CPUK FINANCE LIMITED

Operating and financial review for the 52 weeks ended 22 April 2021

In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 52 weeks ended 22 April 2021. All figures presented in this report relate to the group of companies headed by Center Parcs (Holdings 1) Limited ("the Group"). All financial results referred to in this document exclude adjusted items, unless otherwise stated.

Summary

- As a result of the village closures during the financial year, the Group recorded an EBITDA loss of £11.9 million for the 52 weeks ended 22 April 2021.

- The villages were open on the following dates during the 52 weeks ended 22 April 2021:

  - 13 July 2020 – 30 October 2020 All five villages open
  - 31 October 2020 – 5 November 2020 Four villages open (Sherwood closed)
  - 4 December 2020 – 18 December 2020 Four villages open (Sherwood closed)
  - 19 December 2020 – 21 December 2020 Three villages open (Sherwood and Woburn closed)
  - 12 April 2021 onwards All five villages open

- All five UK villages are open as at the date of this report and trading well, albeit at a reduced occupancy to allow for social distancing in light of the ongoing Covid-19 pandemic.

- The Group continues to have a robust liquidity position with cash of £94.0 million at 22 April 2021 and £166.7 million as at 15 July 2021.

- Brookfield continues to support the Group and has approved further funding if required.

- Bookings for FY22 are strong and occupancy as at 15 July 2021 is 62.5% compared to 59.1% at the same point in time for FY20. ADR is also ahead of the same point in time in the prior years.

Financial highlights

52 weeks ended 22 April 2021 ("Full Year")

- Revenue of £122.2 million (FY20: £443.7 million) reflects the village closures and restricted accommodation capacity during the periods that the villages were open.

- Cumulative EBITDA loss of £(11.9) million (FY20: profit of £200.0 million) with losses incurred during the periods of village closure offset to some extent by profits when open.

- Occupancy of 22.4% (FY20: 88.0%) reflects the village closures and subsequent capacity restrictions. Occupancy of 59.2% was achieved when the villages were open.

- Year on year ADR growth of 22.5% reflects the timing of village closures and smaller accommodation units being taken off sale as part of the Group's ongoing management of restricted capacity when the villages were open.

- Liquidity remains robust with the Group holding cash of £94.0 million at 22 April 2021.

16 weeks ended 22 April 2021 ("Quarter 4")

- Revenue of £7.3 million (FY20: £83.5 million) was recognised in Quarter 4, reflecting the three breaks between re-opening and year-end.
- As previously reported, the Group incurred losses of £6 million to £7 million every four weeks during the periods when all five villages were closed. As a result of re-opening, an EBITDA loss of £23.5 million was recognised in the 16 weeks ended 22 April 2021.
- Occupancy reflects re-opening for the last three breaks of the financial year with ADR reflecting the mix of lodges sold as part of the ongoing capacity management strategy
- Additional funding of £50.9 million was received from Brookfield during the quarter, by way of equity contribution.

Key performance indicators

	FY21 Full Year	**FY20 Full Year**	**Variance**
Revenue	£122.2m	£443.7m	(72.5)%
EBITDA	£(11.9)m	£200.0m	(106.0)%
Occupancy	22.4%	88.0%	(65.6)%
Trading Occupancy	59.2%	97.4%	(38.2)%
ADR	£238.70	£194.91	+22.5%
RevPAL	£53.45	£171.54	(68.8)%

	FY21 Quarter 4	**FY20 Quarter 4**	**Variance**
Revenue	£7.3m	£83.5m	(91.3)%
EBITDA	£(23.5)m	£20.1m	(216.9)%
Occupancy	4.3%	65.6%	(61.3)%
ADR	£242.41	£148.90	+62.8%
RevPAL	£10.34	£97.71	(89.4)%

