned seven luxury hotels with a total of 1,051 bedrooms and managed a further two hotels on behalf of third party owners. The portfolio offers luxury accommodation, high quality conference and events spaces, spa and health & fitness facilities and 15 Golf courses, including several of championship standard.

De Vere Hotels continued to perform strongly with revenues from continuing business of £74.5 million compared to continuing revenue of £71.6 million in 2012. Trading profits before head office costs for continuing operations increased from £14.9 million in 2012 to £15.1 million in 2013. As with VUR, higher energy costs impacted performance.

During the year, the division completed significant refurbishment programmes at both the Grand in Brighton (for a cost of £6.8 million) and Mottram Hall (for a cost of £5.7 million). These refurbishments to bedrooms, spa and health & fitness facilities established a platform for improved performance at these properties in the period and for the future.

In April 2014, the Grand in Brighton was sold for £50.1 million, before expenses of sale. The proceeds from this sale were largely utilised to repay bank debt.

Group Chief Executive's statement *(continued)*

De Vere Venues

With 30 Venues and 3,000 bedrooms accommodating circa 700,000 conference meeting delegates per annum, De Vere Venues is a focussed B2B business, and is the UK's leading provider of space for residential training, meeting and events. De Vere Venues has a predominantly blue chip corporate customer base (circa 80% of revenues are B2B, of which 84% is from repeat business).

De Vere Venues had a strong accommodation performance during the year despite a challenging market. Revenues held up at £116.2 million compared to £116.4 million in 2012, and operating profit before fixed asset impairment increased from £17.2 million to £19.6 million.

In March 2014 the Group completed the sale of De Vere Venues to Starwood Capital for £231.9 million. Sales proceeds were largely utilised to repay debt.

Board

In May 2013, Colin Rutherford stepped down as a Non-Executive Director of the Group to focus on his other interests.

In June 2013, Gareth Caldecott, Group Finance Director, stepped down from the Board and has been replaced by Colin Elliot.

Tony Dangerfield resigned from the Board in March 2014 following the sale of De Vere Venues to Starwood Capital. Following this disposal, it was decided to streamline the management structure. Consequently, Robert Cook left the Group along with three executive colleagues. We would like to thank them for their significant contributions to the Group and wish them well for the future.

Corporate and social responsibility

We continue our partnership with Asthma UK, the UK's leading asthma charity, which provides research, information and services to those affected directly and indirectly by asthma. Over five million people suffer from asthma in the UK and three people die every day.

In November 2012, all General Managers of De Vere were given training on claims defensibility to promote better health and safety for our employees and customers alike.

Our staff

The financial year 2013 posed many challenges to our staff. I would like to thank them all for their commitment and loyalty to the Group which is hugely appreciated.

Outlook

Trading in the 2013 financial year was satisfactory despite tough market conditions. The UK economy continues its recovery which is more evident in the southern half of the country where we are currently underrepresented. Nevertheless, I am confident that we can compete effectively at our locations.



A M Coppel CBE
Group Chief Executive

Date: **30 SEP 2014**

Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

Principal activities

De Vere Group Limited (the "Company") holds investments in the leisure, hotel and hospitality sector. Through its subsidiaries, the Company controlled Village Urban Resorts, De Vere Hotels and De Vere Venues. Subsequent to the year end, the Group sold the De Vere Venues business.

Registered address

4th Floor, 33 Cavendish Square, London W1G 0PW.

Results and dividends

The Company and its subsidiaries (the "Group") made a loss after tax of £98,332,000 (31 December 2012: loss after taxation £34,270,000), which included fixed asset impairments of £81,309,383 (2012: £27,789,000). This loss is attributable to the Preferred Ordinary shareholders. The directors do not recommend the payment of a dividend (2012: £nil).

Going Concern

The Group is reliant on the availability of banking facilities. The Group's existing facilities with Bank of Scotland plc provide availability of funds through to June 2015. After considering the evidence available to them, as summarised in note 1 to the financial statements, the directors have a reasonable expectation that the Group and Company will have adequate resources to continue to trade for the foreseeable future.

Principal risks and uncertainties

The Group's key business risks are disclosed within the Strategic Report.

Significant events

During the year the Group made a number of disposals of hotels and other assets:

- On 31 January 2013, the Group disposed of subsidiary undertakings Grand Harbour Hotel (Southampton) for total consideration of £18.0 million.
- On 6 August 2013, the Group sold its interest in Bolton Whites Hotel Limited, a joint venture for £1.
- On 31 May 2013, the Group closed a substantial part of 'De Vere Academy of Hospitality'. On 31 October 2013, the Group sold the remainder of the division, De Vere Training, to an unrelated third party for £250,000.

Further details regarding these transactions can be found in note 28 to these financial statements. The trading result of the operations disposed of during the year has been classified as discontinued in the 2013 profit and loss account.

Post balance sheet events

On 11 March 2014, De Vere Venues Limited was sold to an unrelated third party for a total consideration of £231.9 million, being consideration for shares of £221.0 million and the settlement of amounts owed to group companies of £10.9 million. The operating result of this business has been included as discontinued in the 2013 profit and loss account.

On 25 April 2014, the Grand hotel in Brighton was sold to an unrelated third party for consideration of £50.1 million.

Further details regarding these transactions can be found in note 31 to these financial statements.

Future developments

In March 2014 the Group launched a sales process for the remaining six De Vere Hotels and De Vere Resort Ownership. Along with the Grand in Brighton these hotels represent the entire trading activity of the De Vere Hotels business. This process is well advanced and expected to complete within the second half of 2014. The proceeds from this sale will largely be used to repay Group debt.

In July 2014 the Group launched a sales process for the Village Urban Resorts business. This process is well advanced and expected to complete within the second half of 2014. The proceeds from this sale will be used to repay Group debt.

Directors' report *(continued)*

Pension Schemes

The Group's pension schemes are described in note 18 to the accounts. The Group has agreed a schedule of contributions aimed at providing the pension funds with the ability to meet their liabilities as they arise, based on agreed actuarial assumptions.

Directors

The following directors have held office during the period under review:

N J D Bull ⁽¹⁾⁽²⁾	
I B Cave ⁽³⁾	
D G Caldecott ⁽³⁾	(resigned 28 June 2013)
R B Cook	(resigned 31 March 2014)
A M Coppel CBE ⁽³⁾⁽²⁾	
T M Dangerfield	(resigned 11 March 2014)
C D Elliot ⁽³⁾⁽²⁾	(appointed 28 June 2013)
C Rutherford ⁽¹⁾⁽²⁾	(resigned 20 May 2013)

⁽¹⁾ Member of Remuneration Committee

⁽²⁾ Member of Audit Committee

⁽³⁾ Member of Investment Committee

The Remuneration Committee and the Audit Committee each meet at least twice per annum. The Investment Committee meets ten times per annum.

Employees

The Group is committed to employee involvement throughout the business and seeks to keep employees informed about the Group's progress and affairs by way of various internal communications. In addition, directors and senior management regularly visit operations, which offers the opportunity to discuss matters of current concern.

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

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

Health and safety

The health and safety of guests and staff continues to be of fundamental importance to the Group and the Group's risk management processes remain an integral part of everyday work activity throughout the Group. The Risk Management Committee meets four times per year.

Directors' report *(continued)*

The community

At 31 December 2013, the Group operated nationally in 64 different locations. Typically, each of its hotels occupies a leading role within the local community in which it operates. Accordingly, the Group's strategy is to encourage each business unit to develop social responsibility policies which are sensitive to that community.

We also partner with Asthma UK as well as supporting many charities local to our properties.

The environment

The Group recognises the responsibility which its businesses have towards the environment and is committed to good environmental management of all sites where it operates. The Group is fully supportive of the Government's carbon reduction initiative and is working diligently towards meeting its targets.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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 a 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 which 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.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

On behalf of the Board



A M Coppel CBE
Group Chief Executive

Date: **30 SEP 2014**

Strategic report

Business review

The Group Chief Executive's Statement on pages 2 and 3, together with the Operating Reviews that follow, together provide a comprehensive overview of the Group's business, performance and strategy.

Group Strategy

Our strategy is two fold; first, to enhance the value of the businesses through an improved operating performance and focussed investment; and second, to crystallise value by making managed disposals of its portfolio at a price to maximise debt repayment to Bank of Scotland plc. Significant enhanced value will result from building out our Village Urban Resorts brand throughout the UK.

Village Urban Resorts ("VUR") - operating review

	Year ended 31 December 2013	Year ended 31 December 2012
Revenue	£163.2m	£164.4m
Operating profit (excluding fixed asset impairments)	£24.7m	£30.9m
Occupancy for the period	77.5%	77.3%
Average room rate for the period (ARR)	£61.63	£60.66
Revenue per available room (RevPAR)	£47.79	£46.92
Number of bedrooms at period end	3,103	3,103

At 31 December 2013 VUR operated at the following locations:

Ashton Moss, nr Manchester	Farnborough	St Davids, nr Chester
Blackpool	Hull	Solihull
Bournemouth	Hyde	Swansea
Bury	Leeds	Swindon
Cardiff	Leeds South	Walsall
Cheadle	Liverpool	Warrington
Coventry	Maidstone	Wirral
Dudley	Newcastle	
Elstree	Nottingham	

VUR substantially maintained revenue at £163.2 million compared with £164.4 million in 2012. We had notable success in our Getaway and Hideaway promotions and a strengthening of our corporate rate which helped to offset an overall decline in our food & beverage and health & fitness outlets, which faced ever increasing competition.

Trading profit before head office costs decreased from £47.9 million to £42.2 million. This was driven primarily by higher cost of sales and higher energy costs.

The provincial market continued to show signs of recovering from the tough economic climate faced in recent years. VUR occupancy increased by 0.2 percentage points to 77.5% and ARR increased by £0.97 to £61.63, giving a RevPAR of £47.79, a 1.9% increase over prior year. Our Upper Deck room product, designed as a superior room product offering a more luxurious customer experience, continues to be a key contributor to the growth in the ARR. This product has capacity to deliver further benefits in 2014.

Revenue from our food & beverage outlets declined in the year. In a highly competitive food & beverage market we took the strategic decision to increase discounts to our customers and health & fitness club members. Consequently, we lost significant trading profit and reversed this policy, effective January 2014. Cost control is also a priority in 2014, as increased food & beverage cost of sales in 2013 led to lower margins. A new Food and Beverage Director was appointed in April 2014.

