CPUK FINANCE LIMITED

Operating and financial review for the 36 weeks ended 29 December 2016

In accordance with the reporting requirements of its financing, CPUK Finance Limited is pleased to present its operating and financial review for the 36 weeks ended 29 December 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

36 weeks ended 29 December 2016

- Revenue up 3.9% to £312.6 million (2015/16: £301.0 million) and EBITDA up 5.6% to £155.2 million (2015/16: £147.0 million).
- ADR and RevPAL up 6.0% and 4.9% to £185.16 and £179.59 respectively (2015/16: £174.61 and £171.22).
- The Group's accelerated capital investment programme has continued, with 2.5% of accommodation offline for upgrade during the 36 weeks ended 29 December 2016 (36 weeks ended 31 December 2015: 1.1%).

12 weeks ended 29 December 2016

- Q3 revenue and EBITDA growth of 3.5% and 6.3% to £104.3 million and £49.3 million respectively (2015/16: £100.8 million and £46.4 million respectively).
- Significant accommodation upgrade work took place during the quarter, with 2.6% of accommodation offline for upgrade (2015/16: 0.5%).
- The New Year break occurred in Q4 of FY17 but in Q3 of FY16. The adverse EBITDA impact of this timing difference is estimated to be approximately £2 million.

Key performance indicators

	2016/17 36 weeks	2015/16 36 weeks	Variance
Revenue	£312.6m	£301.0m	3.9%
EBITDA	£155.2m	£147.0m	5.6%
Occupancy	97.0%	98.1%	(1.1)%
ADR	£185.16	£174.61	6.0%
RevPAL	£179.59	£171.22	4.9%

	2016/17 Q3	2015/16 Q3	Variance
Revenue	£104.3m	£100.8m	3.5%
EBITDA	£49.3m	£46.4m	6.3%
Occupancy	96.8%	98.8%	(2.0)%
ADR	£185.71	£172.93	7.4%
RevPAL	£179.79	£170.88	5.2%

Results of operations for the 36 week period ended 29 December 2016

Revenue

Revenue increased by £11.6 million, or 3.9%, to £312.6 million in the 36-week period ended 29 December 2016 compared to £301.0 million in the 36-week period ended 31 December 2015. This increase was as a result of a 5.2% increase in accommodation revenue and a 2.0% increase in on-village revenue.

Occupancy decreased from 98.1% to 97.0% reflecting the higher number of units of accommodation offline for upgrade during the 36-week period. Approximately 2.5% of the Group's accommodation was offline in the 36 weeks ended 29 December 2016, compared to approximately 1.1% in the 36 weeks ended 31 December 2015.

ADR growth has continued at all five villages, and increased by 6.0% for the Group as a whole to £185.16 in the 36 weeks ended 29 December 2016. This increased ADR combined with the slightly lower occupancy rate delivered RevPAL growth of 4.9% to £179.59.

Cost of sales

Cost of sales increased to £81.0 million in the 36 weeks ended 29 December 2016 (2015/16: £78.3 million). This reflects both the increase in on-village revenue and the impact of the introduction of the National Living Wage on 1 April 2016.

Administrative expenses

Administrative expenses marginally increased to £76.4 million in the 36 weeks ended 29 December 2016 (2015/16: £75.7 million); this was principally due to increased payroll costs.

EBITDA

As a result of the factors outlined above, EBITDA for the 36-week period grew by £8.2 million or 5.6% in comparison to the prior year. Strong growth was achieved in Q3, with EBITDA being 6.3% higher than the comparative period in 2015/16.

It should be noted that comparisons to the prior year are adversely affected by the timing of the New Year break which took place in Q3 in the prior year, but Q4 in FY17. The approximate adverse EBITDA impact in the period under review is estimated to be £2 million; the corresponding timing benefit will be reflected in the Q4 results.

EBITDA for the 52 weeks ended 29 December 2016 was £206.0 million.

