CenterParcs

Annual Review

2011/12

Contents

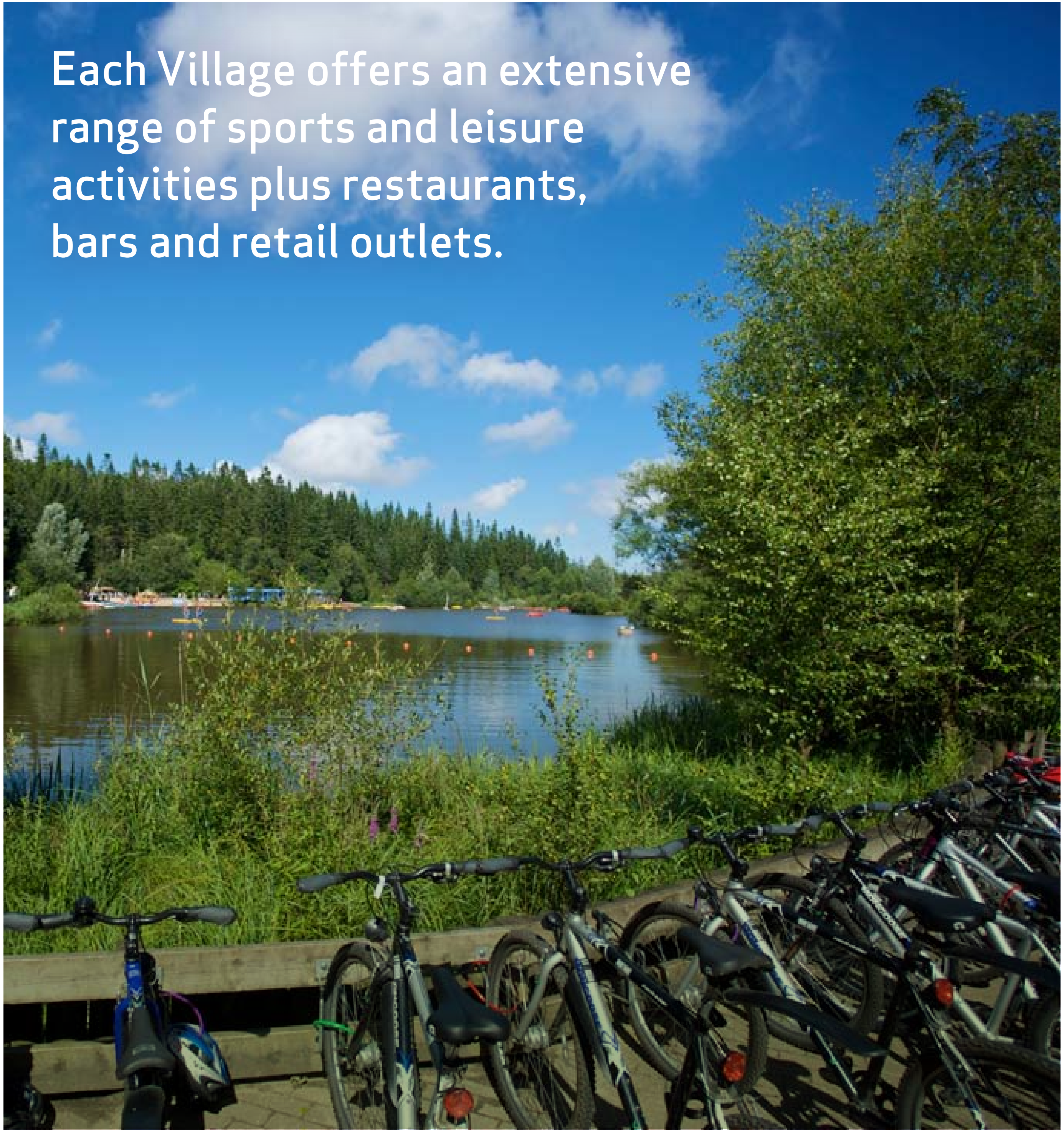
The Year in Numbers

	2011/12	2010/11[1]
Occupancy (%)	97.1	96.3
Sleeper nights	5,881,000	5,892,000
Capital expenditure (£m)[2]	41.4	44.0
Revenue (£m)	291.7	290.5
Adjusted EBITDA (£m)[3]	133.6	130.3
Profit before tax (£m)[3]	32.0	26.8
Number of guests (m)	1.6	1.6
Average daily rate (£) (net)	140.73	136.49
RevPAV (£) (net)	136.62	131.43
Accommodation booking via web (% of total)	79	74
Guest satisfaction (% of guests ranking their break as excellent or good)	95	96
Prompted brand awareness (%)	99	98
Employee turnover (%)	20	24

[1] Financial year consisted of 53 weeks
[2] Excluding capital expenditure on fifth site Woburn of £16.9m (2010/11: £3.6m)
[3] Before exceptional items.