We have new openings taking place in Aberdeen, Edinburgh and Glasgow over the next 12 months; these exciting modern sites will help to extend our brand reach into lucrative Scottish markets. Further profitable sites have been identified for the growth of the brand.

Strategic report (continued)

Village Urban Resorts ("VUR") - operating review (continued)

In July 2014 the Group launched a sales process for the Village Urban Resorts business. This process is well advanced and expected to complete within the second half of 2014. The proceeds from this sale will be used to repay Group debt.

De Vere Hotels - operating review

	Year ended 31 December 2013	Year ended 31 December 2012
Revenue	£75.0m	£85.2m
Revenue - continuing	£74.5m	£71.6m
Operating profit (excluding fixed asset impairments and release of timeshare maintenance provision)	£3.1m	£3.4m
Occupancy for the period	74.8%	74.4%
Average room rate for the period (ARR)	£88.40	£84.80
Revenue per available room (RevPAR)	£66.14	£63.07
Number of bedrooms at period end (owned properties)	1,051	1,238

In January 2013, the Group sold the Grand Harbour hotel in Southampton for total consideration of £18.0 million. The proceeds from the sale were largely used to repay Group debt. As at 31 December 2013, this division operated seven hotels and held two management contracts at the following locations:

Belton Woods, Grantham	Grand Brighton*
The Belfry**	Mottram Hall, Cheshire
Cameron House, Loch Lomond	Oulton Hall, nr Leeds
Carden Park, Cheshire**	Slaley Hall, nr Hexham
Dunston Hall, Norfolk	

* Sold April 2014

** Management agreement. The agreements for the Belfry and Carden terminated on 27 June 2014 and 1 August 2014 respectively.

As at 31 December 2013, De Vere Hotels owned seven luxury hotels with a total of 1,051 bedrooms and managed a further two hotels on behalf of third party owners. The portfolio offers luxury accommodation, high quality conference and events spaces, spa and leisure facilities and 15 Golf courses, including several of championship standard.

During the year, the Group completed significant refurbishment programmes at both the Grand in Brighton (for a total cost of £6.8 million) and Mottram Hall (for a total cost of £5.7 million). These refurbishments to bedrooms, spa and health & fitness facilities established a platform for improved performance at these properties in the period and for the future.

Revenue for the period (excluding Grand Harbour) increased £2.9 million to £74.5 million, a strong performance. Occupancy was consistent with the prior year, increasing to 74.8% from 74.4% in 2012. ARR climbed £3.60 (4%) to £88.40. As a result of these factors, RevPAR grew £3.07 (5%) to £66.14.

Food & beverage revenues, including conference and events, grew well during the period. However, the performance of this segment was affected by an increase in relative payroll costs, which is now a renewed focus for 2014. Golf performed in line with expectations, recovering well from a weather-affected start to the period. Improved spa income and tighter cost control helped to drive an improved profit compared to the prior year.

In April 2014, the Grand in Brighton was sold for £50.1 million. The proceeds from this sale were used largely to repay the bank facilities of the De Vere Group.

In March 2014, the Group launched a sales process for the remaining six De Vere Hotels and De Vere Resort Ownership. Along with the Grand in Brighton these hotels represent the entire trading activity of the De Vere Hotels business. This process is well advanced and expected to complete within the second half of 2014. The proceeds from this sale will largely be used to repay Group debt.

Strategic report (continued)

De Vere Venues - operating review

	Year ended 31 December 2013	Year ended 31 December 2012
Revenue	£116.2m	£116.4m
Operating profit (excluding fixed asset impairments)	£19.6m	£17.2m
Occupancy for the period	74.1%	71.5%
Average room rate for the period (ARR)	£56.11	£55.45
Revenue per available room (RevPAR)	£41.60	£39.65
Day delegates	705,245	687,000
Number of bedrooms at period end	2,432	2,506

At 31 December 2013, De Vere Venues were in operation at the following locations:

Cheadle House	Holborn Bars, London	Sunningdale Park, Ascot
Chicheley Hall, Milton Keynes*	Horsley Park	The Firestation, London Bridge*
Colmore Gate, Birmingham**	Hunton Park	Theobalds Park
Denham Grove	Kassam Stadium, Oxford***	Uplands House, High Wycombe*
Devonport House, Greenwich*	Latimer Place	Warbrook House
Gorse Hill	Milton Hill, Oxon	West One, London
Harben	New Place	Westferry Circus, London**
Hartsfield Manor	Ponsbourne Park, Herts*	Whites Hotel, Bolton**
Heythrop Park, Oxfordshire***	Staverton Park, Daventry	Wokefield Park, nr Reading
Highfield Park	Studley Castle, Warwickshire***	Wychwood Park, Cheshire

* Management contract

** Leased property

*** Franchised property

De Vere Venues is the UK's leading provider of training, meeting and conference space which, with recent additions, comprises a total of 30 De Vere Venues (including six management contracts and three franchise agreements) with 533 conference, meeting and training rooms across the UK. Five of the De Vere Venues based in London and Birmingham are non-residential. The division addresses principally the business to business market, though has successfully expanded its leisure activities, particularly weddings.

De Vere Venues had strong accommodation performance in the year, with occupancy up 2.6%pts to 74.1% and ARR up 1.2% to £56.11, giving a RevPAR of £41.60, a 4.5% increase over prior year.

The UK training and conference market remained challenging during 2013, with little sign of increasing demand. Against this background, De Vere Venues has successfully developed repeat business from its existing corporate customer base, gained new business and grown like for like revenue for 2013 by 4.9%.

In 2013, the division continued to grow its management contracts and franchise agreements, adding five more; Chicheley Hall in Buckinghamshire, Heythrop Manor and Kassam Stadium in Oxfordshire, Studley Castle in Warwickshire and East Sussex National.

On 11 March 2014, De Vere Venues Limited was sold to an unrelated third party, for a total consideration of £231.9 million.

Strategic report (continued)

Business risks

The Group Board meets ten times per year. As well as reviewing performance and considering strategy, directors and senior management identify business risks and ensure that risk mitigating plans and controls are in place. The principal risks faced by the business are:

- **Financial loss** - with a large number of geographically dispersed business operations, 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 standards. These are codified in a Group Financial Control Manual which ensures that management understand what is expected of them in this context. The Group's internal audit function visits every location at least annually and reports back to both line management and the main Board's Audit Committee on the effectiveness of controls in place. The Group has also formalised its risk management processes with a detailed risk control framework.
- **Personal health, safety and security** - thousands of people stay at our hotels and visit our leisure facilities every day, and at 31 December 2013 the Group had in excess of 7,000 employees. The Group employs a team of health and safety professionals to ensure that robust processes are in place at all times to protect our customers and staff, whose wellbeing is our paramount concern.
- **UK economy** - the Group's fortunes are significantly influenced by the level of UK economic activity. The Group's businesses are all subject to a regular and comprehensive cycle of budgeting, forecasting and peer Group competitive analysis that facilitates early action if problems arise.

Treasury policies

The objectives of the Group's treasury policies are to manage the Group's financial risk, secure cost effective funding for the Group's operations, and minimise the adverse effects of fluctuations in the financial market on the Group's financial assets and liabilities, on reporting profitability and on the cash flows of the Group.

The Group finances its activities through a number of bank loans together with a revolving credit facility with which to manage working capital. Other financial assets and liabilities, such as trade debtors and trade creditors, arise from the Group's operating activities. The Group has entered into derivative transactions in the form of interest rate swap contracts. The purpose is to manage the interest rate risks arising from the Group's borrowings. The Group does not trade in financial instruments and has no other form of derivatives.

The main risks associated with the Group's financial assets and liabilities are set out below, as are the policies agreed by the Board for their management.

Foreign currency risk

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

Interest rate risks

The Group's policy is to manage its cost of borrowing using interest rate swaps. The Group's objective is to reduce exposure to interest rate fluctuation.

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 are quoted to customers for contracts.

The management of each operating division is responsible for operating credit control procedures in line with Group guidelines. The age and quantum of individual debts are monitored to ensure that the Group's exposure to potential bad debts is not significant.

Strategic report *(continued)*

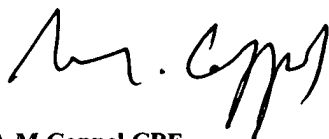
Liquidity risk

The Group is exposed to a variety of risks associated with its ability to borrow and satisfy debt covenants. The Group's borrowing facilities are only available if the financial covenants in the facilities are complied with. If the Group is not in compliance with the covenants, the lender may demand the repayment of the funds advanced. If the Group's financial performance does not meet management expectations, it may not be able to refinance its existing facilities on terms it considers favourable. The availability of funds for future financing is, in part, dependent on conditions and liquidity in the capital markets. The Group manages this risk by regularly preparing forecasts and reviewing those forecasts against facilities and financial covenant tests and by working closely with the bank.

Asset valuations

Details of the Group's hotel asset valuations are disclosed in the Group Chief Executive's Statement on page 2.

On behalf of the board:



A M Coppel CBE
Group Chief Executive

Date: **30 SEP 2014**

Independent auditor's report to the members of De Vere Group Limited

We have audited the financial statements of De Vere Group Limited for the year ended 31 December 2013 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Note of Historical cost Profits and Losses, Consolidated and Parent Company Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Emphasis of matter – going concern

In forming our opinion, which is not modified, we have also considered the adequacy of the disclosures made in note 1 to the financial statements concerning the group and company's ability to continue as a going concern. The conditions described in note 1 indicate the existence of material uncertainties which may cast significant doubt about the group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Independent auditor's report to the members of De Vere Group Limited *(continued)*

Matters on which we are required to report by exception

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.



