CPUK FINANCE LIMITED

Operating and financial review for the 12 weeks ended 14 July 2016

In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 12 weeks ended 14 July 2016.

All figures presented in this report relate to the group of companies headed by Center Parcs (Holdings 1) Limited ("the Group").

All figures presented in this report are unaudited. All financial results referred to in this document exclude exceptional and non-underlying items, unless otherwise stated.

Financial highlights

- Group net revenue up 3.6% to £94.3 million (2015/16: £91.0 million) and EBITDA up 3.6% to £43.2 million (2015/16: £41.7 million).
- ADR and RevPAL up 4.3% and 3.7% to £162.54 and £156.40 respectively (2015/16: £155.78 and £150.75).
- The Group's accelerated capital investment programme has continued, with 3.1% of accommodation offline for upgrade during the quarter (2015/16: 2.0%).

Key performance indicators

	2016/17 12 weeks	2015/16 12 weeks	Variance
Net revenue	£94.3m	£91.0m	3.6%
EBITDA	£43.2m	£41.7m	3.6%
Occupancy	96.2%	96.8%	(0.6)%
ADR	£162.54	£155.78	4.3%
RevPAL	£156.40	£150.75	3.7%

Results of operations for the 12 week period ended 14 July 2016

Revenue

Revenue increased by £3.3 million, or 3.6%, to £94.3 million in the 12-week period ended 14 July 2016 compared to £91.0 million in the 12-week period ended 16 July 2015. This increase was the result of a 3.9% increase in accommodation revenue and an increase in on-village revenue of 3.3%.

Occupancy decreased from 96.8% to 96.2% reflecting the higher number of units of accommodation offline for upgrade during the quarter. Approximately 3.1% of the Group's accommodation was offline in the 12 weeks ended 14 July 2016, compared to approximately 2.0% in the 12 weeks ended 16 July 2015.

ADR growth has continued at all five villages, and increased by 4.3% for the Group as a whole to £162.54 in the 12 weeks ended 14 July 2016. This increased ADR combined with the slightly lower occupancy rate to deliver RevPAL growth of 3.7% to £156.40.

Cost of sales

Cost of sales increased to £26.1 million in the 12 weeks ended 14 July 2016 (2015/16: £24.9 million). This reflects both the increase in on-village revenue and the impact from the introduction of the National Living Wage on 1 April 2016.

Administrative expenses

Administrative expenses increased to £25.0 million in the 12 weeks ended 14 July 2016 (2015/16: £24.0 million); this was principally due to increased payroll costs.

EBITDA

As a result of the factors outlined above, EBITDA grew by £1.5 million or 3.6% in comparison to the prior year.

EBITDA for the 52 weeks ended 14 July 2016 was £199.3 million.

Depreciation and amortisation

Depreciation and amortisation for the 12 weeks ended 14 July 2016 was £11.8 million, an increase of £2.2 million in comparison to the charge for the 12 weeks ended 16 July 2015; this reflects the Group's ongoing capital investment programme.

Finance costs and income

With effect from 3 August 2015, and the refinancing of the Group's B secured notes, annual interest payable on the Group's secured debt is £85.4 million. All tranches of secured debt attract a fixed rate of interest.

Finance costs in the period under review represent interest payable on the secured debt and the amortisation of associated deferred issue costs. Finance costs in the comparative period also included interest payable to related parties.

Finance income represents bank interest receivable.

Taxation

The Group's taxation assets and liabilities are calculated annually and hence no tax charge or credit is included in the financial statements presented in this report. Corporation tax of £0.4 million was paid during the 12 weeks ended 14 July 2016 compared with £0.3 million in the comparative period.

Cash Flow

As at 14 July 2016 the Group had cash and cash equivalents of £54.1 million (16 July 2015: £45.4 million) and negative working capital of £123.1 million (16 July 2015: £119.4 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 £46.1 million and net cash used in investing activities was £39.7 million in the 12 weeks ended 14 July 2016 (2015/16: £46.6 million and £155.8 million respectively). Cash used in investing activities in the comparative period included £140.5 million in respect of the acquisition CP Woburn (Operating Company) Limited.

As permitted under the terms of our financing, the Group paid a dividend of £9.8 million during the 12 weeks ended 14 July 2016.