Depreciation and amortisation

Depreciation and amortisation for the 36 weeks ended 29 December 2016 was £32.4 million, an increase of £3.6 million in comparison to the charge for the 36 weeks ended 31 December 2015; this increase reflects the Group's ongoing capital investment programme.

Finance costs and income

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 £0.9 million was paid during the 36 weeks ended 29 December 2016 compared with £0.8 million in the comparative period.

Cash Flow

As at 29 December 2016, the Group had cash and cash equivalents of £13.7 million (31 December 2015: £48.2 million) and negative working capital of £85.3 million (31 December 2015: £81.2 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 £119.7 million and net cash used in investing activities was £110.4 million in the 36 weeks ended 29 December 2016 (2015/16: £112.5 million and £180.0 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 its financing, the Group declared and paid a dividend of £7.5 million during the quarter, bringing the total for the year-to-date to £37.1 million.

Investment Programme

Accommodation upgrades

The accommodation upgrade programme known internally as "Project Spring" has now been completed, with the final 121 units of accommodation upgraded before the end of December 2016. As such, all units of accommodation at the Original Four Villages have now been upgraded.

In November 2016 the Group commenced the demolition of the 88-bedroom Hotel at Elveden; the plan is to redevelop the entire area, which is in a prime lakeside location. To replace the existing accommodation in this area the intention is to build a new 51-bedroom apartment complex, nine three-bedroom Executive lodges and four new Waterside Lodges, a new concept for Center Parcs. Completion of this development is expected in Spring 2018.

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. The initial phase of Project Summer covered 125 units of accommodation and these refurbishments were completed in June 2016. The second phase of the project, covering a further 125 units of accommodation at Elveden, commenced in January 2017 and is expected to be completed in May 2017.

New builds

The new 48-unit apartment complex at Elveden opened in November 2016 and is trading in line with expectations. Construction is ongoing in respect of 57 new lodges at Woburn (which are expected to be complete in September 2017), six three-bedroom Executive lodges at Longleat and ten four-bedroom Exclusive lodges at Whinfell.

The Group also plans to commence the construction of a further 28 new lodges at Sherwood in late February 2017, at a total cost of approximately £8 million. The intention is that these new lodges will be opened in December 2017.

Financial covenants

Classes A and B

The Class A FCF: DSCR was 4.1 times for the 52 weeks ended 29 December 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 7.2 times as at 29 December 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 29 December 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 36 weeks ended 29 December 2016 the Group spent £64.4 million (2015/16: £31.3 million) on capital expenditure, consisting of £15.1 million (2015/16: £13.2 million) of maintenance capital expenditure and £49.3 million (2015/16: £18.1 million) of investment capital expenditure, predominantly in respect of new build accommodation and the upgrading of existing units of accommodation.

Future outlook

Forward bookings for the Group are marginally below the prior year with 92.0% of this financial year's capacity booked (2015/16: 92.5%) as at 26 January 2017, reflecting the higher number of units of accommodation off-line for upgrade in the current year. ADR growth remains strong on forward bookings and underlying growth is consistent with the performance in the year to date; however, Q4 ADR growth will benefit from the timing of the New Year break as explained above.

Forward bookings and ADR for the next financial year are also ahead of the prior year, with the underlying trends consistent with the performance in the current year.

The next operating and financial review will be for the 52 weeks ended 20 April 2017 and we expect this report will be published in mid-June 2017.