Gary Harding (Senior Statutory Auditor)
for and on behalf of **Ernst & Young LLP**, Statutory Auditor
Manchester

30 SEP 2014

Consolidated profit and loss account
for the year ended 31 December 2013

	<i>Note</i>	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Turnover:			
Continuing operations		239,955	360,395
Discontinued operations		119,799	18,709
		<hr/>	<hr/>
	2	359,754	379,104
Cost of sales	3	(182,103)	(183,050)
		<hr/>	<hr/>
Gross profit		177,651	196,054
Other operating expenses	3	(144,389)	(145,820)
Exceptional administrative expenses - fixed asset impairments	9	(81,309)	(27,789)
		<hr/>	<hr/>
<i>Operating (loss)/profit</i>			
Continuing operations		(64,716)	21,994
Discontinued operations		16,669	451
		<hr/>	<hr/>
Group operating (loss)/profit	2	(48,047)	22,445
		<hr/>	<hr/>
Profit on sale of fixed assets	5	416	876
Loss on sale of discontinued activities	5	(555)	(69)
Loss on sale of joint venture		(793)	-
		<hr/>	<hr/>
		(48,979)	23,252
		<hr/>	<hr/>
Finance income	6	4	1
Interest payable and similar charges	7	(48,727)	(57,444)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(97,702)	(34,191)
Tax on loss on ordinary activities	8	(630)	(79)
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(98,332)	(34,270)
		<hr/>	<hr/>
Loss attributable to Preferred Ordinary shareholders	20	98,332	34,270
		<hr/>	<hr/>
Loss for the financial year		-	-
		<hr/>	<hr/>

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2013

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Loss on ordinary activities after taxation	(98,332)	(34,270)
Unrealised deficit on revaluation of properties	(63,444)	(394)
Actuarial loss on pension scheme (note 18)	(3,205)	(882)
Deferred tax on actuarial loss	685	292
Total recognised losses in the period	(164,296)	(35,254)
Interests attributable to Preferred Ordinary shareholders	164,296	35,254
	-	-

Note of historical cost profits and losses
for the year ended 31 December 2013

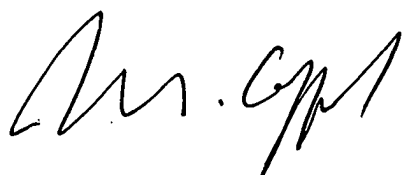
There was no material difference between the result disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Consolidated and Company balance sheets
at 31 December 2013

	Note	Group 31 December 2013 £000	Group 31 December 2012 £000	Company 31 December 2013 £000	Company 31 December 2012 £000
Fixed assets					
Tangible assets	9	849,167	1,007,443	-	-
Investments	10	45	53	-	1
		<u>849,212</u>	<u>1,007,496</u>	<u>-</u>	<u>1</u>
Current assets					
Stock	11	7,592	7,680	-	-
Debtors: falling due within one year	12	27,142	30,938	42	-
Cash at bank and in hand	15	9,533	10,530	-	12
		<u>44,267</u>	<u>49,148</u>	<u>42</u>	<u>12</u>
Creditors: amounts falling due within one year	13	<u>(540,334)</u>	<u>(442,220)</u>	<u>(4,522)</u>	<u>(4,389)</u>
Net current liabilities		<u>(496,067)</u>	<u>(393,072)</u>	<u>(4,480)</u>	<u>(4,377)</u>
Total assets less current liabilities		<u>353,145</u>	<u>614,424</u>	<u>(4,480)</u>	<u>(4,376)</u>
Creditors: amounts falling due after more than one year	14	<u>(596,522)</u>	<u>(693,439)</u>	<u>-</u>	<u>-</u>
Provisions for liabilities					
Other	17	(1,718)	(1,829)	-	-
Pension surplus	18	1,264	1,309	-	-
Net liabilities		<u>(243,831)</u>	<u>(79,535)</u>	<u>(4,480)</u>	<u>(4,376)</u>
Capital and reserves					
Called up share capital	19	2	2	2	2
Profit and loss account	21	-	-	-	-
Shareholders' funds		<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Interests attributable to Preferred Ordinary shareholders	20	<u>(243,833)</u>	<u>(79,537)</u>	<u>(4,482)</u>	<u>(4,378)</u>
Capital employed		<u>(243,831)</u>	<u>(79,535)</u>	<u>(4,480)</u>	<u>(4,376)</u>

Approved by the board of directors on **30 SEP 2014**

and signed on their behalf by



A M Coppel CBE
Director

Consolidated cash flow statement
for the year ended 31 December 2013

		Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
	<i>Note</i>		
Net cash inflow from operating activities	24	70,625	73,178
Returns on investments and servicing of finance			
Interest received		4	1
Interest payable and similar charges		(44,320)	(56,189)
Interest payments in finance leases		-	(11)
Net cash outflow from returns on investments and servicing of finance		(44,316)	(56,199)
Taxation		-	(66)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(35,551)	(28,166)
Sale of tangible fixed assets		2,910	4,174
Net cash outflow from capital expenditure and financial investment		(32,641)	(23,992)
Acquisitions and disposals			
Sale of business net of disposal costs	28	3,089	52,708
Cash disposed with subsidiary undertakings		(26)	(462)
Finance leases disposed with subsidiary undertakings		-	1,787
Net cash inflow from acquisitions and disposals		3,063	54,033
Net cash (outflow)/inflow before financing		(3,269)	46,954
Financing			
Proceeds of management incentive scheme in subsidiaries		-	16
Capital payments on finance leases		-	(17)
Increase/(decrease) in other amounts borrowed	25	4,246	(54,945)
Net cash inflow/(outflow) from financing		4,246	(54,946)
Increase/(decrease) in cash	25	977	(7,992)

Notes to the financial statements for the year ended 31 December 2013

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with the Companies Act 2006 and applicable United Kingdom financial reporting standards.

Going concern

The Group is reliant on the availability of banking facilities. Before confirming the appropriateness of the Going Concern basis of preparation the directors reviewed and considered the following interrelated factors:

- The Group's existing facilities with Bank of Scotland plc provide availability of funds through to 30 June 2015. The facilities provided for £1.1 billion of loans to be made available to the Group subject to meeting various covenants concerning its performance including tests in respect of profitability, property values and cash flow. These loans bear interest at rates of between 1.5% and 3.0%. In addition to these loans, the Group has a revolving credit facility of £30 million, an overdraft of £5 million and a capital expenditure facility of £35 million. These facilities bear interest at rates between 1.5% and 3.0%. Bank of Scotland agreed to reduce the interest margin on all senior facilities to 1.5% for the period 1 July 2013 to 30 June 2015.
- Financial policies. As outlined on page 10 and 11 of the Strategic Report the Group has a number of important operating policies designed to manage funding and treasury risks.
- The Group's latest cash flow forecasts to 31 December 2015. These are based on the directors' collective view of likely trading conditions underpinned by a prudent assessment of the performance of the UK economy over that period. These cash flow forecasts include proceeds from disposals completed since the year end (Note 31) and the repayment of the Group's loans which are due to be repaid in the following timeframes from 31 December 2013; £453 million within 1 year and all remaining outstanding amounts are due by 30 June 2015. These loan repayments are expected to be met through a series of managed disposals and revision of the remainder of the facilities.
- Extent of banking covenant headroom over the forecast period.

The directors are planning to complete the sales of the Group's portfolios of De Vere Hotels and Resort Ownership and De Vere Village Urban Resorts. The proceeds of either sale would be used to meet bank loan repayments due under the bank facilities by 31 December 2014. The Group is in negotiation with interested parties but there can be no certainty that the sales will be completed. Based on the progress of the sale processes to date, the directors are confident that the sales will proceed successfully but if neither is completed, the directors are confident that the bank will agree to extend the date of those repayments.

The cash flow forecasts prepared by management indicate that the Group will be able to service the bank facilities until the sales have been completed at which time the directors expect the bank to agree revised or new facilities in order for the Group to continue with realising its remaining assets and discharging its liabilities.

In the event that the sales of De Vere Hotels and Resort Ownership and De Vere Village Hotels had not been not completed by 30 June 2015, the directors are confident that appropriate support will be provided by the bank in the form of revised, extended or new facility arrangements.

Therefore, the directors have concluded that the Group is reliant on Bank of Scotland to provide the following forms of support:

- revising dates of loan repayments if neither of the planned disposals is completed by 31 December 2014
- agreeing revised or new facilities if the Group completes the planned disposals before 30 June 2015 to support the Group's ongoing activities including realisation of assets and discharging of liabilities
- agreeing revised, extended or new facilities if the planned disposals are not completed by 30 June 2015.

In the event that Bank of Scotland does not support the Group by providing these forms of support, the going concern basis might not be valid and the company may be unable to realise its assets and discharge its liabilities in the normal course of business. In such circumstances adjustments may need to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which may arise and to reclassify fixed assets and long term liabilities as current. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

1. Accounting policies *(continued)*

(a) Basis of preparation *(continued)*

The directors have concluded that these circumstances represent material uncertainties that cast significant doubt upon the Group and Company's ability to continue as a going concern. Nevertheless, after considering the evidence available to them, including cash flow forecasts, discussion with the bank and support already received in the form of interest margin reductions, the directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future. On this basis they believe that it is appropriate to prepare these financial statements on a going concern basis.

(b) Basis of consolidation

The consolidated profit and loss account, cash flow, statement of total recognised gains and losses and balance sheet combine the financial statements of the Company and all of its subsidiary undertakings for the period ended 31 December 2013 and represent the results of Group operations for that period. In accordance with section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. The Company made a loss of £103,828 during the year (2012: loss of £57,000). The impact of any transactions between Group companies is eliminated for the purposes of the consolidated financial statements.

Results of any subsidiary undertakings and businesses acquired or sold during the period are included from or up to their respective dates of acquisition or disposal. The purchase consideration is allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Entities that are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures and accounted for in the consolidated financial statements using the equity method.

(c) Tangible Fixed Assets

Land

Land is carried at market value. Depreciation is not provided on land.

Freehold and leasehold buildings

Freehold and long leasehold buildings are carried at valuation less accumulated depreciation. The basis of current valuation is an annual valuation at each balance sheet date on an existing use basis by a suitably qualified external valuer. The valuation therefore 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.

Depreciation of freehold buildings is provided to write off the valuation less any estimated residual values over their estimated useful lives of between 50 and 100 years.

Leasehold properties are depreciated over the shorter of 50 years and the remaining lease term.

Other tangible fixed assets

Tangible fixed assets other than land and buildings are carried at cost of acquisition less accumulated depreciation less any impairment provisions.

Fixtures and fittings also contains items of plant, machinery and other equipment including computers.