Investment Programme

Accommodation upgrades

The accommodation upgrade programme known internally as "Project Spring" continued during the quarter and a further 87 lodges at Longleat and Whinfell were upgraded. A further 121 units of accommodation will be upgraded before the end of December 2016, at which point all accommodation at the Original Four Villages will have been upgraded, with the exception of the Hotel at Elveden which is due to be redeveloped.

A new refurbishment cycle known internally as "Project Summer", commenced in April 2016. The Project Summer refurbishment cycle is not as transformational as the Project Spring programme, as accommodation units will be offline for roughly half the time and the costs will be approximately half those of the previous upgrades. Project Summer initially started at Elveden where all of the accommodation units (excluding the Hotel) have been upgraded as part of Project Spring. The initial phase of Project Summer covered 125 units of accommodation and these refurbishments were completed in June 2016. It is anticipated that the second phase of the project, covering 120 units of accommodation, will commence in January 2017.

New builds

Construction has continued on 18 three-bedroom Executive lodges at Woburn that are expected to open in August 2016; construction of a further 57 new lodges at Woburn will commence in September 2016. Four Treehouses opened at Elveden in July 2016 and work is progressing on a 48-unit apartment complex that is due to open in November 2016. Later in the year we plan to commence the construction of six three-bedroom Executive lodges at Longleat (scheduled to commence in September 2016) and ten four-bedroom Exclusive lodges at Whinfell (scheduled to commence in October 2016).

Financial covenants

Classes A and B

Covenants have been calculated on a pro-forma basis, which assumes that the current (i.e. post-3 August 2015) financing structure and cost of debt was in place for the 52 weeks ended 14 July 2016.

The Class A FCF: DSCR was 4.0 times for the 52 weeks ended 14 July 2016 (covenant: 1.1 times) and the Class B FCF: DSCR was 2.2 times (covenant 1.0 times).

Class B

The Consolidated Leverage Ratio (Gross Debt: EBITDA) was 7.48 times as at 14 July 2016.

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 14 July 2016.

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 12 weeks ended 14 July 2016 the Group spent £2.4 million (2015/16: £2.7 million) on maintenance capital expenditure and £18.5 million (2015/16: £7.2 million) on investment capital expenditure, predominantly in respect of new build accommodation and the upgrading of existing units of accommodation.

As in previous years, total capital expenditure is expected to be higher in the second half of the year.

Center Parcs Ireland

On 27 July 2016 the Irish planning authorities granted full consent for the construction of Center Parcs Longford Forest. The new village is expected to open to the public in 2019; it will be owned, developed and funded outside of the securitised Group.

Future outlook

Forward bookings for the Group remain ahead of the prior year with 62.2% of this financial year's capacity booked (2015/16: 59.9%) as at 29 July 2016. ADR growth remains strong on forward bookings and is consistent with the trends seen in the second half of FY16.

The next operating and financial review will be for the 24 weeks ended 6 October 2016 and we expect this report will be published in mid-November 2016.

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Unaudited income statement for the 12 weeks ended 14 July 2016

	12 weeks ended 14 July 2016			12 weeks ended 16 July 2015		
	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	**94.3**	**-**	**94.3**	**91.0**	**-**	**91.0**
Cost of sales	(26.1)	-	(26.1)	(24.9)	-	(24.9)
Gross profit	**68.2**	**-**	**68.2**	**66.1**	**-**	**66.1**
Administrative expenses	(25.0)	**-**	(25.0)	(24.4)	(3.4)	(27.8)
EBITDA	***43.2***	**-**	***43.2***	***41.7***	***(3.4)***	***38.3***
Depreciation and amortisation	(11.8)	-	(11.8)	(9.6)	-	(9.6)
Total administrative expenses	(36.8)	**-**	(36.8)	(34.0)	(3.4)	(37.4)
Operating profit/(loss)	**31.4**	**-**	**31.4**	**32.1**	**(3.4)**	**28.7**
Finance income	0.1	**-**	0.1	0.2	-	0.2
Finance expense	(20.7)	**-**	(20.7)	(27.5)	(20.0)	(47.5)
Profit/(loss) before taxation	**10.8**	**-**	**10.8**	**4.8**	**(23.4)**	**(18.6)**
Taxation	-	**-**	-	-	-	-
Profit/(loss) for the period attributable to equity shareholders	**10.8**	**-**	**10.8**	**4.8**	**(23.4)**	**(18.6)**

Finance expense in the 12 weeks ended 14 July 2016 includes interest payable to related parties of £nil (2015/16: £7.3 million) and amortisation of deferred issue costs of £0.9 million (2015/16: £0.6 million).