Group Overview and Key Performance Indicators

The Villages are set in forest surroundings – typically 400 acres in size and provide high quality accommodation in fully equipped Lodges and Apartments.



Group Overview and Key Performance Indicators

The Center Parcs business operates four holiday Villages in the UK:

- Whinfell Forest in Cumbria
- Sherwood Forest in Nottinghamshire
- Elveden Forest in Suffolk
- Longleat Forest in Wiltshire

A fifth holiday Village, Woburn Forest in Bedfordshire, is scheduled to open in the spring of 2014.

The Villages are set in forest surroundings – typically 400 acres in size and provide high quality accommodation in fully equipped Lodges and Apartments. Each Village offers an extensive range of sports and leisure activities plus numerous restaurants, bars and retail outlets and a superb Aqua Sana Spa facility. Woodland, water and a natural, healthy, traffic-free environment are the essential elements.

Center Parcs operates in the UK holiday centres market, which consists of three segments: i) traditional holiday centres, ii) holiday parks based on caravan or lodge accommodation, iii) forest villages.

The Operating Board and Executive Management Committee receive a range of management information on a periodic basis. The principal measures used to monitor the progress and performance of the Group are as follows:

Occupancy

Occupancy is the average number of Villas/Lodges occupied as a percentage of the total number available. Occupancy for the period was 97.1% (2010/11: 96.3%). The average number of Apartments and Lodges was 3,403 during the period (2010/11: 3,386).

ADR (Average Daily Rate)

ADR is the average daily rent (excluding VAT) achieved based on total accommodation income divided by the total number of Villa/Lodge nights sold.

ADR for the period was £140.73 (2010/11: £136.49).

The year-on-year increase in the ADR is a strong performance, particularly given the challenging market and economic conditions.

RevPAV (Rent per available Villa night)

RevPAV is the average daily rent (excluding VAT) achieved based on the total accommodation income divided by the total available number of Villa nights.

RevPAV for the period was £136.62 (2010/11: £131.43).

Forward bookings

Forward occupancy at April 2012 was 40% (2010/11: 37%). This gives good forward visibility of future occupancy levels.

Prompted brand awareness

Prompted brand awareness reached 99% (2010/11: 98%).

Guest satisfaction

We track guest satisfaction using questionnaires completed by guests online. 95% (2010/11: 96%) of respondents rank their break at Center Parcs as excellent or good.

Employee turnover

The average labour turnover for the business during the period was 20% (2010/11: 24%).

This represents our lowest average labour turnover on record.

Chief Executive's Review

The financial period ending 26 April 2012 produced another encouraging performance against a backdrop of continued challenging economic conditions.

Chief Executive's Review

The business again achieved outstanding levels of average annual occupancy (97.1%), which equates to over 1.6 million guests visiting Center Parcs during the year. The continued demand for our short breaks at Center Parcs allowed for capital investment of £41.4 million into the existing business and £16.9 million into the construction of the new holiday Village at Woburn.

Progress against strategic objectives

During the period, the business continued to make good progress towards our strategic objectives.

- In February 2012, Center Parcs successfully completed a £1 billion group refinancing secured against the existing four Center Parcs sites. This bond issue replaces the previous debt structure and has secured a long-term, efficient and flexible capital structure for the group's next stage of growth.
- The refinancing allowed Center Parcs to begin construction of its fifth site at Woburn. At the same time, together with owners Blackstone, Center Parcs secured the £250 million funding to commence the construction phase.

  The project also received backing from the Prime Minister, who recognised the economic importance of the Woburn Forest development. Center Parcs Woburn Forest will create in excess of 1,200 jobs during the construction phase alone, and then a further 1,500 jobs once the Village is open, the vast majority of which will be from the local area.