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

	<i>Per annum</i>
Production plant	5% - 20%
Motor vehicles	10% - 50%
Fixtures and fittings	5% - 20%

Assets under construction are not depreciated until they are ready for 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.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

1. Accounting policies *(continued)*

(d) Impairment of tangible 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 FRS 11 'Impairment of Fixed Assets and Goodwill', fixed assets are first grouped into income generating units. Each individual hotel or conference centre is considered to be a separate income generating unit.

The carrying value of each income generating unit is then compared to its recoverable amount, which is defined as the higher of value in use or net realisable value. 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.

Value in use is calculated for each income 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 independent qualified valuers based on prevailing market conditions.

Net realisable value is based on the directors' estimates of the current market value of the income generating unit.

If the carrying value of the income generating unit exceeds the recoverable value so calculated, the excess is immediately charged to the profit and loss account or to the revaluation reserve to the extent that previous surpluses have been recognised in the revaluation reserve.

(e) Investments

Investments in joint ventures are accounted for using the gross equity method. Other investments are accounted for at historic cost less any impairment provisions. Investment carrying values are assessed for impairment annually and whenever the directors are of the view that indicators of impairment are present. If the carrying value of the investment exceeds the recoverable value (defined as the higher of value in use and estimated net realisable value) the excess is immediately charged to the profit and loss account.

(f) Assets held for disposal

Tangible property assets that are identified as surplus to operational requirements and which are expected to be disposed of within 12 months of the balance sheet date are held as assets held for disposal in current assets. Such assets are carried at the lower of amortised cost and estimated net realisable value.

(g) Stock

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

Certain operating supplies are treated as consumable stores and renewals and replacements of such stock are written off to the profit and loss account as incurred.

The value attributed to timeshare stock is the cost of building the lodges apportioned to each week on the basis of the selling price for that week. The selling price for each week is dependent upon seasonality. Timeshare stocks are assessed annually for impairment based on the value of outstanding stock and the rate at which it is being sold.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

1. Accounting policies *(continued)*

(h) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

(i) Turnover

Turnover is the value of goods and services sold to third parties after deducting discounts and sales based taxes.

Joining fees in respect of health & fitness memberships are accounted for when received on the basis that they are not refundable. All other fees and subscriptions are recognised over the membership period.

Sales of timeshares are recognised at the time of sale. If the lodge is still under construction, the sale is deferred until the point the building work is substantially complete.

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

The Group supplies conference and event facilities as well as hotel rooms to businesses 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.

(j) Foreign currencies

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 transactions or upon the retranslation of foreign currency assets and liabilities at the balance sheet date are taken immediately to the profit and loss account.

(k) Finance costs

Debt issue costs

Debt issue costs directly attributable to the arrangement of new borrowing facilities are capitalised as a reduction of debt and amortised on a straight line basis over the term of the corresponding facilities.

Senior debt and revolving credit facilities

Interest and all finance costs relating to senior debt and revolving credit facilities are expensed immediately to the profit and loss account.

(l) Preferred ordinary shares issued to third parties

The Company has 692,684,870 issued preferred ordinary shares which are held by Uberior Equity Limited. Redemption of preferred ordinary shares is under the control of the Group, and as such they are treated as equity instruments, not debt.

The preferred ordinary shareholders are entitled to the first £692,684,870 of any distribution made in priority to the Company's ordinary shareholders. The interest of the preferred ordinary shareholders in the net assets of the Group are described in the consolidated balance sheet as "Interests attributable to Preferred Ordinary shareholders".

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

1. Accounting policies *(continued)*

(m) Pensions

Certain employees of the Group are eligible to be members of defined benefit schemes operated by the Group. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense. Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset in the balance sheet comprises the combined present value of each plan's defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Additionally the Group contributes to the money purchase defined contribution personal pension plans of certain employees. Payments to money purchase pension schemes are charged as incurred.

(n) Leases

Assets which are subject to finance leases are capitalised and the related depreciation charged to the profit and loss account. Lease payments are treated as consisting of interest and capital, interest being charged to the profit and loss account over the term of the lease on an actuarial basis. 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.

(o) Provisions

The Company is contractually obligated to pay maintenance fees for timeshare units which remain unsold at the year end. In some circumstances, the maintenance fees under the contract may exceed the economics benefits (such as rentals from those units) expected to be received. Where this occurs, a provision will be recognised and measured at the net amount of fees which exceed those economic benefits.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

1. Accounting policies *(continued)*

(p) Derivatives

Interest rate swaps

The Group uses interest rate swaps to convert certain of its variable rate senior debt borrowings into fixed rate obligations. The swaps re-calculate the swap interest receivable or payable by the Group on a quarterly basis. Each quarter's swap interest is accrued into the profit and loss account on a straight line basis.

The Group's interest rate swaps are held purely as a hedge of its underlying exposure to movements in LIBOR arising from its variable rate senior debt obligations. The fair value of the swaps is therefore not recognised in its financial statements but the debt and swaps are accounted for as though they were one single fixed rate debt instrument.

(q) Employee Benefit Trust

An Employee Benefit Trust (EBT) was established in September 2011 to hold shares in De Vere Limited on trust in an Employee Share Scheme (ESS) for employees participating in a management incentive scheme, as well as shares in the Company. As the EBT's sponsoring company, the Company loaned the EBT £4.3 million to acquire the ESS shares and gifts the EBT payments to meet the administrative costs of the trustees.

In September 2012 the EBT sold its shares in De Vere Limited to the Company as part of a reorganisation of the Group's management incentive scheme and repaid the £4.3 million loan to the Company.

Company

The assets and liabilities of the EBT are treated as if they are the assets and liabilities of the Company in its financial statements. Loans to EBTs are therefore eliminated in the financial statements of the Company by the equal and opposite borrowings in the EBT books of account.

Shares held by the EBT are treated as investments in subsidiaries by the Company and initially recognised at cost, and subsequently at the lower of cost and recoverable amount. The recoverable amount of investments is reviewed for indicators of impairment at each balance sheet date and whenever events occur that may be indicators of impairment. Impairments are recognised in the profit and loss account in the period in which they arise.

Payments gifted to the EBT to meet administrative costs are recognised in the profit and loss of the Company as they are incurred.

Group

Loans to EBTs are treated as intercompany loans on consolidation and eliminated in the financial statements of the Group.

Consideration for shares acquired in the Company is deducted from shareholders' funds as a movement in the reconciliation of shareholders' funds.

Consideration for shares in the Company's subsidiary undertaking acquired from minority interests is reflected as a reduction on preferred ordinary shareholders' funds.

(r) Share-based payments

The Group has put in place share-based compensation schemes under which it receives services from employees as consideration for shares in certain subsidiaries. The fair value of the employee services received in exchange for the grant of the award is recognised as an expense. The total amount to be expensed is determined by reference to their fair value.

The Group has determined that the schemes are cash settled share-based compensation schemes. The fair value of the liability for the schemes is measured at each reporting date based on an independent valuation of each division and the Group.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

2. Segmental analysis

All businesses and related net assets are situated in the UK and all sales and profits and losses are generated from business being conducted in the UK. The analysis of turnover, operating profit and net assets by class of business is as follows:

	Turnover Year ended 31 December 2013 £000	Operating profit/(loss) Year ended 31 December 2013 £000	Net assets/ (liabilities) 31 December 2013 £000	Turnover Year ended 31 December 2012 £000	Operating profit/(loss) Year ended 31 December 2012 £000	Net assets/ (liabilities) 31 December 2012 £000
Continuing operations						
Hotels and timeshare ⁽¹⁾	239,955	16,593	595,125	360,395	46,950	982,063
Fixed asset impairments	-	(81,309)	-	-	(24,956)	-
	<u>239,955</u>	<u>(64,716)</u>	<u>595,125</u>	<u>360,395</u>	<u>21,994</u>	<u>982,063</u>
Discontinued operations						
Standalone leisure clubs	-	-	-	1,828	(197)	-
Fixed asset impairments	-	-	-	-	(2,833)	-
Hotels ⁽²⁾	119,799	16,669	234,973	16,881	3,481	4,702
	<u>119,799</u>	<u>16,669</u>	<u>234,973</u>	<u>18,709</u>	<u>451</u>	<u>4,702</u>
Net borrowings	-	-	(1,073,929)	-	-	(1,066,300)
	<u>359,754</u>	<u>(48,047)</u>	<u>(243,831)</u>	<u>379,104</u>	<u>22,445</u>	<u>(79,535)</u>

Discontinued operations in 2013 includes De Vere Venues Limited's hotel, conference and meetings operations, sold in March 2014 and the operating result of Grand Harbour Hotel Trading Limited and De Vere Academy of Hospitality, sold in January 2013 and October 2013 respectively.

Discontinued operations in 2012 includes the Greens Health and Fitness Limited leisure clubs which were sold in January 2012 and the following hotel properties: Branksome, Royal Bath, Daresbury Park, Barony Castle, University Arms and Grand Harbour.

⁽¹⁾ Includes the result of De Vere Resort Ownership Limited, the Group's timeshare business and in 2012 also includes the result of De Vere Academy of Hospitality (discontinued in 2013).

⁽²⁾ Includes the result of De Vere Academy of Hospitality 2013.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

3. Cost of sales and other operating expenses

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Cost of sales:		
Continuing operations	131,320	174,888
Discontinued operations	50,783	8,162
	<u>182,103</u>	<u>183,050</u>
Other operating expenses:		
Distribution costs - continuing	329	531
Distribution costs - discontinued	85	42
Administrative expenses - continuing	91,712	138,025
Administrative expenses - discontinued	52,263	7,222
	<u>144,389</u>	<u>145,820</u>
Total other operating expenses		
Administrative expenses above includes the following:		
Operating leases		
- Plant and machinery	2,343	3,299
- Land and buildings	9,420	11,252
Depreciation of owned tangible fixed assets (note 9)	28,589	29,864
Release of timeshare provision	-	10,406
Fees payable to Group's auditor, Ernst & Young LLP, are analysed as follows:		
Statutory audit of De Vere Group Limited and subsidiaries	200	265
Non-audit fees - tax compliance	10	9
Non-audit fees - enterprise risk assessments	-	9
Other assurance services	-	70
	<u></u>	<u></u>

The auditors' fee for the period of £200,000 (2012: £265,000) includes £12,200 in respect of the audit fee of the Company (2012: £12,000). The audit fee in both the current and prior year was charged to one of the Company's subsidiaries, De Vere Central Services Limited.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

4. Employee costs

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Employee costs including directors:		
Wages and salaries	98,877	107,101
Social security costs	7,878	8,379
Pension costs:		
Group Pension Scheme	157	202
Money Purchase Scheme	894	746
	<u>107,806</u>	<u>116,428</u>

Average number of persons employed by the Group:

	Year ended 31 December 2013 No.	Year ended 31 December 2012 No.
Hotels and timeshare	7,319	8,052
Stand alone leisure clubs	-	51
	<u>7,319</u>	<u>8,103</u>

Included within employee costs is a credit of £800,000 (2012: expense of £800,000) relating to the Management Incentive Scheme (see note 27).

