CPUK FINANCE LIMITED

Operating and financial review for the 52 weeks ended 25 April 2019

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 25 April 2019 (2018: 53 weeks ended 26 April 2018). 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 exceptional and non-underlying items, unless otherwise stated.

Financial highlights

It should be noted that FY19 consisted of 52 weeks whereas the prior year to 26 April 2018 included 53 weeks of trading. Comparisons to prior year are therefore presented on both a like-for-like ('LFL') 52-week basis and a reported 53-week basis.

Like-for-like 52 weeks ended 25 April 2019

- Strong results further demonstrating the business' resilience, high margins and healthy cash generation.
- Revenue and EBITDA growth of +4.0% and +3.1% to £480.2 million and £232.6 million.
- ADR and RevPAL growth of +3.1% and +2.6% to £191.74 and £186.08.
- Occupancy remains high at 97.1% (FY18: 97.6%).

Key performance indicators

	FY19 52 weeks	FY18 52 weeks LFL	Variance
Revenue	£480.2m	£461.7m	+4.0%
EBITDA	£232.6m	£225.7m	+3.1%
Occupancy	97.1%	97.6%	(0.5)%
ADR	£191.74	£185.92	+3.1%
RevPAL	£186.08	£181.37	+2.6%

	FY19 52 weeks	FY18 53 weeks	Variance
Revenue	£480.2m	£469.0m	+2.4%
EBITDA	£232.6m	£228.4m	+1.8%
Occupancy	97.1%	97.6%	(0.5)%
ADR	£191.74	£184.95	+3.7%
RevPAL	£186.08	£180.46	+3.1%

	FY19 Q4 (16 weeks)	FY18 Q4 (17 weeks)	Variance
Revenue	£134.3m	£141.1m	(4.8)%
EBITDA	£58.5m	£65.7m	(11.0)%
Occupancy	94.5%	96.5%	(2.0)%
ADR	£172.27	£170.57	+1.0%
RevPAL	£162.76	£163.93	(0.7)%

	Sherwood Forest	Elveden Forest	Longleat Forest	Whinfell Forest	Woburn Forest	Central overheads	Group
FY19 (52 weeks)							
Revenue	£100.8m	£100.9m	£92.2m	£91.1m	£95.2m	-	£480.2m
EBITDA	£56.7m	£54.2m	£50.3m	£47.1m	£50.2m	£(25.9)m	£232.6m
Occupancy	96.9%	97.0%	96.4%	97.9%	97.1%	-	97.1%
FY18 (52 weeks LFL)							
Revenue	£96.9m	£95.3m	£90.3m	£87.3m	£91.9m	-	£461.7m
EBITDA	£54.8m	£51.9m	£48.9m	£45.7m	£48.8m	£(24.4)m	£225.7m
Occupancy	97.8%	97.7%	97.3%	97.6%	97.3%	-	97.6%
Variance							
Revenue	+4.0%	+5.9%	+2.1%	+4.4%	+3.6%	-	+4.0%
EBITDA	+3.5%	+4.4%	+2.9%	+3.1%	+2.9%	+6.1%	+3.1%
Occupancy	(0.9)%	(0.7)%	(0.9)%	+0.3%	(0.2)%	-	(0.5)%

	Sherwood Forest	Elveden Forest	Longleat Forest	Whinfell Forest	Woburn Forest	Central overheads	Group
FY19 (52 weeks)							
Revenue	£100.8m	£100.9m	£92.2m	£91.1m	£95.2m	-	£480.2m
EBITDA	£56.7m	£54.2m	£50.3m	£47.1m	£50.2m	£(25.9)m	£232.6m
Occupancy	96.9%	97.0%	96.4%	97.9%	97.1%	-	97.1%
FY18 (53 weeks)							
Revenue	£98.5m	£96.7m	£91.8m	£88.6m	£93.4m	-	£469.0m
EBITDA	£55.5m	£52.5m	£49.5m	£46.3m	£49.4m	£(24.8)m	£228.4m
Occupancy	97.9%	97.7%	97.3%	97.6%	97.3%	-	97.6%
Variance							
Revenue	+2.3%	+4.3%	+0.4%	+2.8%	+1.9%	-	+2.4%
EBITDA	+2.2%	+3.2%	+1.6%	+1.7%	+1.6%	+4.4%	+1.8%
Occupancy	(1.0)%	(0.7)%	(0.9)%	+0.3%	(0.2)%	-	(0.5)%

Results of operations for the 52-week period ended 25 April 2019

Revenue

On a like-for-like 52-week basis the overall revenue increase was £18.5 million or 4.0% to £480.2m. This was as a result of a 5.3% increase in accommodation revenue and an increase in on-village revenue of 2.1%.