Exceptional and non-underlying items

The £3.4 million of exceptional/non-underlying administrative expenses in the comparative period were costs incurred in respect of the Group's review of its strategic options, which resulted in the Group's acquisition by a fund managed by a subsidiary of Brookfield Asset Management Inc.

The £20.0 million exceptional/non-underlying finance expense in the comparative period related to make-whole and consent fees incurred in respect of the refinancing of the A1 tranche of the Group's secured debt.

Unaudited balance sheet as at 14 July 2016

	As at 14 July 2016 £m	As at 16 July 2015 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**127.6**	127.3
Property, plant and equipment	**1,422.7**	1,393.5
Deferred tax asset	**12.7**	6.9
	1,720.5	1,685.2
Current assets		
Inventories	**3.6**	3.4
Trade and other receivables	**10.2**	7.9
Current tax asset	**5.7**	4.6
Derivative financial instruments	**-**	16.8
Cash and cash equivalents	**54.1**	45.4
	73.6	78.1
Liabilities		
Current liabilities		
Borrowings	**(0.3)**	(0.3)
Trade and other payables	**(180.9)**	(167.6)
	(181.2)	(167.9)
Net current liabilities	**(107.6)**	(89.8)
Non-current liabilities		
Borrowings	**(1,466.7)**	(1,185.8)
Trade and other payables	**-**	(329.3)
Retirement benefit obligations	**(2.0)**	(2.7)
Deferred tax liability	**(99.6)**	(111.6)
	(1,568.3)	(1,629.4)
Net assets/(liabilities)	**44.6**	(34.0)
Equity		
Equity share capital	**1.0**	-
Share premium	**74.3**	1.2
Other reserve	**(154.0)**	(154.0)
Retained earnings	**123.3**	118.8
Total equity	**44.6**	(34.0)

Current trade and other payables include interest and capital accruals totalling £38.5 million (16 July 2015: £36.9 million) and taxation group relief creditors of £5.5 million (16 July 2015: £nil).

Unaudited cash flow statement for the 12 weeks ended 14 July 2016

	12 weeks ended 14 July 2016 £m	12 weeks ended 16 July 2015 £m
Cash flows from operating activities		
Operating profit	**31.4**	28.7
Depreciation and amortisation	**11.8**	9.6
Working capital movements	**3.4**	8.6
Difference between the pension charge and contributions	**(0.1)**	-
Corporation tax paid	**(0.4)**	(0.3)
Net cash from operating activities	**46.1**	46.6
Cash flows from investing activities		
Purchase of property, plant and equipment	**(29.9)**	(15.3)
Acquisition of CP Woburn (Operating Company) Limited	**-**	(140.5)
Dividends paid	**(9.8)**	-
Net cash used in investing activities	**(39.7)**	(155.8)
Cash flows from financing activities		
Repayment of external borrowings	**(0.1)**	(458.6)
Proceeds from external borrowings	**-**	490.0
Proceeds from related party loans	**-**	49.9
Issue costs and consent fees on secured debt	**-**	(5.7)
Break costs on secured debt	**-**	(19.3)
Interest received	**0.1**	0.2
Interest paid	**-**	(5.9)
Net cash from financing activities	**-**	50.6
Net increase/(decrease) in cash and cash equivalents	**6.4**	(58.6)
Cash and cash equivalents at the beginning of the period	**47.7**	104.0
Cash and cash equivalents at the end of the period	**54.1**	45.4
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash and cash equivalents	**6.4**	(58.6)
Cash inflow from movement in debt	**0.1**	(31.4)
Change in net debt resulting from cash flows	**6.5**	(90.0)
Non-cash movements and deferred issue costs	**(0.9)**	6.9
Movement in net debt in the period	**5.6**	(83.1)
Net debt at the beginning of the period	**(1,418.5)**	(1,057.6)
Net debt at the end of the period	**(1,412.9)**	(1,140.7)

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.