  The Village will also provide a significant economic boost to the county and is set to open to guests in spring 2014.
- The success story in our Food & Beverage division continued, bucking the trend on the high street. Both revenue and profit margins in our Food & Beverage division grew again following the strong performance in the previous financial year. Further investment in this division saw the opening of our popular Pancake House restaurant at Whinfell Forest, and the beginning of a phased introduction of new concepts, Dexters Kitchen and The Canopy Café and Bar across all Villages.

Martin Dalby
Chief Executive Officer

Below:
Phased introduction of new concepts, **The Canopy Café and Bar** and **Dexters Kitchen**, across all Villages.

THE CANOPY CAFÉ AND BAR

DEXTERS KITCHEN

Chief Executive's Review

continued

- In terms of accommodation, four Spa Suites were introduced at Elveden Forest, these suites offer overnight spa guests unrivalled levels of luxury with direct access to the Aqua Sana Spa. The suites have been extremely popular with our spa guests, exceeding our expectations in terms of occupancy.

  Also, following their successful introduction at Sherwood Forest, three new Tree Houses were built at Longleat Forest. The unique blend of luxury and design is again creating very high levels of demand for this level of accommodation, achieving occupancy rates of 100%. In addition, our ongoing accommodation upgrading project continued during the period with a further 307 Villas being upgraded to the new style during the period.

- We have invested significantly in our Subtropical Swimming Paradises, most notably with the introduction of 'Tropical Cyclone', a unique and exciting new family water ride at Elveden Forest.

  Work on Tropical Cyclone commenced during the year and is on schedule to open to guests in late November 2012. We also completed a total refurbishment of the Subtropical Swimming Paradise changing room facilities at Whinfell Forest at a cost of approximately £1.5 million. This project was completed without any closure of the facilities and the result is receiving extremely positive feedback from our guests.

- During the period we began the phased upgrading of two retail outlets, **'the store room'**, a lifestyle homewares and gift shop, and **'just kids…'**, an exciting new children's store.

- We continue to innovate in our Leisure division, and this year has seen the introduction of a number of new and exciting activities including Aerial Tree Trekking, Aqua Jetting and Segway Experience.

  We have also added family Cabanas into the Subtropical Swimming Paradises across all four Villages.

- Delivering excellent service to our guests remains an integral part of the Center Parcs' experience, and during the past year we maintained the high target of guest satisfaction that we had set in the previous year. Our mystery guest programme continued with scores being significantly ahead of the previous year.

Above:
Tropical Cyclone – an exciting new water ride coming in late 2012.

The store room, a lifestyle homewares and gift shop, and **justkids...** an exciting new children's store.

Chief Executive's Review

continued

Future prospects

Clearly the short-term economic environment remains challenging. However, despite this, we intend to continue to invest in the existing business during the current financial year, whilst at the same time forging ahead with the construction of our fifth UK Village at Woburn Forest.

With the infrastructure phase of construction now well under way, at the time of writing, we have completed the tender process for both the central buildings and Lodge construction contracts. This phase of the project is due to commence in late 2012.

During the year we will begin the recruitment and procurement process for Woburn Forest. We will also continue the programme of local community engagement events in Bedfordshire.

Additionally, we will complete a review of our existing internal structures at Head Office to ensure that the business is in the best possible position to complete the construction of Woburn Forest, whilst continuing to deliver excellent performance across our existing four Villages.

We will continue the accommodation restyling programme with a further 300 Villas being converted to the new style Lodges during the period, including the Apartments at Whinfell Forest.

Our programme of upgrading our shops and restaurants will continue with the phased introduction of a number of the new retail and restaurant concepts across all Villages.

We will continue the accommodation restyling programme with a further 300 Villas being converted to the new style during the period.

"Center Parcs is much loved by many and this new site is not only great news for holidaymakers but great news for the economy too. This expansion and the jobs that it brings will be a real boost to growth and a sign of the increasing investor confidence that there is too."

– Rt. Hon. David Cameron M.P.