The Company had no employees at 31 December 2013 (31 December 2012: none) and no employees received any remuneration from the Company during the year (2012: £nil).

Directors Remuneration:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Aggregate emoluments	2,174	2,160
Company contributions to money purchase pension schemes	77	93
	<u>2,251</u>	<u>2,253</u>

Four directors have retirement benefits accruing under money purchase pension schemes. No directors received benefits under the management incentive scheme during the period.

Highest paid director

Aggregate emoluments	578	574
Company contributions to money purchase pension schemes	-	16
	<u>578</u>	<u>590</u>

Notes to the financial statements (continued)
for the year ended 31 December 2013

5. Non operating items

		Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
	<i>Note</i>		
Profit on sale of land and other properties		416	876
		<hr/>	<hr/>
		Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
	<i>Note</i>		
Loss on sale of subsidiaries	28	141	69
Loss on sale of other discontinued operations	28	414	-
		<hr/>	<hr/>
		555	69
		<hr/>	<hr/>

On 31 January 2013 the Group disposed of Grand Harbour Hotel Trading Limited realising a loss on disposal of £141,000. The £69,000 loss realised in 2012 related to the sale of Greens Health and Fitness Limited.

On 31 October 2013 the Group disposed of the trade and assets of its De Vere Training business realising a loss on disposal of £414,000.

6. Finance income

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Bank and other interest	4	1
	<hr/>	<hr/>

7. Interest payable and similar charges

		Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
	<i>Note</i>		
Loans and bank overdrafts		44,490	56,216
Release of accrued exit fees		-	(5,289)
Amortisation of debt issue costs		2,386	2,387
Unwinding of discounts on provisions		151	1,221
Interest on finance leases		-	11
Other finance costs	18	1,700	2,898
		<hr/>	<hr/>
		48,727	57,444
		<hr/>	<hr/>

On 29 March 2012 the terms of the Senior Facilities Agreement between Bank of Scotland plc and the Group were amended to introduce an Override Period beginning on 1 January 2012. The amendment included a revision to interest rates and the waiving of the exit fee. This resulted in a release of £5,289,000 of accrued exit fees in 2012. Interest rates applicable to Group borrowings during the year are contained in note 16.

Debt issue costs comprise bank charges and other direct costs incurred in raising finance. The costs are being amortised over 48 months, being the original term of the loans on which the costs were incurred.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

8. Taxation

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
<i>(a) Analysis of tax charge</i>		
Current tax:		
Corporation tax - based on result for the year	-	7
Deferred tax - origination and reversal of timing differences	630	72
	<u>630</u>	<u>79</u>
Tax charge in the profit and loss account		
	<u>630</u>	<u>79</u>
	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
<i>(b) Factors affecting the current tax charge</i>		
Loss on ordinary activities before tax	(97,702)	(34,191)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.2% (2012: 24.5%)	(22,667)	(8,377)
<i>Effects of:</i>		
Non-taxable expenses not deducted for tax purposes - impairments	18,689	-
Non-taxable expenses not deducted for tax purposes - other	1,056	1,813
Non taxable losses/(profits) on disposals	1,316	(590)
Difference between capital allowances and depreciation	(395)	14,463
Movement on provisions and accruals	(164)	(1)
Utilisation of tax losses brought forward	(5,936)	(11,103)
Increase in tax losses	8,101	3,802
	<u>-</u>	<u>7</u>

Deferred tax is calculated at the rates at which it is estimated the tax will become payable in the future.

Notes to the financial statements (continued)
for the year ended 31 December 2013

8. Taxation (continued)

(c) Factors that may affect future tax charges

As a result of deferred tax the Group expects its tax charge to remain at an effective rate close to the UK Corporation Tax rate for the foreseeable future. However the Group does not expect to pay any significant amounts of "cash tax" in the medium term.

No deferred tax asset or liability has been recognised. Deferred tax assets of £104.5 million (at a rate of 21%) are unrecognised because the likelihood of realisation fails to meet the 'more likely than not' criterion (2012: £110.6 million). No provision has been made for deferred tax on gains recognised on revaluing property or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. At 31 December 2013 the total unprovided deferred tax on assets if sold at book value, including the impact of gains rolled over against these assets, would be £nil (2012: £nil).

In his Budget of 20 March 2013 the Chancellor of the Exchequer announced certain changes which have an effect on the company's future tax position. The proposals included phased reductions in the corporation tax rate to 20% from 1 April 2015. The corporation tax rate was reduced to 24% from 1 April 2012 and the enactment of the 2012 Finance Bill confirmed a reduction to the corporation tax rate to 23% from 1 April 2013. In July 2013 the 2013 Finance Bill was enacted which confirmed further reductions to 21% from 1 April 2014 and 20% from 1 April 2015.

At the balance sheet date, as all of the rate changes have been enacted, they have been reflected in the deferred tax that has been provided for. The rate changes will also impact the amount of future cash tax payments to be made by the company.

The effect on the Company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years as appropriate.

9. Tangible fixed assets

	31 December 2013 £000	31 December 2012 £000
<i>Group</i>		
Hotels, health & fitness and other properties:		
Freehold	552,770	596,727
Long leasehold	189,367	299,585
Short leasehold	21,840	21,431
	<hr/>	<hr/>
Total properties	763,977	917,743
Fixtures and fittings	85,190	89,700
	<hr/>	<hr/>
Net book values	849,167	1,007,443
	<hr/>	<hr/>

Cost or valuation of tangible fixed assets at 31 December 2013 is represented by:

	Hotels £000	Fixtures and fittings £000	Total £000
Cost	1,224,467	103,115	1,327,582
Valuation deficit	(242,250)	(1,197)	(243,447)
	<hr/>	<hr/>	<hr/>
Cost or valuation	982,217	101,918	1,084,135
	<hr/>	<hr/>	<hr/>

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

9. Tangible fixed assets *(continued)*

	Hotels £000	Other properties £000	Fixtures and fittings £000	Total £000
<i>Group</i>				
Cost or valuation:				
At 1 January 2013	1,126,078	1,550	99,462	1,227,090
Additions	19,639	-	15,355	34,994
Disposals	(19,141)	(1,550)	(680)	(21,371)
Revaluations	(143,742)	-	(1,011)	(144,753)
Reclassifications	(18)	-	(186)	(204)
Fully depreciated assets written off	(599)	-	(11,022)	(11,621)
At 31 December 2013	<u>982,217</u>	<u>-</u>	<u>101,918</u>	<u>1,084,135</u>
Accumulated depreciation:				
At 1 January 2013	209,894	-	9,763	219,657
Charge for the year	9,355	-	19,234	28,589
Disposals	(392)	-	(1,061)	(1,453)
Reclassifications	(18)	-	(186)	(204)
Fully depreciated assets written off	(599)	-	(11,022)	(11,621)
At 31 December 2013	<u>218,240</u>	<u>-</u>	<u>16,728</u>	<u>234,968</u>
Net book value:				
At 31 December 2013	<u>763,977</u>	<u>-</u>	<u>85,190</u>	<u>849,167</u>
At 1 January 2013	<u>916,193</u>	<u>1,550</u>	<u>89,700</u>	<u>1,007,443</u>

There are no assets under construction or assets held under finance leases included in the amounts above (2012: £nil).

Except for the De Vere Venues properties, the Group's freehold, long leasehold and short leasehold properties were valued as at 31 December 2013 on an existing use basis by DTZ Chartered Surveyors, independent qualified valuers. The valuations were made in accordance with guidance laid down in RICS Valuation Standards – Global and UK, 7th Edition (the 'Red Book').

The DTZ valuation of £601 million (2012 like-for-like: £683 million) represented a like-for-like decrease in the value of the Group's freehold and long leasehold hotel portfolio of £82 million (2012: £33.9 million).

In arriving at their valuation the valuers used ten year cash flow forecasts and capitalised the net operating income in Year 11 at an appropriate yield. This was then discounted using a market rate.

De Vere Venues Limited was disposed of subsequent to the year end and its hotel properties have been valued at the recoverable amount £214 million (2012: £268 million). This resulted in an revaluation impairment of £51 million recognised in the revaluation reserve.

The Group's total revaluation deficit that arose during the year has been recognised in the financial statements as follows:

	Profit and loss account £000	Revaluation reserve £000	Total £000
Fixed asset revaluations	<u>81,309</u>	<u>63,444</u>	<u>144,753</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

10. Investments

	2013 £000	2012 £000
<i>Group</i>		
Investments at cost:		
At 1 January	55	-
Cost of acquiring management contracts	-	55
At 31 December	55	55
Amortisation:		
At 1 January	2	-
Provided during the year	8	2
At 31 December	10	2
Net book value:		
At 31 December	45	53

During 2012 the Group incurred £55,000 of legal fees in the acquisition of a management contract. The economic benefits of the contract are expected to exceed the costs of acquisition and as such the costs have been recognised as an investment and are being amortised over the term of the contract.

In August 2013 one of the Group's subsidiaries, De Vere Venues Limited, sold its interest in a joint venture company, Bolton Whites Hotel Limited. Prior to disposal the recoverable amount of the investment was valued at £nil (31 December 2012: £nil). The Group's share of the loss made by Bolton Whites for the period up to disposal of £37,700 (2012: loss of £34,000) was written off to the profit and loss account due to the irrecoverable nature of the investment. Bolton Whites Hotel Limited prepares financial statements up to 30 June for each financial year.

	2013 £000	2012 £000
<i>Company</i>		
Subsidiary undertakings at cost:		
At 1 January and 31 December	4,322	4,322
Amounts provided:		
At start of period	4,321	4,321
Provided during the year	1	-
At 31 December	4,322	4,321
Net book value:		
At 31 December	-	1

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

10. Investments *(continued)*

Principal investments held through direct subsidiary companies

A list of the Company's principal subsidiaries held through shareholdings in direct wholly owned subsidiaries is given below.