	Sherwood Forest	**Elveden Forest**	**Longleat Forest**	**Whinfell Forest**	**Woburn Forest**	**Central overheads**	**Group**
FY21							
Revenue	£21.8m	£27.0m	£25.2m	£24.2m	£24.0m	-	£122.2m
EBITDA	£0.4m	£3.6m	£3.5m	-	£2.3m	£(21.7)m	£(11.9)m
Occupancy	19.5%	24.0%	23.7%	21.6%	23.4%	-	22.4%
FY20							
Revenue	£93.8m	£92.2m	£85.9m	£85.2m	£86.6m	-	£443.7m
EBITDA	£50.3m	£46.8m	£43.6m	£41.3m	£42.2m	£(24.2)m	£200.0m
Occupancy	88.1%	88.6%	88.8%	87.4%	87.3%	-	88.0%
Variance							
Revenue	(76.8)%	(70.7)%	(70.7)%	(71.6)%	(72.3)%	-	(72.5)%
EBITDA	(99.2)%	(92.3)%	(92.0)%	(100.0)%	(94.5)%	10.3%	(106.0)%
Occupancy	(68.6)%	(64.6)%	(65.1)%	(65.8)%	(63.9)%	-	(65.6)%

Results of operations for the 52-week period ended 22 April 2021

Revenue

Revenue for the financial year was £122.2 million, reflecting the village closures and reduced operating capacity when open. Occupancy during the year was 22.4% (FY20: 88.0%) reflecting the village closures. During the period that the villages were open, occupancy of 59.2% was achieved.

The number of units of accommodation at 22 April 2021 was 4,335 compared to 4,323 at 23 April 2020. The movement reflects the construction of 12 new units of accommodation in the year.

Cost of sales

Cost of sales totalled £48.9 million, reflecting staff and other operating costs incurred predominantly when the villages were open.

Administrative expenses

Administrative expenses were £85.2 million compared to £116.5 million in the prior year. This reflects the elimination of non-essential expenditure during the periods of village closure, as well as the benefit of the UK Government's Job Retention Scheme and 12-month business rates holiday.

EBITDA

As a result of the factors outlined above, EBITDA was a loss of £(11.9) million.

Depreciation and amortisation

Depreciation and amortisation totalled £62.5 million compared to £60.8 million in the prior year.

Movement in fair value of financial derivatives

The Group's derivative financial instruments represent options to repay borrowings prior to maturity. Fair values are estimated with reference to the yields of similar corporate bonds with comparable terms and credit ratings.

Finance costs and income

Annual interest payable on the Group's secured debt is £97.1 million. All tranches of secured debt attract a fixed rate of interest. Finance costs principally represent interest payable on the Group's secured debt and the amortisation of associated deferred issue costs.

Finance income represents bank interest receivable.

Taxation

A corporation tax refund of £6.9 million was received during FY21. In the comparative period the Group paid £13.1 million of corporation tax and a further £0.4 million of payments for group relief.

Cash Flow and liquidity

As at 22 April 2021 the Group had cash and cash equivalents of £94.0 million (23 April 2020: £36.4 million) and negative working capital of £151.9 million (23 April 2020: £112.3 million).

Net cash from operating activities was £33.9 million and net cash used in investing activities was £39.0 million (FY20: £151.2 million and £57.4 million respectively).

As at 15 July 2021 the Group had cash and cash equivalents of £166.7 million. During Q4 FY21 funding of £50.9 million was received from Brookfield via an equity contribution. Undrawn funding of £40.0 million remains available to the UK, Ireland and other Group Companies as at the date of this report.

Investment Programme

Accommodation upgrades

The Group is continuing with its 'Project Summer' refurbishment cycle and, as at 22 April 2021, 2,051 units of accommodation have been upgraded to the 'Summer' standard.

New builds

No units of accommodation are currently under construction.

Financial Covenants

Covenants on the Group's secured debt are currently waived.

The FCF : DSCR ratios at the most recent Financial Covenant Test Date (being 18 February 2021) were 1.13 times in respect of the Class A Notes and 0.71 times in respect of the Class B Notes.

The Directors certify that the calculations of the financial covenants and ratios are undertaken accurately and that the information in this report is true and accurate in all material respects.

Maintenance and Investment Capital expenditure

Under the terms of its financing, the Group is required to spend a minimum of £18.5 million per annum on maintenance capital expenditure and an average of £6 million per annum over four years on investment capital expenditure. During the 52 weeks ended 22 April 2021 the Group spent £29.7 million (FY20: £27.5 million) on maintenance capital expenditure and £12.1 million (FY20: £25.4 million) on investment capital expenditure, a total of £41.8 million (FY20: £52.9 million).

Contractual commitments and contingencies

As at 22 April 2021 the Group had capital expenditure contracted for but not provided of £8.7 million. The Group has no other material contractual commitments with the exception of the headleases on the Longleat and Woburn sites. The Group had no material contingent liabilities or assets at 22 April 2021.