Group Financial Review

Financial highlights

- EBITDA (before exceptional items and owners' costs) up 2.5% to £133.6 million
- Cash generated from operating activities of £120.4 million
- Capital investment of £41.4 million in the existing business and £16.9 million in construction of the new holiday Village at Woburn
- Profit before tax and exceptional items of £32.0 million
- One-off exceptional items of £79.9 million incurred during the period, principally in respect of the restructuring of Center Parcs' debt facilities.

During the period under review, Center Parcs restructured its debt facilities in order to commence the construction of a fifth holiday Village in Woburn, Bedfordshire. Under a new group structure, the four existing holiday Villages are owned and operated by the group headed by Center Parcs (Holdings 1) Limited, and the Woburn site is owned and developed by CP Woburn (Operating Company) Limited, a separate legal entity.

The following income statement is extracted from the audited financial statements of Center Parcs (Holdings 1) Limited:

	Year to 26 April 2012		Year to 28 April 2011*	
	Before exceptional items £m	After exceptional items £m	Before exceptional items £m	After exceptional items £m
Revenue	**291.7**	**291.7**	**290.5**	**290.5**
Cost of sales	(34.1)	(34.1)	(36.3)	(36.3)
Gross profit	**257.6**	**257.6**	**254.2**	**254.2**
Administrative expenses	(124.0)	(133.8)	(123.9)	(124.5)
Adjusted EBITDA	**133.6**	**123.8**	**130.3**	**129.7**
Owners' costs	(1.6)	(1.6)	(2.0)	(2.0)
EBITDA	**132.0**	**122.2**	**128.3**	**127.7**
Depreciation	(22.6)	(22.6)	(20.5)	(20.5)
Amortisation	(1.9)	(1.9)	(2.1)	(2.1)
Operating profit	**107.5**	**97.7**	**105.7**	**105.1**
Movement in fair value of derivatives	–	(66.0)	–	(11.2)
Finance income	2.6	2.6	2.8	2.8
Finance expense	(78.1)	(82.2)	(81.7)	(81.7)
Profit/(loss) before taxation	**32.0**	**(47.9)**	**26.8**	**15.0**
Taxation	7.2	26.4	5.6	8.6
Profit/(loss) for the period	**39.2**	**(21.5)**	**32.4**	**23.6**

* Financial year consisted of 53 weeks.

Group Financial Review

Financial review

This period has seen the group produce another set of good financial results, despite the ongoing difficult economic conditions. This success reflects the level of service delivered and the attractiveness of Center Parcs as a short break destination in the UK.

Revenue increased by £1.2 million or 0.4% during the period, despite the comparative year containing 53 weeks. If the impact of the additional week is excluded, we estimate that revenue increased by approximately 2.4%. The growth in revenue was a result of both increased occupancy and a rise in ADR, and an increase in the underlying on-site spend, offset by the transfer of a number of smaller retail and food and beverage outlets to our concession partners during the year. The impact on EBITDA of these transfers to our concession partners was broadly neutral.

Cost of sales decreased by £2.2 million in comparison to the prior year. As well as the impact of the additional week in the prior year, this represents a combination of good cost management and the transfer of certain retail and food and beverage units to concession partners during the year.

The results have been prepared on a going concern basis consistent with the view, formed after reviewing the group's cash flow forecasts and trading budgets and making appropriate enquiries, that the group is operationally and financially robust and will generate sufficient cash to meet its debt service requirements for the next 12 months.

Cash inflow

The business remains highly cash generative. During the period the net cash flow from operating activities was £120.4 million (excluding the positive impact of a share issue during the year that was settled via assignment of related party balances). Cash balances reduced by £40 million to £11.7 million during the period, as a result of a number of loans being settled as part of the debt restructuring.

Borrowings

At 26 April 2012 borrowings were £1,022.3 million, being £1,020 million of secured financing raised during the period and a mortgage of £2.3 million on the group's head office.