Compared to the 53 weeks ended 26 April 2018, revenue increased by £11.2 million, or 2.4%.

The number of units of accommodation at 25 April 2019 was 4,317 compared to 4,227 at 26 April 2018. The movement reflects the construction of 90 new units of accommodation in the year, including the 51 one-bedroom apartment complex at Elveden. Overall occupancy decreased marginally, from 97.6% to 97.1%.

On a like-for-like 52-week basis, ADR and RevPAL increased by 3.1% and 2.6% respectively to £191.74 and £186.08.

Compared to the 53 weeks ended 26 April 2018, ADR increased by 3.7% and RevPAL increased by 3.1%.

Cost of sales

On a like-for-like 52-week basis cost of sales increased by £7.7 million or 6.3% to £129.1 million.

This increase reflects the increase in on-village revenue and the impact of the increased National Living Wage effective from 1 April 2018 and 1 April 2019.

Compared to the 53 weeks ended 26 April 2018 cost of sales increased by £5.4 million or 4.4%.

Administrative expenses

On a like-for-like 52-week basis administrative expenses increased by £3.9 million or 3.4% to £118.5 million.

Compared to the 53 weeks ended 26 April 2018 administrative expenses increased by £1.6 million or 1.4%.

EBITDA

As a result of the factors outlined above, excluding the impact of the 53rd week in the prior financial year, EBITDA grew by £6.9 million or 3.1% in comparison to the prior year to £232.6 million.

Compared to the 53 weeks ended 26 April 2018, EBITDA grew by £4.2 million or 1.8%.

Q4 FY19 comparatives were adversely affected by the timing of peak New Year breaks falling into Q3 this year and the impact of the 53rd week. The performance uplift in Q3 FY19 was previously reported.

Depreciation and amortisation

Depreciation and amortisation for the 52 weeks ended 25 April 2019 was £57.7 million, an increase of £5.0 million compared to the 53 weeks ended 26 April 2018. This reflects the Group's ongoing capital investment programme and the 53rd week included in the prior year.

Finance costs and income

On 20 November 2018 the Group issued £100.0 million of additional A4 secured notes and £379.5 million of new A5 secured notes. Part of the proceeds was used to settle £350.0 million of A3 secured notes that had an expected maturity date of 28 February 2020. Make whole costs of £6.1 million in respect of the settlement of the A3 secured notes have been recognised as an exceptional/non-underlying finance expense, together with £1.6 million of accelerated amortisation of deferred issue costs in respect of the A3 notes.

Following this refinancing, annual interest payable on the Group's secured debt is £90.6 million. All tranches of secured debt attract a fixed rate of interest.

Finance costs in the periods under review principally represent interest payable on the secured debt and the amortisation of associated deferred issue costs. Finance income represents bank interest receivable.

Taxation

Corporation tax paid and payments for group relief totalled £14.0 million during the 52 weeks ended 25 April 2019 compared with £1.0 million in the 53 weeks ended 26 April 2018.

Cash Flow

As at 25 April 2019 the Group had cash and cash equivalents of £60.2 million (26 April 2018: £46.1 million) and negative working capital of £145.1 million (26 April 2018: £138.7 million). Working capital is defined as the net value of the Group's inventories, trade and other receivables and current trade and other payables (excluding taxation creditors and capital and interest accruals).

Net cash from operating activities was £225.2 million and net cash used in investing activities was £66.0 million in the 52 weeks ended 25 April 2019 (53 weeks ended 26 April 2018: £237.3 million and £85.5 million respectively).

Dividends of £27.5 million were declared and paid during the quarter, bringing the total for the year to £183.0 million.

As previously reported, and for information only, on 7 February 2019 Center Parcs Finance Borrower Limited, a company outside of the UK securitisation structure, drew down £185.0 million on a new loan facility. The lender in respect of this facility would rank below all secured note holders in the event of a liquidation.

