BARD MIDCO LIMITED

Annual Report Addendum

For the period 15 December 2020 to 31 December 2021

STRATEGIC REPORT UPDATE

The Directors present their strategic report for Bard Midco Limited and its subsidiaries (together "the Group") for the period 15 December 2020 to 31 December 2021.

The Company was incorporated in England and Wales on 15 December 2020 to head up a new UK Group structure to complete the acquisition of Bourne Leisure Holdings Limited and its subsidiaries on 26 February 2021. In order to complete the purchase, the Group drew down new debt financing facilities to fund both the acquisition of the shares and repay the existing debt of Bourne Leisure Holdings Limited.

The Group is the largest provider of holidays and holiday home ownership in the UK. Our three brands are amongst the most recognised within the UK holiday market.

Haven
We operate award-winning, family-focussed caravan parks around the coast of Britain. The parks have in excess of 38,000 pitches, making the Group the largest operator of caravan parks in the UK. Almost all our parks offer the opportunity to own a holiday home and we currently have nearly 25,000 holiday home owners.

Butlin's
Butlin's is one of the most recognised brands within the UK holiday market, offering a family product with the emphasis on providing quality family time and live music weekends. Butlin's has three resorts located in Bognor Regis, Minehead and Skegness.

Warner Leisure Hotels
Warner is the UK's only 'grown-up' hotel chain, providing guests with child-free half-board short breaks across a collection of countryside and coastal hotels and villages.

REVIEW OF THE BUSINESS

The Group's key financial results were as follows:

	15 December 2020 to 31 December 2021
	£000
Turnover	984,929
EBITDA	279,514
Group operating profit	96,509
Interest payable (net)	(115,992)
Loss after tax	(54,679)
Equity shareholders' funds	817,864
Capital expenditure	99,067
Net cash flow from operating activities	335,497
Average number of employees	15,226

The above results were generated in the 10-month period ended 31 December 2021 following the acquisition of the Bourne Leisure Holdings Ltd Group on 26 February 2021.

The Group's key financial and other key performance indicators include items such as turnover, EBITDA, guest satisfaction, health and safety, and team turnover.

The COVID-19 outbreak had an impact on both the business and the UK economy and caused the short-term closure of our sites during the first few months of 2021. Haven reopened during April 2021 and Butlin's and Warner reopened in mid May 2021. Demand for UK holidays was strong in 2021 and the Group achieved an EBITDA of £279.5m. Trading of the acquired Brands in the second half of 2021 was better than the comparable period in 2019. The Butlin's and Warner businesses were also adversely affected by the Omicron COVID variant towards the end of 2021, but this was at a time when the Haven business was already closed for winter.

Net interest payable of £116.0 million includes £84.7m on the Group's new external borrowings, £5.6m of loan refinancing costs and £25.7m on a loan from the parent undertaking, Bard Topco Limited.

The Group incurred a loss after tax of £54.7m after charging depreciation and amortisation of £177.1m.

Cash generation was strong and the net cash flow from operating activities was £335.5m, consisting of the EBITDA and favourable movements in working capital during the 10-month post acquisition period.

Guest loyalty and repeat business underpins the long-term growth of the Group. All Group companies continue to sustain high guest satisfaction ratings. During 2021 we experienced some operational challenges driven by vacancy gaps (both recruitment in the market and COVID isolation protocols impacting our Team members) although each Brand recovered significantly during the final months of the holiday season.

Capital expenditure was £99.1m in 2021 including £9.7m for the development of apps and websites to enhance the guest experience and improve efficiency. The 2021 expenditure included continued investment in hire fleet, pitches, entertainment complexes and swimming pools at Haven and expenditure on improving the guest experience and accommodation at Warner Leisure Hotels and Butlin's. It also included the ongoing conversion of Heythrop Park hotel in the Cotswolds into a Warner hotel which is due to open in the second half of 2022.

Guest NPS during the year was impacted by COVID-19 closures and social distancing and was therefore lower than the last full trading year without COVID-19 in 2019. Post year end our Guest NPS KPI for the brands were above our targets set at the beginning of the year. In what continues to be a challenging period, Health and Safety scores continued to be aligned to internal target across all brands.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group recognises a variety of financial and market-based risks, including the impact of COVID-19, exposure to fluctuating interest risks, changing economic conditions, technological and industry-based risks, the competitive environment and regulatory changes. These either singularly or collectively, may affect revenue, cost structure or the value of assets within the business, and are all difficult to quantify.