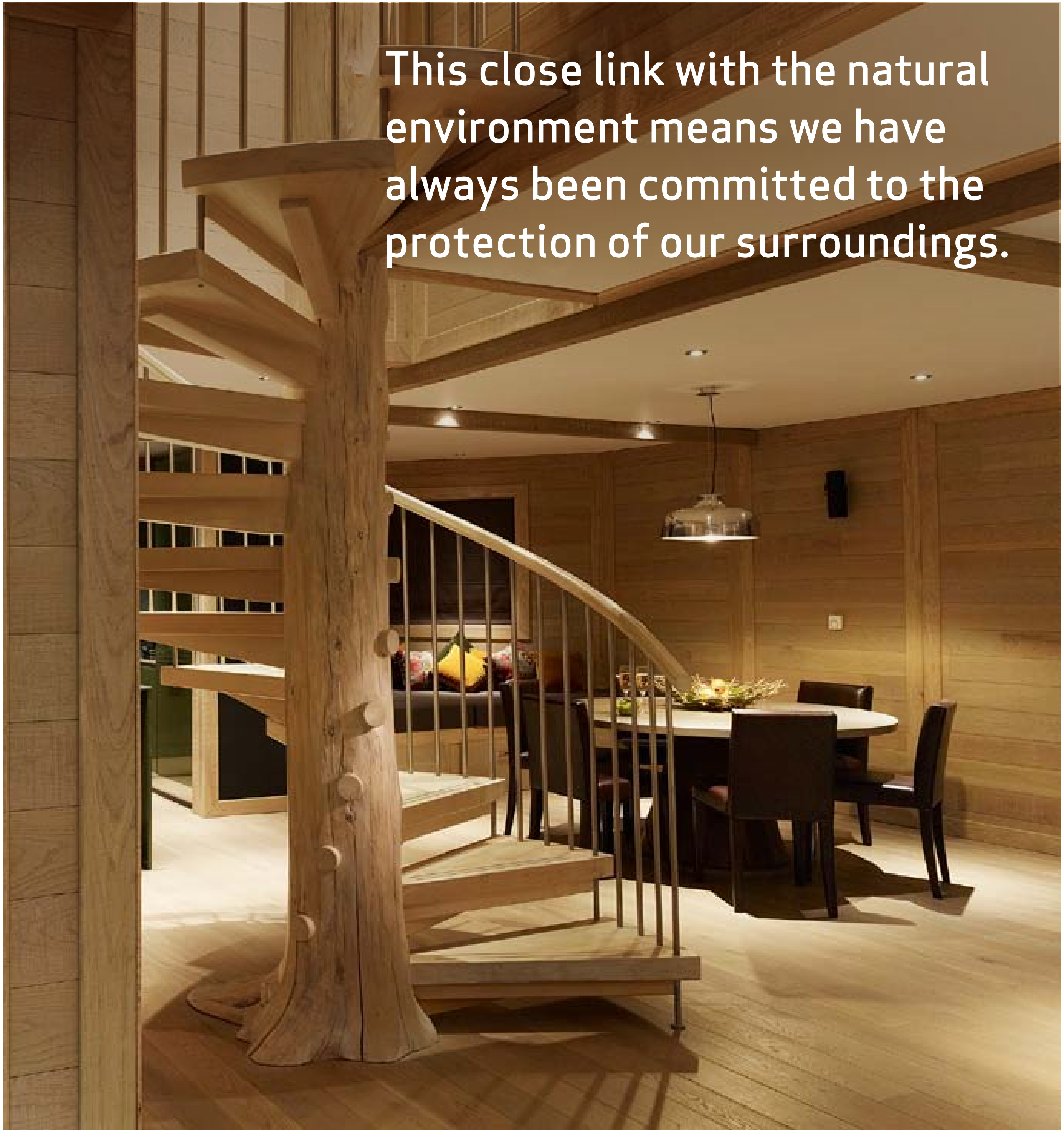
The secured borrowings were issued in three tranches with differing interest rates and expected maturity dates. The earliest expected maturity date relates to the Tranche A borrowings of £300 million, which have an expected maturity date of 28 February 2017.

The secured financing agreement includes a number of covenants that Center Parcs is required to comply with, including the maintenance of certain minimum ratios of free cash flow to debt service, which it does with a comfortable amount of headroom.

The borrowings are secured on the assets of Center Parcs (Holdings 1) Limited and its subsidiary companies.

Corporate Social Responsibility

Our Villages are built deep within the forest, enabling our guests to enjoy acres of unspoilt woodland where they can interact directly with nature.



Corporate Social Responsibility

This close link with the natural environment means we have always been committed to the protection of our surroundings. However, our responsibilities go far beyond this. We seek to minimise our environmental impact in many ways – through encouraging water and energy conservation as well as reducing waste. We are also committed to our social responsibilities – to our guests, our employees and the communities in which we operate.