Investment Programme

Accommodation upgrades

The Group is continuing its 'Project Summer' refurbishment cycle and 1,447 units of accommodation had been upgraded to the 'Summer' standard as at 25 April 2019. Lodge upgrades at Whinfell are ongoing and a further 76 lodges are expected to be upgraded during Q1 FY20.

As previously outlined, the Project Summer refurbishment cycle is a lighter touch refurbishment than the previous Project Spring programme, with accommodation units offline for roughly half the time and costs approximately half those of the previous upgrades.

New builds

The project to construct an additional 33 lodges at Whinfell concluded during the quarter, with the final 26 lodges completed during March and April 2019.

Construction has commenced on four Treehouses at Whinfell and 17 lodges at Woburn.

Financial covenants

Classes A and B

Covenants have been calculated on a pro-forma basis, which assumes that the current (i.e. post-20 November 2018) financing structure and cost of debt was in place for the 52 weeks ended 25 April 2019.

The Class A FCF: DSCR was 3.6 times for the 52 weeks ended 25 April 2019 (covenant: 1.1 times) and the Class B FCF: DSCR was 2.3 times (covenant 1.0 times).

Class B

The Consolidated Leverage Ratio (Gross Debt: EBITDA) was 8.1 times as at 25 April 2019.

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. All covenants were satisfied as at 25 April 2019.

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 25 April 2019 the Group spent £27.1 million (53 weeks ended 26 April 2018: £25.7 million) on maintenance capital expenditure and £39.1 million (53 weeks ended 26 April 2018: £58.8 million) on investment capital expenditure.

Contractual commitments and contingencies

As at 25 April 2019 the Group had capital expenditure contracted for but not provided of £21.4 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 25 April 2019.

Ireland development update

For information only, the new Center Parcs development in County Longford, Ireland is nearing completion and is due to open in July 2019. The project is on time and to budget. The entity remains completely outside the UK Whole Business Securitisation and has separate development funding.

Future outlook

As at 24 June 2019 54% of this financial year's capacity is now booked compared to 53% at the same time last year. ADR growth on forward bookings is currently ahead of that seen during the 52 weeks ended 25 April 2019.

The next operating and financial review will be for the 12 weeks ended 18 July 2019 and we expect this report will be published in late August 2019.

Investor conference call

An investor conference call will be held on 27 June 2019 at 2.00pm (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 need to pre-register at
http://emea.directeventreg.com/registration/9393635

Full participant information (including dial-in number) will be provided upon registration.

Colin McKinlay
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Audited income statement for the 52 weeks ended 25 April 2019

	52 weeks ended 25 April 2019			53 weeks ended 26 April 2018		
	Before exceptional and non-underlying items £m	**Exceptional and non-underlying items £m**	**Total £m**	**Before exceptional and non-underlying items £m**	**Exceptional and non-underlying items £m**	**Total £m**
Revenue	**480.2**	**-**	**480.2**	**469.0**	**-**	**469.0**
Cost of sales	(129.1)	-	(129.1)	(123.7)	-	(123.7)
Gross profit	**351.1**	**-**	**351.1**	**345.3**	**-**	**345.3**
Administrative expenses	(118.5)	-	(118.5)	(116.9)	(2.3)	(119.2)
EBITDA	***232.6***	**-**	***232.6***	***228.4***	**(2.3)**	***226.1***
Depreciation and amortisation	(57.7)	-	(57.7)	(52.7)	-	(52.7)
Total operating expenses	(176.2)	-	(176.2)	(169.6)	(2.3)	(171.9)
Operating profit	**174.9**	**-**	**174.9**	**175.7**	**(2.3)**	**173.4**
Finance income	0.2	-	0.2	0.3	-	0.3
Finance expense	(90.9)	(7.7)	(98.6)	(88.5)	(26.9)	(115.4)
Profit before taxation	**84.2**	**(7.7)**	**76.5**	**87.5**	**(29.2)**	**58.3**
Taxation	(15.2)	1.5	(13.7)	(14.0)	7.2	(6.8)
Profit for the period attributable to equity shareholders	**69.0**	**(6.2)**	**62.8**	**73.5**	**(22.0)**	**51.5**

Finance expense in the 52 weeks ended 25 April 2019 includes amortisation of deferred issue costs of £3.6 million (FY18: £4.4 million).