Division	Subsidiary company	Main activity
<i>Group</i>		
	De Vere Limited	Financing and intermediate holding company
	De Vere Midco Limited	Financing and intermediate holding company
	De Vere Central Services Limited	Provision of shared services
<i>Village</i>		
	De Vere Village Hotels Limited	Parent of Village sub-group
	De Vere Village Hotels and Leisure Limited	Village property company
	De Vere Village Properties Limited	Village property company
	De Vere Village Trading No 1 Limited	Village operating company
	De Vere Village Trading No 2 Limited	Village operating company
<i>Venues</i>		
	De Vere Venues Group Limited	Parent of Venues sub-group
	De Vere Venues Properties Limited	Venues property company
	De Vere Venues Limited	Venues operating company
	De Vere Wokefield Property Limited	Owner of De Vere Wokefield Park hotel
	De Vere Wokefield Trading Limited	Operator of De Vere Wokefield Park hotel
<i>Hotels</i>		
	De Vere Hotels Group Limited	Parent of Hotels sub-group
	De Vere Hotels Holdings Limited	Immediate parent of individual Hotel companies
	De Vere Resort Ownership Limited	Timeshare operator
<i>Other</i>		
	De Vere Group Holdings Limited	Intermediate holding company

On 11 March 2014 the Group sold its share holding in De Vere Venues Group Limited to an unrelated third party (refer to note 31 for further details).

11. Stock

	Group	Group	Company	Company
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	£000	£000	£000	£000
Food and wet	2,030	2,166	-	-
Shop	668	652	-	-
Consumables	4,894	4,560	-	-
Timeshare	-	302	-	-
	<u>7,592</u>	<u>7,680</u>	<u>-</u>	<u>-</u>

With the exception of timeshare stock, the difference between the purchase price or production cost of stock and its replacement cost is not material. The carrying value of timeshare stock is assessed at each balance sheet date and adjusted accordingly.

Notes to the financial statements (continued)
for the year ended 31 December 2013

12. Debtors

	Group	Group	Company	Company
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	£000	£000	£000	£000
Due within one year:				
Trade debtors	16,605	16,186	-	-
Other debtors	1,979	3,546	-	-
Prepayments and accrued income	8,558	11,206	-	-
Amounts due from subsidiary undertakings	-	-	42	-
	<u>27,142</u>	<u>30,938</u>	<u>42</u>	<u>-</u>

13. Creditors: amounts falling due within one year

	Group	Group	Company	Company
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	£000	£000	£000	£000
Unsecured loan stock	14	14	-	-
Secured bank loans and overdraft	456,926	357,377	-	-
Short term loans payable on demand	30,000	26,000	-	-
Trade creditors	11,508	13,465	-	-
Value added tax	2,320	2,196	-	-
Social security and PAYE	2,229	2,530	-	-
Other creditors	4,228	3,808	-	-
Accruals and deferred income	33,109	36,830	-	-
Amounts due to subsidiary undertakings	-	-	4,522	4,389
	<u>540,334</u>	<u>442,220</u>	<u>4,522</u>	<u>4,389</u>

14. Creditors: amounts falling due after more than one year

		Group	Group	Company	Company
		31 December	31 December	31 December	31 December
		2013	2012	2013	2012
		£000	£000	£000	£000
Secured bank loans	<i>15</i>	<u>596,522</u>	<u>693,439</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)
for the year ended 31 December 2013

15. Borrowings

		Group 31 December 2013 £000	Group 31 December 2012 £000	Company 31 December 2013 £000	Company 31 December 2012 £000
	<i>Note</i>				
Amounts falling due within one year:					
Unsecured loan stocks	13	14	14	-	-
Secured bank loans and overdrafts	13	456,926	357,377	-	-
Short term bank loans	13	30,000	26,000	-	-
Less: cash at bank and in hand	26	(9,533)	(10,530)	-	12
		<u>477,407</u>	<u>372,861</u>	<u>-</u>	<u>12</u>
Amounts falling due after more than one year:					
Bank loans	14	596,522	693,439	-	-
Net borrowings	25	<u>1,073,929</u>	<u>1,066,300</u>	<u>-</u>	<u>12</u>

Maturity schedule of borrowings due in more than-one year:

	Group 31 December 2013 £000	Group 31 December 2012 £000	Company 31 December 2013 £000	Company 31 December 2012 £000
Due between two and five years	<u>596,522</u>	<u>693,439</u>	<u>-</u>	<u>-</u>

All bank loans are secured on the fixed assets of the De Vere Group Limited group of companies. Included within current liabilities is £453 million of bank loans repayable by 31 December 2014. The remainder of bank loans are due for repayment in June 2015.

On September 2013 Bank of Scotland plc "BoS" reduced the margin interest rates on all senior facilities to 1.5% for the period 1 July 2013 to 28 February 2014.

On 28 February 2014 BoS extended the period over which the reduced margin rate applies to 31 May 2014.

Notes to the financial statements (continued)
for the year ended 31 December 2013

16. Derivatives and financial instruments

Interest Rate Management

Weighted average interest rates applicable to fixed rate and floating rate borrowings and assets were as follows:

	31 December 2013		31 December 2012	
	£000	%	£000	%
Senior borrowings: fixed rate	829,947	4.7	829,947	5.9
Senior borrowings: floating rate	249,589	2.8	249,716	3.8
Overdraft	4,372	0.6	-	-
Capitalised finance costs	(446)	-	(2,833)	-
Cash at bank and in hand: floating rate	(9,533)	0.0	(10,530)	0.0
Net borrowings (note 26)	<u>1,073,929</u>	<u>4.3</u>	<u>1,066,300</u>	<u>5.4</u>

Fixed rate borrowings comprise the element of the bank borrowings that is hedged by a corresponding interest rate swap.

The interest rate applicable to floating rate debt is determined by reference to LIBOR or Base Rate.

Financial instruments

At 31 December 2013 De Vere Midco Limited, a subsidiary of the Company, was party to interest rate swap contracts. Under the agreement floating rates are reset on a quarterly basis.

Details of swap amounts and termination dates are set out in the table below:

Notional amounts £000	Interest rate %	Termination date
550,000	2.31	31 December 2015
279,947	2.85	31 December 2014

The fair value of the Group's interest rate swap contracts at 31 December 2013 was a liability of £21,086,649 (31 December 2012: liability of £39,805,000).

Where available, market values have been used to determine fair values. Where market values are not available interest rate swaps are valued using LCH Clearnet cash collateralised swap curves using a three month forward curve to calculate the implied forward curve.

Set out below is a year-end comparison of the book value and fair value of the Group's financial instruments by category.

	31 December 2013		31 December 2012	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash at bank and in hand	9,533	9,533	10,530	10,530
Overdraft	(4,372)	(4,372)	-	-
Short term borrowings	(486,940)	(487,386)	(383,391)	(383,391)
Long term borrowings	(596,522)	(596,522)	(693,439)	(690,606)
Interest rate contracts	-	(21,087)	-	(39,805)

At 31 December 2013 the book value of the short term borrowings includes unamortised borrowing costs of £446,000.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

17. Provisions for liabilities

	Pension £000	Property £000	Other £000	Total £000
<i>Group:</i>				
At 1 January 2013	435	1,374	20	1,829
Utilised during the period	(51)	(210)	-	(261)
Unwinding of discount	43	107	-	150
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	427	1,271	20	1,718
	<hr/>	<hr/>	<hr/>	<hr/>

The pension provision relates to ex-gratia pensions for past employees that are not covered by the Group's pension schemes.

The property provision represents net rents payable as well as allowances for dilapidations on vacant and sub-let leasehold properties. The majority of the property provision at 31 December 2013 is expected to be utilised over the next five years.

Other provisions relate to outstanding legal claims against the Group.

Company:

The Company had no provisions for liabilities at 31 December 2013 (2012: £nil).

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

18. Pensions

The Group operates two defined benefit pension schemes, the Greenalls Group Pension & Life Assurance Scheme (the Greenalls Scheme) and the Bridgemere Pension Scheme (the Bridgemere Scheme), both of which are contracted out with the assets held in separate trustee administered funds. The schemes are now closed to new members. Contributions are paid into the schemes in accordance with the recommendations of an independent actuary on the basis of triennial valuations. The principal employer of the Greenalls Scheme at 31 December 2013 was De Vere Hotels Group Limited and the assets and liabilities of the scheme are presented in its financial statements as it bears the current service cost of the employees. The net assets and liabilities of the Bridgemere Scheme are presented in the financial statements of De Vere St David's Hotels Limited. The disclosures in this note are for both of the Group's schemes in aggregate.

The Group also operates a defined contribution Group Personal Pension Plan for employees in which liabilities are restricted to the level of contributions paid into the Scheme.

The valuations used for the following disclosures have been based on data from full actuarial valuations of each of the schemes carried out in April 2009 for the Greenalls Scheme and 31 December 2007 for the Bridgemere Scheme. These valuations have been updated by qualified actuaries to take account of the requirements of FRS 17 in order to assess the assets and liabilities of the schemes at 31 December 2013. Scheme assets are stated at their market (bid) value. The assumptions, which have had the most significant effect on the funding of the schemes, are set out in the following table:

	31 December 2013 %	31 December 2012 %
Price inflation (RPI)	3.55	3.10
Pension increases (non-guaranteed minimum pension)	3.35	3.00
Return on investments (net of investment costs and expenses)	4.15	4.07

The following assumptions were used to determine the value of the scheme's liabilities:

	31 December 2013 %	31 December 2012 %
Discount rate	4.35	4.40
Inflation rate (RPI)	3.55	3.10
Increase to deferred benefits during deferment	2.55	2.40
Salary increases	3.55	3.10
Expected return on assets	3.59	3.95

The mortality assumption used for the valuation is based on the SAPS tables with a loading of 104% of S1PMA for males and 104% of S1PFA for females with 2011 CMI projections from 2002 for future improvements giving a long term rate of 1% applicable to year of birth (2012: same).