Sustainability

The Center Parcs experience is built around enabling our guests to enjoy the natural environment. It therefore makes sense for us to protect it. Through the rigorous adherence to our Environmental Management System (which is independently audited ISO14001) we continue to make progress in our efforts to reduce the impact of our business on the environment. Our Sustainability Strategy was launched in January 2011 and set out our commitments for the next ten years.

During the past year we have achieved the following progress towards these targets:

- Center Parcs reduced its carbon footprint by 7.3% (against a target of 4%) which equates to 4,572 tonnes.
- Reduced the amount of waste sent to landfill by 6% (331 tonnes).
- Increased the amount of recycled waste by 4.2% (85 tonnes).
- One side effect of expanding our existing Villages is a slight increase in our water consumption over the past 12 months. We're working tirelessly to try and reduce our consumption, with new projects including the most water-efficient appliances and sanitary ware.

Last year, Center Parcs was named joint 1st in the Carbon Reduction Commitment League Table. The table ranked 2,000 organisations according to how they managed their energy use, including major supermarkets, retailers, restaurant chains, government departments, hospitals and councils.

In addition, since the introduction of carbon reduction targets into all of our staff bonus schemes, staff awareness has risen significantly. During the forthcoming year we also intend to introduce a scheme to help our employees reduce the carbon footprint in their own homes.

Corporate Social Responsibility

continued

Nature and Biodiversity

Center Parcs was again awarded The Wildlife Trust's Biodiversity Benchmark for all its sites this year. Following a rigorous audit at Center Parcs Longleat Forest, the Biodiversity Benchmark was presented to Center Parcs in recognition for its continual efforts to protect and enhance the natural environment at its four holiday Villages across the UK. In addition, we were also reaccredited Forest Stewardship Council (FSC) certification for the management of our woodlands.

Our People

We recognise that our staff are our most important asset and we have continued to deliver initiatives that support and develop our employees, whatever position they hold in the company. Our commitment to the training and development of our employees has again been recognised by Investors in People, and we now have over 200 individuals currently working towards work-based apprenticeships through our own Training Academy.

This year has also seen the lowest level of labour turnover on record (20%) which highlights the commitment of our employees to Center Parcs, and we are pleased to have again given a pay increase and bonus payment to all eligible employees.

Our four Villages are surrounded by small, close communities and we have a commitment to people who live locally and even further afield. We have continued our community programme where we offer our employee time to local projects. During the past year, staff at Sherwood Forest gave up their time and expertise to carry out conservation work on a community garden in Nottingham. Similarly, staff at Longleat Forest donated their time to spend the day cleaning, painting and planting, transforming the outdoor area of Critchill School in Frome into a beautiful place for children to play and enjoy.

Charity

We continue to pursue our policy of supporting charities close to the heart of the Center Parcs brand. The focus of our support is on children's and environmental charities. We have long-standing arrangements with several charities for terminally ill children, providing much needed holidays for seriously ill children and their families. During the period, Center Parcs continued the partnership with Great Ormond Street Hospital Children's Charity, raising over £152,000 for their Beds for Bedz campaign. This takes the total raised over the two years of our partnership to just over £300,000. In addition, local donations made via our 'Village Councils' totalled over £11,660 during the year.

Ownership and Management Structure

Center Parcs is managed by its Operating Board, consisting of Blackstone representatives and advisors together with three executive members.

Ownership and Management Structure

The Group is ultimately owned by investment funds controlled by Blackstone. The ownership split is as shown below:

- Funds controlled by Blackstone 92.4%
- Funds controlled by Lexington Partners UK Limited 5.9%
- Management 1.7%

The UK operation is managed in the UK by its Operating Board, consisting of Blackstone representatives and advisors together with three executive members.

Day to day operations of the Center Parcs business are the responsibility of the Executive Management Committee which is made up of the three executive members and five members of Senior Management.

Biographies of the Operating Board and Senior Management are set out below:

Operating Board

Martin Dalby
Chief Executive Officer

Martin joined Scottish and Newcastle in 1978 where he held various accounting positions before joining Center Parcs UK in January 1995 as Financial Controller. In 1997 Martin became Finance Director of Center Parcs UK and in July 2000 was promoted to the position of CEO.