Environmental, Social and Corporate Governance ("ESG")

The Group remains fully committed to ESG principles. Having exceeded previously set sustainability targets for 2020, the Group is now updating its environmental agenda. Later in the calendar year, and as previously advised, the Group will introduce a new framework for ESG reporting which will include new targets and an update on its social and corporate governance policies.

Option regarding land in West Sussex

For information only, on 12 July 2021 Center Parcs announced that it had entered into an option agreement in relation to approximately 553 acres of land in West Sussex.

The option agreement has been entered in to by CPUK6 Limited, a company that sits outside of the WBS structure. The Option allows Center Parcs to acquire either the freehold or a long lease of the land subject to obtaining planning permission for a holiday village on the site.

Over the coming months, Center Parcs will begin to engage with local stakeholders and commence pre-planning works with a view to submitting a planning application to the relevant local authority.

When completed and trading, the intention is to procure the accession of CPUK6 Limited into the WBS structure under the terms of the Class A IBLA.

Further updates will be provided as part of the usual quarterly reporting.

Ireland village update

For information only, Center Parcs Longford Forest in Ireland was closed from 6 October 2020 until it re-opened on 18 December 2020. The village closed again on 27 December 2020, in line with Irish Government guidance, and remained closed until 4 June 2021. The village remains open as at the date of this report.

Longford Forest is owned and operated by Center Parcs Ireland Limited, and this entity remains completely outside the WBS structure and has separate funding. On 15 June 2021 Center Parcs Ireland Limited announced an intention to add a further 200 units of accommodation to the Longford Forest site, subject to planning approval.

Future outlook

Despite the uncertainty surrounding the Covid-19 pandemic, demand for Center Parcs breaks remains very strong with occupancy for FY22 currently 62.5% as at 15 July 2021 compared to 59.1% at the same time in FY20. ADR on bookings for FY22 is also higher than that for bookings taken at the same time last year and the year before.

Center Parcs is currently operating to self-imposed occupancy limits which will be regularly reviewed. Further increases will be cautiously effected to ensure the ongoing safety of our guests and employees.

The next operating and financial review will be for the 12 weeks ended 15 July 2021 and it is expected this report will be published in late August 2021.

Investor conference call

An investor conference call will be held on 22 July 2021 at 14:00 (BST) at which the Group will present its financial results. A summary presentation will be released along with the results and will be used as the basis of the investor conference call. Investors wishing to participate in the investor conference call will need to pre-register at http://emea.directeventreg.com/registration/7294039

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Enquiries

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Audited income statement for the 52 weeks ended 22 April 2021

	52 weeks ended 22 April 2021			52 weeks ended 23 April 2020		
	Before adjusted items £m	Adjusted items £m	Total £m	Before adjusted items £m	Adjusted items £m	Total £m
Revenue	**122.2**	**-**	**122.2**	**443.7**	**-**	**443.7**
Cost of sales	(48.9)	-	(48.9)	(127.2)	-	(127.2)
Gross profit	**73.3**	**-**	**73.3**	**316.5**	**-**	**316.5**
Administrative expenses	(85.2)	-	(85.2)	(116.5)	(2.2)	(118.7)
Depreciation and amortisation	(62.5)	-	(62.5)	(60.8)	-	(60.8)
Total operating expenses	(147.7)	-	(147.7)	(177.3)	(2.2)	(179.5)
Operating (loss)/profit	**(74.4)**	**-**	**(74.4)**	**139.2**	**(2.2)**	**137.0**
Movement in fair value of financial derivatives	-	25.2	25.2	-	-	-
Finance income	0.1	-	0.1	0.3	-	0.3
Finance expense	(103.6)	(4.4)	(108.0)	(94.3)	-	(94.3)
(Loss)/profit before taxation	**(177.9)**	**20.8**	**(157.1)**	**45.2**	**(2.2)**	**43.0**
Taxation	33.6	(4.3)	29.3	(9.7)	(10.3)	(20.0)
(Loss)/profit for the period attributable to equity shareholders	**(144.3)**	**16.5**	**(127.8)**	**35.5**	**(12.5)**	**23.0**

EBITDA is derived from the table above as follows:

	2021 £m	2020 £m
Revenue	**122.2**	**443.7**
Cost of sales	(48.9)	(127.2)
Gross profit	**73.3**	**316.5**
Administrative expenses before adjusted items	(85.2)	(116.5)
EBITDA	**(11.9)**	**200.0**

Finance expense in the 52 weeks ended 22 April 2021 includes amortisation of deferred issue costs of £5.6 million (FY20: £3.5 million). This includes accelerated amortisation of deferred issue costs of £1.8 million (FY20: £nil) in respect of the B3 secured notes that were subsequently refinanced.