Notes to the financial statements (continued)
for the year ended 31 December 2013

18. Pensions (continued)

The assets in the schemes and the expected rates of return were:

	Value at 31 December 2013 £m	Long term rate of return at 31 December 2013 %	Value at 31 December 2012 £m	Long term rate of return at 31 December 2012 %
Liability Driven Investments	122.7	3.6	-	-
Equities	66.3	7.8	60.8	7.2
Fixed interest gilts	-	-	46.6	3.0
Index linked gilts	3.9	3.6	83.4	3.0
Long-dated corporate bonds	94.8	4.4	100.1	4.1
Cash	1.5	0.5	0.9	0.5
Diversified growth fund	16.7	7.4	15.2	0.0
Other	0.9	0.0	0.9	0.0
Total market value of assets	306.8		307.9	
Present value of scheme liabilities	(297.3)		(296.9)	
Surplus in the scheme	9.5		11.0	
Irrecoverable surplus	(7.9)		(9.3)	
Related deferred tax (liability)	(0.3)		(0.4)	
Net pension asset	1.3		1.3	

The pension surplus represents the excess of the value of the schemes' assets over the present value of the schemes' liabilities. In accordance with FRS 17 the Group does not recognise a pension scheme asset that exceeds the amount that it could potentially recover through reduced contributions or refunds from the schemes.

Analysis of the amount charged to operating profit

	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Current service cost	0.2	0.2
	0.2	0.2

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

18. Pensions *(continued)*

Analysis of the amount charged to other finance costs

	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Expected return on pension scheme assets	(10.9)	(10.6)
Interest on pension scheme liabilities	12.6	13.5
Net charge to finance costs (note 7)	<u>1.7</u>	<u>2.9</u>

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Difference between the expected and actual return on assets	2.0	(13.4)
Changes in assumptions underlying the present value of the scheme liabilities	2.6	13.4
Actuarial loss	4.6	-
(Loss)/gain not recognised due to asset ceiling	(1.4)	0.9
Actuarial loss recognised in STRGL before deferred tax	<u>3.2</u>	<u>0.9</u>

Reconciliation of present value of scheme liabilities

	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Actuarial value of liabilities at 1 January	296.9	288.7
Current service cost	0.2	0.2
Interest cost	12.6	13.5
Actuarial loss	2.6	13.4
Actuarial benefits paid	(15.0)	(18.9)
Actuarial value of scheme liabilities at 31 December	<u>297.3</u>	<u>296.9</u>

Notes to the financial statements (continued)
for the year ended 31 December 2013

18. Pensions (continued)

Reconciliation of fair value of scheme assets

	2013 £m	2012 £m
Actuarial value of assets at 1 January	307.9	299.4
Expected return on scheme assets	10.9	10.6
Actuarial (loss)/gain on assets	(2.0)	13.4
Employer contributions	5.0	3.4
Actual benefits paid	(15.0)	(18.9)
	<hr/>	<hr/>
Fair value of scheme assets at 31 December	306.8	307.9
	<hr/>	<hr/>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross yields at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the period was £9 million (31 December 2012: £24 million). The estimated amount of employer contributions to be paid towards the Group's pension schemes for the year to 31 December 2014 is £3.5 million.

Historic information

Information covering the last five years of the Group's pension assets and liabilities is presented below.

The period ended 31 December 2010 was reported under AHG Venice Limited

	31 December 2013 £m	31 December 2012 £m	31 December 2011 £m	31 December 2010 £m	31 March 2010 £m
Fair value of liabilities at period end	(297.3)	(296.9)	(288.7)	(255.1)	(259.2)
Fair value of assets at period end	306.8	307.9	299.4	281.3	275.4
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Surplus at period end	9.5	11.0	10.7	26.2	16.2
(Loss)/gain on scheme liabilities	(2.6)	(13.4)	(35.8)	1.8	(4.5)
(Loss)/gain on scheme assets	(2.0)	13.4	17.8	6.1	3.6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

At 31 December 2013, the cumulative amount of actuarial losses recognised in the Consolidated statement of total recognised gains and losses was £9,914,000 (31 December 2012: £6,709,000).

Notes to the financial statements (continued)
for the year ended 31 December 2013

19. Share capital

	2013	2013	2012	2012
	Number of	£	Number of	£
	shares		shares	
<i>Authorised</i>				
A ordinary shares of 1p each	30,000	300	30,000	300
B ordinary shares of 1p each	70,000	700	70,000	700
Preferred ordinary shares of 0.0001p each	692,684,870	693	692,684,870	693
	692,784,870	1,693	692,784,870	1,693
	2013	2013	2012	2012
	Number of	£	Number of	£
	shares		shares	
<i>Allotted, called up and fully paid</i>				
A ordinary shares of 1p each	30,000	300	30,000	300
B ordinary shares of 1p each	70,000	700	70,000	700
Preferred ordinary shares of 0.0001p each	692,684,870	693	692,684,870	693
	692,784,870	1,693	692,784,870	1,693

The voting rights of the B Ordinary shares rank pari passu with the A Ordinary shares.

The Preferred Ordinary shares entitle the holder to realise £1 of value from the Group in priority to the Ordinary shareholders in specified events exit.

The rights attached to the Preferred Ordinary shares make it highly unlikely that any distributions will be made by the Company before the Preferred Ordinary shares are redeemed in full. As such all of the net assets of the Group up to a maximum of £693 million, are attributable to the Company's Preferred Ordinary shareholders and only such net assets in excess of £693 million will be attributable to members of the Company.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

20. Reconciliation of movements in shareholders' deficit

	31 December 2013 £000	31 December 2012 £000
<i>Ordinary shareholders - Group and Company</i>		
Opening and Closing Ordinary shareholders' funds	<u>2</u>	<u>2</u>
	31 December 2013 £000	31 December 2012 £000
<i>Preferred Ordinary shareholders - Group</i>		
Opening Preferred Ordinary shareholders' deficit	(79,537)	(44,283)
Loss attributable to Preferred Ordinary shareholders	(98,332)	(34,270)
FRS 17 actuarial loss net of deferred tax attributable to Preferred Ordinary shareholders	(2,520)	(590)
Revaluation reserve movements on freehold and long leasehold properties	(63,444)	(394)
Closing Preferred Ordinary shareholders' deficit	<u>(243,833)</u>	<u>(79,537)</u>
	31 December 2013 £000	31 December 2012 £000
<i>Preferred Ordinary shareholders - Company</i>		
Opening Preferred Ordinary shareholders' deficit	(4,378)	-
Loss attributable to Preferred Ordinary shareholders' (note 21)	(104)	(4,378)
Closing Preferred Ordinary shareholders' deficit	<u>(4,482)</u>	<u>(4,378)</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

21. Reserves

	Profit and loss account £000
<i>Group</i>	
At 1 January 2012	-
(Loss)/profit for the year	(34,270)
FRS 17 actuarial loss net of deferred tax and net of amounts attributable to Preferred Ordinary shares	(590)
Revaluation in year	(394)
Interests attributable to Preferred Ordinary shareholders	35,254
	<hr/>
At 31 December 2012	-
Loss for the year	(98,332)
FRS 17 actuarial loss net of deferred tax and net of amounts attributable to preferred ordinary shares	(2,520)
Revaluation in year (note 9)	(63,444)
Interests attributable to Preferred Ordinary shareholders	164,296
	<hr/>
At 31 December 2013	<hr/> <hr/>
	Profit and loss account £000
<i>Company</i>	
At 1 January 2012	(4,321)
Loss for the year	(57)
Interests attributable to Preferred Ordinary shareholders	4,378
	<hr/>
At 31 December 2012	-
Loss for the year	(104)
Interests attributable to Preferred Ordinary shareholders	104
	<hr/>
At 31 December 2013	<hr/> <hr/>

The Company profit and loss account includes the transactions of De Vere Group Employee Benefit Trust in accordance with UITF Abstract 38 'Accounting for ESOP Trusts', as the Company is the sponsoring entity of the trust.

22. Capital commitments

	Group		Company	
	31 December 2013 £000	31 December 2012 £000	31 December 2013 £000	31 December 2012 £000
Under contract	<u>13,923</u>	<u>14,384</u>	<u>-</u>	<u>-</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

23. Annual commitments under non-cancellable leases

Annual commitments under non-cancellable operating leases are as follows:

	Group		Company	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	£000	£000	£000	£000
Leases of land and buildings ending:				
Within one year	249	307	-	-
Between two and five years	169	418	-	-
After five years	5,169	6,068	-	-
	<u>5,587</u>	<u>6,793</u>	<u>-</u>	<u>-</u>
Other operating leases ending:				
Within one year	375	352	-	-
Between two and five years	265	301	-	-
After five years	2	-	-	-
	<u>642</u>	<u>653</u>	<u>-</u>	<u>-</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

24. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Operating (loss)/profit	(48,047)	22,445
Depreciation and amortisation	28,596	29,866
Fixed asset impairment charge	81,309	27,789
Decrease in provisions	(271)	(11,918)
(Increase)/decrease in stocks	(86)	756
(Decrease)/increase in debtors	3,165	(87)
Increase in creditors	7,806	7,533
Pension deficit payments	(1,847)	(3,206)
Net cash inflow from operating activities	<u>70,625</u>	<u>73,178</u>

25. Reconciliation of net cash flow to movement in net borrowings

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Decrease in cash	(997)	(7,992)
Cash flow (to)/from movement in borrowings	(4,246)	54,945
Cash flow in relation to finance leases	-	17
Change in net borrowings resulting from cash flows	<u>(5,243)</u>	<u>46,970</u>
Non-cash: amortisation and impairment of debt issue costs	(2,386)	(8,768)
Non-cash: disposal of finance leases	-	1,786
Change in net borrowings	<u>(7,629)</u>	<u>39,988</u>
Closing net borrowings	<u>(1,073,929)</u>	<u>(1,066,300)</u>

Note

15

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

26. Analysis of changes in net borrowings during the period

		31 December 2012 £000	Cash flow £000	Non-cash movements £000	31 December 2013 £000
	Note				
Cash at bank and in hand		10,530	(997)	-	9,533
Short-term borrowings	13	(383,391)	(4,246)	(99,303)	(486,940)
Long-term borrowings		(693,439)	-	96,917	(596,522)
	16	<u>(1,066,300)</u>	<u>(5,243)</u>	<u>(2,386)</u>	<u>(1,073,929)</u>

Non-cash movements of £2,386,000 relate amortisation of debt issue costs.