Exceptional and non-underlying items

The £7.7 million exceptional/non-underlying finance expense in the current period represents the premium paid on the settlement of the A3 tranche of the Group's secured debt of £6.1 million and accelerated amortisation of deferred issue costs in respect of the A3 tranche of £1.6 million. Taxation on this expense has also been treated as an exceptional/non-underlying item.

Exceptional/non-underlying administrative expenses in the prior period represented £1.6 million of costs relating to legal claims and associated settlements, together with £0.7m of one-off restructuring and reorganisation costs. The £26.9 million exceptional/non-underlying finance expense in the prior period represented the premium paid on the settlement of the B2 tranche of the Group's secured debt. Taxation on these expenses was also treated as an exceptional/non-underlying item.

A taxation credit of £1.9 million in respect of a one-off adjustment to group relief was also treated as an exceptional/non-underlying item in the prior period.

Unaudited income statement for the 16 weeks ended 25 April 2019

	16 weeks ended 25 April 2019			17 weeks ended 26 April 2018		
	Before exceptional and non-underlying items £m	**Exceptional and non-underlying items £m**	**Total £m**	**Before exceptional and non-underlying items £m**	**Exceptional and non-underlying items £m**	**Total £m**
Revenue	**134.3**	**-**	**134.3**	**141.1**	**-**	**141.1**
Cost of sales	(38.4)	-	(38.4)	(38.6)	-	(38.6)
Gross profit	**95.9**	**-**	**95.9**	**102.5**	**-**	**102.5**
Administrative expenses	(37.4)	-	(37.4)	(36.8)	(2.3)	(39.1)
EBITDA	***58.5***	**-**	***58.5***	***65.7***	***(2.3)***	***63.4***
Depreciation and amortisation	(19.2)	-	(19.2)	(17.9)	-	(17.9)
Total operating expenses	(56.6)	-	(56.6)	(54.7)	(2.3)	(57.0)
Operating profit	**39.3**	**-**	**39.3**	**47.8**	**(2.3)**	**45.5**
Finance income	0.1	-	0.1	0.1	-	0.1
Finance expense	(29.3)	-	(29.3)	(28.2)	-	(28.2)
Profit before taxation	**10.1**	-	**10.1**	**19.7**	**(2.3)**	**17.4**
Taxation	(15.2)	1.5	(13.7)	(14.0)	7.2	(6.8)
Profit/(loss) for the period attributable to equity shareholders	**(5.1)**	**1.5**	**(3.6)**	**5.7**	**4.9**	**10.6**

Audited balance sheet as at 25 April 2019

	As at 25 April 2019 £m	As at 26 April 2018 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**148.5**	148.7
Property, plant and equipment	**1,480.0**	1,470.8
Right-of-use assets	**30.5**	-
Deferred tax asset	**0.2**	0.8
	1,816.7	1,777.8
Current assets		
Inventories	**3.9**	3.8
Trade and other receivables	**9.9**	9.8
Current tax asset	**-**	3.7
Cash and cash equivalents	**60.2**	46.1
	74.0	63.4
Liabilities		
Current liabilities		
Borrowings	**(0.3)**	(0.3)
Current tax liability	**(0.1)**	-
Trade and other payables	**(190.3)**	(188.0)
	(190.7)	(188.3)
Net current liabilities	**(116.7)**	(124.9)
Non-current liabilities		
Borrowings	**(1,879.3)**	(1,748.1)
Lease liabilities	**(33.6)**	-
Retirement benefit obligations	**(1.3)**	(1.2)
Deferred tax liability	**(97.3)**	(92.0)
	(2,011.5)	(1,841.3)
Net liabilities	**(311.5)**	(188.4)
Equity		
Equity share capital	**1.0**	1.0
Other reserve	**(154.0)**	(154.0)
Retained earnings	**(158.5)**	(35.4)
Total equity	**(311.5)**	(188.4)

Current trade and other payables include interest and capital accruals totalling £31.4 million (26 April 2018: £24.7 million) and taxation group relief creditors of £nil (26 April 2018: £11.0 million).

The Group has adopted IFRS 16 ‘Leases’ for the financial year ending 25 April 2019, using the modified retrospective approach.