Adjusted items are those that, by virtue of their nature, size or expected frequency, warrant separate disclosure in the financial statements in order to fully understand the underlying performance of the Group.

Movements in the fair value of financial derivatives are considered to be adjusted income/expenses. The £4.4 million adjusted finance expense for the current period represents £2.6 million of costs incurred to obtain a covenant waiver in respect of the Group's secured debt and £1.8 million of costs in respect of the proposed refinancing of the Group's remaining tranche B3 secured notes. Taxation on these items has also been treated as an adjusted item.

The £2.2 million adjusted administrative expense in the prior period represented £2.0 million in respect of costs to exit a contract and £0.2 million of legal and other associated costs relating to an equity contribution provided by the Group's parent company in light of the Covid-19 pandemic. Taxation on these items was also treated as an adjusted item, as was the impact of the change in applicable deferred tax rate from 17% to 19%.

Unaudited income statement for the 16 weeks ended 22 April 2021

	16 weeks ended 22 April 2021			16 weeks ended 23 April 2020		
	Before adjusted items £m	**Adjusted items £m**	**Total £m**	**Before adjusted items £m**	**Adjusted items £m**	**Total £m**
Revenue	**7.3**	**-**	**7.3**	**83.5**	**-**	**83.5**
Cost of sales	(6.1)	-	(6.1)	(31.9)	-	(31.9)
Gross profit	**1.2**	**-**	**1.2**	**51.6**	**-**	**51.6**
Administrative expenses	(24.7)	-	(24.7)	(31.5)	(2.2)	(33.7)
Depreciation and amortisation	(20.6)	-	(20.6)	(19.8)	-	(19.8)
Total operating expenses	(45.3)	-	(45.3)	(51.3)	(2.2)	(53.5)
Operating (loss)/profit	**(44.1)**	**-**	**(44.1)**	**0.3**	**(2.2)**	**(1.9)**
Movement in fair value of financial derivatives	-	25.2	25.2	-	-	-
Finance income	-	-	-	-	-	-
Finance expense	(32.3)	(2.0)	(34.3)	(29.1)	-	(29.1)
(Loss)/profit before taxation	**(76.4)**	**23.2**	**(53.2)**	**(28.8)**	**(2.2)**	**(31.0)**
Taxation	33.6	(4.3)	29.3	(9.7)	(10.3)	(20.0)
(Loss)/profit for the period attributable to equity shareholders	**(42.8)**	**18.9**	**(23.9)**	**(38.5)**	**(12.5)**	**(51.0)**

EBITDA is derived from the table above as follows:

	2021 £m	2020 £m
Revenue	**7.3**	**83.5**
Cost of sales	(6.1)	(31.9)
Gross profit	**1.2**	**51.6**
Administrative expenses before adjusted items	(24.7)	(31.5)
EBITDA	**(23.5)**	**20.1**

Audited balance sheet as at 22 April 2021

	As at 22 April 2021 £m	As at 23 April 2020 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**140.0**	145.6
Property, plant and equipment	**1,460.4**	1,475.2
Right-of-use assets	**32.1**	32.6
Deferred tax asset	**0.1**	0.4
	1,790.1	1,811.3
Current assets		
Inventories	**3.5**	1.8
Trade and other receivables	**13.6**	10.9
Current tax asset	**1.3**	8.6
Cash and cash equivalents	**94.0**	36.4
Derivative financial instruments	**25.2**	-
	137.6	57.7
Liabilities		
Current liabilities		
Borrowings	**(70.0)**	(0.1)
Trade and other payables	**(196.2)**	(147.4)
	(266.2)	(147.5)
Net current liabilities	**(128.6)**	(89.8)
Non-current liabilities		
Borrowings	**(1,901.0)**	(1,881.2)
Lease liabilities	**(36.9)**	(36.5)
Retirement benefit obligations	**(0.6)**	(1.6)
Deferred tax liability	**(81.1)**	(111.1)
	(2,019.6)	(2,030.4)
Net liabilities	**(358.1)**	(308.9)
Equity		
Equity share capital	**1.0**	1.0
Share premium	**119.9**	41.5
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(325.0)**	(197.4)
Total equity	**(358.1)**	(308.9)

Current trade and other payables include interest and capital accruals totalling £25.4 million (23 April 2020: £20.6 million) and taxation group relief creditors of £1.8 million (23 April 2020: £1.8 million).