27. Management incentive scheme

Certain employees of the Group participate in a Management Incentive Scheme (MIS). This scheme has been established by issuing shares to employees at unrestricted market value. These shares can only be redeemed in a certain number of situations such as an exit event (linked either to the sale of a division or of the Group's equity), leaving the organisation (in accordance with good leaver provisions or death) or expiration of the scheme. The redemption value of the shares is based on the valuation or sale proceeds of the division being sold or of the Group's shares as appropriate.

Under the MIS, when an exit event occurs the purchaser or the Group is required by the Articles to repurchase the shares held by MIS participants. The value of the MIS shares is directly linked to the disposal proceeds and a minimum sale price has to be met before any benefits accumulate.

The credit for the year relating to the MIS scheme was £800,000 (2012: expense £800,000).

The fair value of the cash settled awards is determined at grant date by comparing the estimated realisable value of the group's equity and assets with the minimum proceeds required by the Articles. The services received and a liability to pay for those services is recognised over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss.

The carrying amount of the liability relating to cash settled awards at 31 December 2013 is £nil (2012: £800,000)

28. Disposals

Grand Harbour Hotel

On 31 January 2013 the Group sold 100% of the ordinary share capital of subsidiaries Grand Harbour Hotel Trading Limited and Grand Harbour Hotel (Southampton) Limited to an unrelated third party for total cash consideration of £18.0 million, being consideration for shares of £5.1 million and the balance of consideration for settlement of inter-company debt. The Group realised a loss on sale of £141,000. The net book value of assets disposed of are as disclosed below:

	£000
Fixed assets	17,275
Stock	173
Debtors	497
Cash	27
Creditors	(13,535)
Net assets	<u>4,437</u>
Consideration	5,124
Disposal costs	(828)
Net proceeds	<u>4,296</u>
Loss on disposal	<u>(141)</u>

The hotel contributed £473,000 to Group turnover during the year ended 31 December 2013 (2012: £8,141,000) and incurred an operating loss of £101,000 (2012: operating profit £142,000). The trading result for the year is classified as discontinued in the current year profit and loss account.

Notes to the financial statements (continued)
for the year ended 31 December 2013

28. Disposals (continued)

De Vere Academy of Hospitality

On 31 May 2013 the Group closed a substantial part of 'De Vere Academy of Hospitality'. On 31 October 2013 the Group sold the trading operations of the remainder of the division 'De Vere Training' to an unrelated third party for consideration of £250,000. Costs incurred in respect of the disposal totalled £664,000 resulting in a loss on disposal of £414,000.

The operations of De Vere Academy of Hospitality contributed £3,130,000 to Group turnover during the year ended 31 December 2013 (2012: £8,840,000) and incurred an operating loss of £2,800,000 (2012: operating loss £1,295,000). The trading result for the year is classified as discontinued in the current year profit and loss account.

Bolton Whites Hotel Limited Joint Venture

On 6 August 2013 one of the Group's subsidiaries, De Vere Venues Limited, sold its 49% interest in a joint venture company, Bolton Whites Hotel Limited for consideration £1. The book value of the Group's investment in the joint venture was nil at the date of disposal however costs incurred by the Group as a result of the transaction totalled £793,000 resulting in a loss on disposal recognised in the profit and loss account. Total costs of £793,000 included the Group's settlement of a £250,000 repayment guarantee on loans in favour of Bank of Scotland plc.

29. Transactions with related parties

Senior debt and interest rate swaps with Bank of Scotland plc

Bank of Scotland plc, a subsidiary of Lloyds Banking Group, is a related party through its relationship with Uberior Equity Limited, another subsidiary of Lloyds Banking Group, which has a 30% interest in the Group. At 31 December 2013, the Group's liabilities included a total of £1,084 million (2012: £1,054 million) of senior debt lent by Bank of Scotland plc to De Vere Limited and De Vere Midco Limited, details of which are provided in note 16 to the financial statements. As set out in note 16, Bank of Scotland plc is also counterparty to approximately £830 million of interest rate swaps (2012: £830 million) which hedge approximately 77% (2012: 77%) of the Group's senior debt at a fixed rate of 2.85% (2012: 2.85%). The finance charges incurred by the Group under these arrangements for the year were approximately £44.5 million (2012: £57 million).

Preferred Ordinary Shares

At 31 December 2013 and 31 December 2012 Uberior Equity Limited, a subsidiary of Lloyds Banking Group, owned 100% of the Preferred Ordinary shares issued by De Vere Limited.

30. Contingent liabilities

Under the terms of the Override agreement, if a redemption event occurs during the Override Period a redemption fee becomes payable to the Bank of Scotland plc. A redemption event includes a default event, change in ownership, liquidation or sale of assets and a refinancing other than by Bank of Scotland Plc. The value of the redemption fee increases over the override period and at 31 December 2013 represented a contingent liability to the group of £46,187,000 (2012: £22,308,000) and as such no provision has been recognised in respect of this at the balance sheet date.

Notes to the financial statements *(continued)*
for the year ended 31 December 2013

31. Post balance sheet events

On 11 March 2014 De Vere Venues Limited was sold to an unrelated third party, for a total consideration of £231.9 million being consideration for shares of £221.0 million and the settlement of amounts owed to group companies of £10.9 million. The De Vere Venues Hotel, Meeting and Conference facility business was material to the Group's operations contributing £116,196,000 to the turnover in 2013 and an operating profit of £19,570,000. The operating result of this business has been included as discontinued in the 2013 profit and loss account.

On 25 April 2014, the Grand Brighton hotel was sold to an unrelated third party for consideration of £50.1 million. The hotel was material to the Group's operations and contributed £12,163,000 to the Group's turnover in 2013 and an operating loss of £286,000 including fixed asset impairments of £2,525,000.

In March 2014 the Group launched a sales process for six of its De Vere Hotels and De Vere Resort Ownership. Along with the Grand in Brighton these hotels represent the entire trading activity of the De Vere Hotels business. This process is well advanced and expected to complete within the second half of 2014. The proceeds from this sale will largely be used to repay Group debt.

In July 2014 the Group launched a sales process for the Village Urban Resorts business. This process is well advanced and expected to complete within the second half of 2014. The proceeds from this sale will be used to repay Group debt.

32. Supplementary information (unaudited)

Prior to the refinancing which took place on 8 March 2010 the activities of all of the Company's trading subsidiaries ("the De Vere Group", or "the Group") were consolidated by the Group's previous parent De Vere Venice Limited, which published consolidated financial statements for calendar years 2007, 2008 and 2009.

Since 8 March 2010 following a refinancing and subsequent restructuring of the De Vere Group, the activities of the Group have been consolidated into the Company's own financial statements rather than those of De Vere Venice Limited.

Furthermore, and in accordance with s399(2) Companies Act 2006 De Vere Venice Limited did not consolidate the activities of its subsidiaries during the period 1 January 2010 to 7 March 2010 into its statutory financial statements for the year ended 31 December 2011, although it was the ultimate parent of those subsidiaries during that period.

In the light of this, the Company's directors believe that it would be helpful to the users of the financial statements to provide a continuous record of the trading performance of the De Vere Group over each of the five years to 31 December 2013. The following tables therefore combine information from

- the audited consolidated financial statements of De Vere Venice Limited and its subsidiaries covering the two years from 1 January 2009 to 31 December 2010
- the unaudited consolidated management accounts of De Vere Venice Limited from 1 January 2010 to 31 March 2010

the audited consolidated financial statements of the Company covering the accounting periods from 1 December 2011 to 31 December 2011, 1 January to 31 December 2012 and 1 January to 31 December 2013 as set out in these financial statements.

Notes to the financial statements (continued)
for the year ended 31 December 2013

32. Supplementary information (unaudited) (continued)

Table 1	12 months to 31 December 2013 £000	12 months to 31 December 2012 £000	12 months to 31 December 2011 £000	12 months to 31 December 2010 £000	12 months to 31 December 2009 £000
Profit and Loss Summary					
<i>Turnover:</i>					
Hospitality	239,955	360,395	376,440	357,529	344,091
Hotels - discontinued	119,799	16,881	-	-	-
Leisure clubs - discontinued	-	1,828	29,403	30,930	32,603
Catering activities - discontinued	-	-	-	15,372	45,080
Spirit manufacture - discontinued	-	-	28,327	46,030	43,353
	359,754	379,104	434,170	449,861	465,127
<i>Group operating profit/(loss) (pre fixed asset impairments):</i>					
Hospitality	16,593	36,544	42,968	46,078	38,883
Significant provisions ⁽¹⁾	-	10,406	-	-	(15,026)
Hotels - discontinued	16,669	3,481	-	-	-
Leisure clubs - discontinued	-	(197)	(644)	2,247	3,763
Spirit manufacture - discontinued	-	-	(1,114)	(846)	1,997
Catering activities - discontinued	-	-	-	(220)	1,578
	33,262	50,234	41,210	47,259	31,195
<i>Group Operating Margin %</i>	9.2	13.3	9.5	10.5	6.7
<i>Hospitality Operating margin %</i>	6.9	10.1	11.4	12.9	11.3
<i>Reconciliation to statutory Group operating profit</i>					
<i>Group operating profit</i>	33,262	50,234	41,210	47,259	31,195
Fixed asset revaluations	(81,309)	(27,789)	(140,424)	(46,251)	(385,681)
<i>Operating (loss)/profit</i>					
Continuing operations	(64,716)	21,994	(95,345)	1,008	(354,486)
Discontinued operations	16,669	451	(3,869)	(220)	-
<i>Operating (loss)/profit</i>	(48,047)	22,445	(99,214)	788	(354,486)

⁽¹⁾ Timeshare provision (2012), Timeshare provision/Whites impairment (2009).

Table 2	12 months to 31 December 2013 £000	12 months to 31 December 2012 £000	12 months to 31 December 2011 £000	12 months to 31 December 2010 £000	12 months to 31 December 2009 £000
Cashflow Summary					
<i>Cashflow from operating activities</i>	70,625	73,178	64,531	64,520	82,796
<i>Capital expenditure</i>	(35,551)	(28,166)	(35,497)	(18,079)	(32,296)
<i>Asset disposals</i>	3,063	54,033	7,619	14,202	3,396
<i>Cashflow (pre financing)</i>	38,137	99,045	36,653	60,643	53,896

Note 32 does not form part of the audited financial statements.