Investor conference call

An investor conference call will be held on 3 February 2017 at 2.00pm (GMT), 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
https://eventreg3.conferencing.com/inv/reg.html?Acc=030812&Conf=369940

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

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Unaudited income statement for the 36 weeks ended 29 December 2016

	36 weeks ended 29 December 2016			36 weeks ended 31 December 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	**312.6**	**-**	**312.6**	**301.0**	**-**	**301.0**
Cost of sales	(81.0)	-	(81.0)	(78.3)	-	(78.3)
Gross profit	**231.6**	**-**	**231.6**	**222.7**	**-**	**222.7**
Administrative expenses	(76.4)	-	(76.4)	(75.7)	(4.1)	(79.8)
EBITDA	***155.2***	**-**	***155.2***	***147.0***	***(4.1)***	***142.9***
Depreciation and amortisation	(32.4)	-	(32.4)	(28.8)	-	(28.8)
Total administrative expenses	(108.8)	-	(108.8)	(104.5)	(4.1)	(108.6)
Operating profit/(loss)	**122.8**	**-**	**122.8**	**118.2**	**(4.1)**	**114.1**
Movement in fair value of financial derivatives	-	-	-	-	(16.8)	(16.8)
Finance income	0.2	-	0.2	0.3	-	0.3
Finance expense	(62.1)	-	(62.1)	(68.9)	(42.6)	(111.5)
Profit/(loss) before taxation	**60.9**	**-**	**60.9**	**49.6**	**(63.5)**	**(13.9)**
Taxation	-	-	-	-	-	-
Profit/(loss) for the period attributable to equity shareholders	**60.9**	**-**	**60.9**	**49.6**	**(63.5)**	**(13.9)**

Finance expense in the 36 weeks ended 29 December 2016 includes interest payable to related parties of £nil (2015/16: £9.0 million) and amortisation of deferred issue costs of £2.7 million (2015/16: £2.4 million).

Exceptional and non-underlying items

The £4.1 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 option to repay the B tranche of the Group's secured debt prior to maturity was considered to be a derivative financial instrument with a fair value of £16.8 million at 24 April 2014. This derivative was extinguished on 3 August 2015 when the B tranche of the secured debt was repaid and hence the previous gain was reversed during the 36 weeks ended 31 December 2015.

Of the £42.6 million exceptional/non-underlying finance expense in the prior period, £20.0m related to make-whole and consent fees incurred in respect of the refinancing of the A1 tranche of the Group's secured debt. The remainder principally related to the premium paid to exit the B tranche of the Group's secured debt, together with the accelerated amortisation of deferred fees relating to that tranche.

Unaudited income statement for the 12 weeks ended 29 December 2016

	12 weeks ended 29 December 2016			12 weeks ended 31 December 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	**104.3**	**-**	**104.3**	**100.8**	**-**	**100.8**
Cost of sales	(28.0)	-	(28.0)	(27.7)	-	(27.7)
Gross profit	**76.3**	**-**	**76.3**	**73.1**	**-**	**73.1**
Administrative expenses	(27.0)	-	(27.0)	(26.7)	-	(26.7)
EBITDA	***49.3***	***-***	***49.3***	***46.4***	***-***	***46.4***
Depreciation and amortisation	(9.0)	-	(9.0)	(9.6)	-	(9.6)
Total administrative expenses	(36.0)	-	(36.0)	(36.3)	-	(36.3)
Operating profit	**40.3**	**-**	**40.3**	**36.8**	**-**	**36.8**
Finance income	0.1	-	0.1	0.1	-	0.1
Finance expense	(20.5)	-	(20.5)	(20.9)	-	(20.9)
Profit before taxation	**19.9**	**-**	**19.9**	**16.0**	**-**	**16.0**
Taxation	-	-	-	-	-	-
Profit for the period attributable to equity shareholders	**19.9**	**-**	**19.9**	**16.0**	**-**	**16.0**