Audited cash flow statement for the 52 weeks ended 22 April 2021

	52 weeks ended 22 April 2021 £m	52 weeks ended 23 April 2020 £m	**16 weeks ended 22 April 2021 £m**	16 weeks ended 23 April 2020 £m
Cash flows from operating activities				
Operating (loss)/profit	**(74.4)**	137.0	**(44.1)**	(1.9)
Depreciation and amortisation	**62.5**	60.8	**20.6**	19.8
Working capital movements	**39.6**	(32.8)	**77.2**	16.2
Loss on disposal of property, plant and equipment	**0.2**	0.3	**0.2**	0.3
Difference between the pension charge and contributions	**(0.9)**	(0.6)	**(0.6)**	(0.2)
Corporation tax refunded/(paid) and payments for group relief	**6.9**	(13.5)	**0.9**	(2.1)
Net cash from operating activities	**33.9**	151.2	**54.2**	32.1
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(36.3)**	(53.5)	**(12.7)**	(14.1)
Purchase of intangible assets	**(2.9)**	(4.3)	**(2.9)**	(4.3)
Sale of property, plant and equipment	**0.1**	0.1	**0.1**	0.1
Interest received	**0.1**	0.3	**-**	-
Net cash used in investing activities	**(39.0)**	(57.4)	**(15.5)**	(18.3)
Cash flows from/(used in) financing activities				
Repayment of external borrowings	**(230.1)**	(0.3)	**-**	(0.2)
Proceeds from external borrowings	**250.0**	-	**-**	-
Issue costs on secured debt	**(4.2)**	(0.4)	**(0.1)**	(0.1)
Break costs on secured debt	**(2.5)**	-	**-**	-
Covenant waiver fees	**(2.6)**	-	**(0.5)**	-
Receipt of working capital facility from parent company	**70.0**	-	**-**	-
Interest paid	**(96.1)**	(96.9)	**(48.0)**	(46.8)
Repayment of lease liabilities	**(0.2)**	(0.3)	**(0.2)**	(0.1)
Dividends paid	**-**	(61.2)	**-**	(2.4)
Equity contribution	**78.4**	41.5	**50.9**	41.5
Net cash from/(used in) financing activities	**62.7**	(117.6)	**2.1**	(8.1)
Net increase/(decrease) in cash and cash equivalents	**57.6**	(23.8)	**40.8**	5.7
Cash and cash equivalents at the beginning of the period	**36.4**	60.2	**53.2**	30.7
Cash and cash equivalents at the end of the period	**94.0**	36.4	**94.0**	36.4
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash and cash equivalents	**57.6**	(23.8)	**40.8**	5.7
Cash (inflow)/outflow from movement in debt	**(19.9)**	0.3	**-**	0.2
Change in net debt resulting from cash flows	**37.7**	(23.5)	**40.8**	5.9
Non-cash movements and deferred issue costs	**0.2**	(2.0)	**(1.5)**	(0.6)
Movement in net debt in the period	**37.9**	(25.5)	**39.3**	5.3
Net debt at the beginning of the period	**(1,844.9)**	(1,819.4)	**(1,846.3)**	(1,850.2)
Net debt at the end of the period	**(1,807.0)**	(1,844.9)	**(1,807.0)**	(1,844.9)

Definitions

EBITDA (Earnings before interest, taxation, depreciation and amortisation) is before adjusted items.

Occupancy is the average number of units of accommodation occupied as a percentage of the total number available.

ADR (Average Daily Rate) is the average daily rent (excluding VAT) achieved based on total accommodation income divided by the total number of lodge nights sold.

RevPAL (Rent per available lodge night) is the average daily rent (excluding VAT) achieved based on the total accommodation income divided by the total available number of lodge nights.

Net debt represents third party borrowings less cash and cash equivalents.