Audited cash flow statement for the 52 weeks ended 25 April 2019

	52 weeks ended 25 April 2019 £m	53 weeks ended 26 April 2018 £m	**16 weeks ended 25 April 2019 £m**	17 weeks ended 26 April 2018 £m
Cash flows from operating activities				
Operating profit	**174.9**	173.4	**39.3**	45.5
Depreciation and amortisation	**57.7**	52.7	**19.2**	17.9
Working capital movements	**7.2**	12.7	**48.1**	41.6
Profit on disposal of property, plant and equipment	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Difference between the pension charge and contributions	**(0.5)**	(0.3)	**(0.2)**	-
Corporation tax paid and payments for group relief	**(14.0)**	(1.0)	**(13.8)**	(0.2)
Net cash from operating activities	**225.2**	237.3	**92.5**	104.6
Cash flows used in investing activities				
Purchase of property, plant and equipment	**(59.5)**	(74.7)	**(11.2)**	(13.1)
Purchase of intangible assets	**(6.8)**	(11.3)	**(6.8)**	(11.3)
Sale of property, plant and equipment	**0.1**	0.2	**0.1**	0.2
Interest received	**0.2**	0.3	**-**	0.1
Net cash used in investing activities	**(66.0)**	(85.5)	**(17.9)**	(24.1)
Cash flows used in financing activities				
Repayment of external borrowings	**(350.2)**	(560.3)	**(0.1)**	(0.2)
Proceeds from external borrowings	**482.7**	839.5	**-**	-
Issue costs on secured debt	**(4.8)**	(9.3)	**(1.2)**	(0.4)
Break costs on secured debt	**(6.1)**	(26.9)	**-**	-
Interest paid	**(83.7)**	(84.5)	**(40.2)**	(41.9)
Repayment of lease liabilities	**-**	-	**0.1**	-
Dividends paid	**(183.0)**	(298.2)	**(27.5)**	(31.2)
Net cash used in financing activities	**(145.1)**	(139.7)	**(68.9)**	(73.7)
Net increase in cash and cash equivalents	**14.1**	12.1	**5.7**	6.8
Cash and cash equivalents at the beginning of the period	**46.1**	34.0	**54.5**	39.3
Cash and cash equivalents at the end of the period	**60.2**	46.1	**60.2**	46.1
Reconciliation of net cash flow to movement in net debt				
Increase in cash and cash equivalents	**14.1**	12.1	**5.7**	6.8
Cash (inflow)/outflow from movement in debt	**(132.5)**	(279.2)	**0.1**	0.2
Change in net debt resulting from cash flows	**(118.4)**	(267.1)	**5.8**	7.0
Non-cash movements and deferred issue costs	**1.3**	5.8	**(1.9)**	(0.9)
Movement in net debt in the period	**(117.1)**	(261.3)	**3.9**	6.1
Net debt at the beginning of the period	**(1,702.3)**	(1,441.0)	**(1,823.3)**	(1,708.4)
Net debt at the end of the period	**(1,819.4)**	(1,702.3)	**(1,819.4)**	(1,702.3)

Definitions

EBITDA (Earnings before interest, taxation, depreciation and amortisation) is before exceptional/non-underlying 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.

Critical accounting policies

The following accounting policies are considered to be critical for an understanding of the financial information presented in this document. A full list of accounting policies applied by the Group are presented in the Annual Report of Center Parcs (Holdings 1) Limited.

Revenue
Revenue relates to accommodation rental income on holidays commenced during the period, together with other related income that primarily arises from on-village leisure, retail and food and beverage spend. Revenue relating to accommodation is recognised on a straight-line basis over the period of the holiday. The performance obligation for non-rental income, and hence the basis for revenue recognition, is when the related product or service is provided to the guest. All revenue is recorded net of VAT.

Payment for accommodation rental income is received in advance of holidays commencing, and is recorded as 'deferred income' within Trade and other payables until the holiday commences. A number of trading units on each holiday village are operated by concession partners. Revenue due in respect of such units is recognised on an accruals basis. All revenue arises in the United Kingdom.

Property, plant and equipment
The Group carries property, plant and equipment at cost rather than current valuation. As such, no increases in the value of the Group's property, plant and equipment are recognised in the financial statements. Any impairment to the carrying value of these assets is recognised in the income statement.

Maintenance expenditure
It is the policy of the Group to maintain its land and buildings to a high standard. Where maintenance expenditure increases the benefits that property, plant and equipment is expected to generate, this expenditure is capitalised. All other maintenance costs are charged to the income statement as incurred.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.