<u>COVID-19</u>
The Group, like many others, has been affected by the impact that the COVID-19 outbreak has had on the UK's economy, mainly through the short-term closures of some of our sites. We expect that the Group's profitability and cash flows are likely to increase further in 2022, assuming that our sites remain open. The Group's cash flow risk is mitigated by the availability of significant bank borrowings.

<u>Geo-political instability and the wider macro-economic uncertainty</u>
A key emerging risk we continue to monitor is geo-political instability and the wider macro-economic uncertainty. The implications from this risk are significantly higher inflationary pressure from changes in global supply chain capacity, labour shortages, commodity shortages and price increases, all of which could impact profitability. As a business we continue to monitor and remain compliant to trading restrictions and legislative sanctions, look for operational efficiencies to mitigate cost inflation and ensure we have flexibility in our supply chain.

<u>Financial risks</u>
The main risks arising from the Group's financial instruments are interest rate, liquidity and cash flow risk, and credit risk. Policies with respect to these risks are described below. There is no material currency exposure as all material transactions and financial instruments are in sterling.

- Interest rate risk

The Group borrows at an interest rate of 5.35% plus SONIA. The Directors regularly review the need for any financial instruments to cover the risk posed by fluctuating interest rates, thereby minimising the Group's exposure to significant changes in interest rates.

- Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and exposure to variability in cash flows. The Group aims to mitigate liquidity and cash flow risk by managing cash generation by its operations. The Group also manages liquidity and cash flow risk via a super senior revolving facility and long-term debt.

- Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Other risks

- IT risk and cyber security

The Group has various IT systems and applications, the obsolescence or failure of which could impede trading. Failure to put in place adequate preventative measures, if attacked, could lead to data loss or the inability to use the IT systems for a prolonged period. The IT strategy is focused on ensuring the long-term stability of operating systems and data security, whilst keeping pace with the changing face of consumer IT expectations. We continue to strengthen IT security to mitigate the increasing risk of cyber security threats.

- People and succession

Bourne is a people business and employs over 17,000 team members at peak times. Attracting and maintaining talented team members and investing in their training and development are essential to the efficiency and sustainability of the Group. Succession planning is embedded across the Group and is proactively managed.

SECTION 172 STATEMENT - THE DIRECTORS' APPROACH

In accordance with the duties of Directors under section 172 of the Companies Act 2006, the Board considers a number of matters in its decision-making, including:

- the likely consequences of any decision on the long-term outlook;
- the risks to the Group and its stakeholders;
- the interests and wellbeing of our team;
- the impact of our businesses on the environment and the communities where we are present;
- the Group's relationships with its customers and suppliers; and
- the importance of our reputation for high standards of business conduct.

  - 2022 Outlook

Following the COVID-19 pandemic and restrictions on international travel the Group saw an increase in demand for holidays within the UK which has seen the Group thrive and return a positive performance. Despite the challenges of the last 2 years the Group is in a strong position, with profitability expected to increase in 2022.

  - Policies and Practices

The Directors' objectives continue to be to maximise the long-term value and revenue streams for the Group's shareholders, to create secure and rewarding employment for its people and to deliver a high-quality holiday or holiday home experience to its guests and owners of holiday homes. The Group aims to deliver sustainable and growing revenues from efficient operations and cost structures. The Group aims to grow its businesses through both organic growth and acquisitions.

  - Corporate Governance

The Directors are responsible for determining the Group's strategy for managing risk and overseeing its systems of internal control. The Group maintains appropriate standards of corporate governance in order to conduct its business in a prudent and well organised manner.

  - Team matters

The Group seeks to recruit, retain and remain engaged with talented and versatile team members using its 'Get, Grow and Keep' model. It strives to provide an environment where team members can thrive and also to create opportunities for long, rewarding and fulfilling careers. These objectives are supported through various communication mechanisms whilst at the same time actively encouraging feedback from team members. The Group emphasises the importance of training and regularly runs a variety of well-developed training programmes. The Group is firmly committed to the principles of Diversity and Inclusion. Equally the Group places a high degree of importance on the well-being of its team members and has taken steps to ensure that they feel supported at all times particularly in relation to promoting and maintaining good mental and physical health. Various support services are in place which team members can call upon, on a strictly confidential basis, should they so wish. There are also well-established fire, health, safety and welfare policies in place.