Unaudited balance sheet as at 29 December 2016

	As at 29 December 2016 £m	As at 31 December 2015 £m
Assets		
Non-current assets		
Goodwill	**157.5**	157.5
Other intangible assets	**131.6**	127.5
Property, plant and equipment	**1,441.6**	1,395.5
Deferred tax asset	**12.7**	6.9
	1,743.4	1,687.4
Current assets		
Inventories	**4.3**	3.9
Trade and other receivables	**14.0**	9.6
Current tax asset	**6.2**	5.1
Cash and cash equivalents	**13.7**	48.2
	38.2	66.8
Liabilities		
Current liabilities		
Borrowings	**(0.3)**	(0.3)
Trade and other payables	**(143.9)**	(128.8)
	(144.2)	(129.1)
Net current liabilities	**(106.0)**	(62.3)
Non-current liabilities		
Borrowings	**(1,468.5)**	(1,464.8)
Retirement benefit obligations	**(1.9)**	(2.7)
Deferred tax liability	**(99.6)**	(111.6)
	(1,570.0)	(1,579.1)
Net assets	**67.4**	46.0
Equity		
Equity share capital	**1.0**	1.0
Share premium	**74.3**	74.3
Other reserve	**(154.0)**	(154.0)
Retained earnings	**146.1**	124.7
Total equity	**67.4**	46.0

Current trade and other payables include interest and capital accruals totalling £34.8 million (31 December 2015: £34.1 million) and taxation group relief creditors of £5.5 million (31 December 2015: £nil).

Unaudited cash flow statement for the 36 weeks ended 29 December 2016

	36 weeks ended 29 December 2016 £m	36 weeks ended 31 December 2015 £m	**12 weeks ended 29 December 2016 £m**	12 weeks ended 31 December 2015 £m
Cash flows from operating activities				
Operating profit	**122.8**	114.1	**40.3**	36.8
Depreciation and amortisation	**32.4**	28.8	**9.0**	9.6
Working capital movements	**(34.4)**	(29.6)	**(24.1)**	(21.6)
Difference between the pension charge and contributions	**(0.2)**	-	**(0.1)**	-
Corporation tax paid	**(0.9)**	(0.8)	**(0.3)**	(0.3)
Net cash from operating activities	**119.7**	112.5	**24.8**	24.5
Cash flows from investing activities				
Purchase of property, plant and equipment	**(73.3)**	(39.5)	**(25.3)**	(14.1)
Acquisition of CP Woburn (Operating Company) Limited	**-**	(140.5)	**-**	-
Dividends paid	**(37.1)**	-	**(7.5)**	-
Net cash used in investing activities	**(110.4)**	(180.0)	**(32.8)**	(14.1)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	**-**	75.3	**-**	-
Repayment of external borrowings	**(0.1)**	(738.7)	**-**	-
Proceeds from external borrowings	**-**	1,050.5	**-**	-
Repayment of related party loans	**-**	(330.9)	**-**	-
Proceeds from related party loans	**-**	49.9	**-**	-
Issue costs and consent fees on secured debt	**-**	(16.5)	**-**	-
Break costs on secured debt	**-**	(36.2)	**-**	-
Interest received	**0.2**	0.3	**0.1**	0.1
Interest paid	**(43.4)**	(42.0)	**(0.2)**	(0.4)
Net cash (used in)/from financing activities	**(43.3)**	11.7	**(0.1)**	(0.3)
Net (decrease)/increase in cash and cash equivalents	**(34.0)**	(55.8)	**(8.1)**	10.1
Cash and cash equivalents at the beginning of the period	**47.7**	104.0	**21.8**	38.1
Cash and cash equivalents at the end of the period	**13.7**	48.2	**13.7**	48.2
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents	**(34.0)**	(55.8)	**(8.1)**	10.1
Cash outflow/(inflow) from movement in debt	**0.1**	(311.8)	**-**	-
Change in net debt resulting from cash flows	**(33.9)**	(367.6)	**(8.1)**	10.1
Non-cash movements and deferred issue costs	**(2.7)**	8.3	**(0.9)**	(0.7)
Movement in net debt in the period	**(36.6)**	(359.3)	**(9.0)**	9.4
Net debt at the beginning of the period	**(1,418.5)**	(1,057.6)	**(1,446.1)**	(1,426.3)
Net debt at the end of the period	**(1,455.1)**	(1,416.9)	**(1,455.1)**	(1,416.9)

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.