- Social, community and human rights matters

The Group is firmly committed to the principle of Corporate Social Responsibility. The Group supports both local and national organisations, including national charities such as Macmillan Cancer Support, Great Ormond Street Hospital and the RNLI.

The Group respects and supports human rights and is committed to the highest level of ethical standards and sound governance arrangements. We aim to act ethically and with integrity in all our business dealings. As part of this commitment and in accordance with global Modern Slavery legislation the Group has produced a Modern Slavery Statement.

- Environmental matters

The Directors recognise that, as a responsible business, it has an obligation to operate in a manner that minimises the Group's impact on the environment. We follow relevant environmental legislation in carrying out our business and Group policy is to seek to minimise our contribution to environmental damage and maximise our contribution to safe recycling and reprocessing of waste materials.

We have an Energy and Sustainability Team which has been very successful in minimising the Group's levels of energy and water usage and CO2 emissions, with initiatives such as the replacement of lighting with low energy units and the roll out of smart electricity and gas meters.

Bourne Leisure have been accredited with 'The Planet Mark', the leading sustainability business accreditation scheme. This is an annual accreditation scheme in which we commit to a minimum reduction of 2.5% of our carbon emissions.

Our Streamlined Energy and Carbon Reporting (SECR) is within the Directors' Report below.

- Business relationships

The Group closely monitors all of its business relationships in order to allow it to provide its guests with an excellent and consistent level of service. It assesses, on an ongoing basis, the risks of adverse impact on its customers, people and the environment in which the Group operates as a result of these relationships, or as a result of its policies.

Relationships with key suppliers are closely monitored to ensure services are being provided in line with the terms of documented agreements. Performance of key suppliers, along with associated risks to the Group are regularly assessed with options for improvement considered where available. Regular reviews of adherence to key policies, such as Modern Slavery and GDPR, are undertaken.

Directors and Senior Managers are engaged when negotiating terms with key suppliers. The Group actively engages with its guests at key points during their holiday experience and makes extensive use of feedback, in particular net promoter scores and gathers feedback on a timely and detailed basis.

- Decision making

The Directors meet monthly and make decisions which promote the success of the Group and its stakeholders. Proposals are discussed in detail, approved and documented by the Directors which ensures key decisions are taken considering the Group's risk management framework.

Decision making has been particularly important during the COVID-19 pandemic in relation to the temporary closure of our trading sites, furloughing of staff, accessing government support, and the refinancing of the business. During 2021 the Board operated holidaymaker breaks only if it was safe and legal to do so, that offered a Brand enhancing experience, creating memories that last a lifetime, and that generated more cash than the sites being closed.

In reaching its decisions, the Board was mindful of the need to seek to preserve the integrity of the Company's business so that it could trade successfully again after the impact of the COVID-19 pandemic had passed.

DIRECTORS REPORT UPDATE

The Directors present their report and audited financial statements for the period 15 December 2020 to 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the operation of holiday centres. The Company raises finance for the Group's investment activities and acts as the UK holding Company for the Group.

OWNERSHIP

The immediate controlling party is Bard Topco Limited, a company that is owned by Blackstone Group, a private equity management firm. Blackstone is one of the world's leading investment firms that seeks to create positive economic impact and long-term value for investors, the companies in which it invests, and the communities in which it works.

DIRECTORS

The directors who served during the period and to the date of this report were as follows:

A Agarwal (Blackstone Group) – appointed 29 January 2021, resigned 29 January 2021
L Y Assant (Blackstone Group) – appointed 9 March 2021
L Caruso (Blackstone Group) – appointed 29 January 2021
P C Flaum (Bourne Leisure Group) – appointed 7 February 2022
H Hong (Blackstone Group) – appointed 15 December 2020, resigned 16 May 2022
I S MacMillan (Bourne Leisure Group) – appointed 7 February 2022
A K M Shah (Blackstone Group) – appointed 9 March 2021
A N Walsh (Blackstone Group) – appointed 16 May 2022

The day-to-operations of the Group is managed by the Directors of the 'Bourne Leisure Group'.

<u>P C Flaum</u>

Paul, who has a wealth of experience in the hospitality and leisure sector, joined the Bourne Leisure Group in 2017 as Group Chief Executive Officer. Prior to this Paul was Managing Director of Whitbread Hotels and Restaurants.

<u>I S MacMillan</u>

Iain is an experienced CFO who has held various senior finance roles at Cadbury, Waitrose and Sainsbury's before joining the Bourne Leisure Group as Chief Financial Officer in 2018.

For full accounts please see www.haven.com