Martin has led the UK team through the change of company ownership from Scottish and Newcastle to Deutsche Bank Capital Partners (subsequently MidOcean Partners) as well as the acquisition and integration of Oasis Whinfell Forest. Martin led the float of the business onto AIM in December 2003, the transition to the London Stock Exchange's main list on 1 March 2005 and the subsequent purchase by Blackstone.

Paul Inglett
Finance Director

Paul joined Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC) in 1992. He was appointed to the board as Group Finance Director in 2002, having previously held a number of senior financial roles within the group.

During his time at Marston's he had responsibility for the finance, IT, purchasing and estates teams across the group. He was Finance Director during a period of significant change for the group and was closely involved in a number of major acquisitions and disposals, which resulted in a number of significant refinancings of the group, including two securitisations.

In January 2010, Paul joined Center Parcs as Finance Director and is CIMA qualified.

Martin Robinson
Chairman

Martin was a management consultant at McKinsey & Co in both Chicago and London before joining S&N Retail in 1994 as Commercial Director. Prior to this he worked for Reckitt & Coleman and Sara Lee Corporation.

He joined Center Parcs as Managing Director of its European business in October 1997 and was appointed as Chairman of the Board of Management of the Center Parcs Group in November 1999. He led the management buy-out of Center Parcs by Deutsche Bank Capital Partners in 2001 and, following the split of the European and UK businesses, was appointed Chairman of both. He left Center Parcs Europe in July 2004 and is currently Chairman of Center Parcs UK. He is also a non-executive director of EuroDisney SCA.

Ownership and Management Structure

continued

Andrea Valeri

Andrea Valeri is a Managing Director in the Private Equity Group and is based in London. Since joining Blackstone in 2005, Mr Valeri has been involved in the execution of Blackstone's investments in Kabel BW, Gardaland, Center Parcs, and Jack Wolfskin. Before joining Blackstone, Mr Valeri was a Vice President at Goldman Sachs, where he spent several years in the Merger & Acquisition and Consumer and Retail groups. Prior to that, Mr Valeri worked at Bain & Co. as a management consultant. Mr Valeri received an MBA from Columbia University, where he graduated with honours, and a Master's degree in Engineering and Management from the University of Padua, where he graduated magna cum laude. Mr Valeri serves as a director of Center Parcs and Jack Wolfskin.

Farhad Karim

Farhad Karim is a Managing Director in the Real Estate Group based in London. Since joining Blackstone, Mr Karim has been involved in a variety of real estate acquisitions and initiatives. Before joining Blackstone in 2011, Mr Karim was a partner at Simpson Thacher & Bartlett LLP, where he worked on the acquisition, financing, and disposition of complex real estate investments including in the hospitality, logistics, office, residential, and retail sectors in Asia, Europe, and the United States. Mr Karim received a BA from McGill University and a Master of International Affairs and JD from Columbia University.

Mike Pegler

Mike Pegler is a Principal in the Real Estate Group based in London. Mr Pegler is involved in portfolio and asset management activities across our European business. At present, he is responsible for our UK portfolio and also oversees our Polish retail platform. Previously he led our European finance team for a number of years and worked on the acquisition of the Asian real estate business from Bank of America. Before joining Blackstone in 2005, Mr Pegler worked as a Senior Manager in the Investment Management team at Deloitte and specialised in services to private equity and real estate funds. Mr Pegler received a BA (Hons) in Economics and Politics from the University of Sheffield and is a member of the Institute of Chartered Accountants.

Peter Stoll

Peter Stoll is a Senior Managing Director and Chief Operating Officer of the European Real Estate Group based in London. Since joining Blackstone in 2002, Mr Stoll has been responsible for acquisitions, asset management and disposition activities across Europe, including the Skanska Office portfolios and other assets in Sweden, the pan-European Deutsche Bank portfolio, the WCM Residential portfolio in Germany and the French healthcare platform. In addition, Mr Stoll has overseen over €4.5 billion of property disposals since 2004. Before joining Blackstone, Mr Stoll was an Associate Director at The Carlyle Group where he helped to launch their real estate business in Europe.

Prior to Carlyle, Mr Stoll was a Senior Associate in the acquisitions group of the Morgan Stanley Real Estate Fund in London. Prior to that, Mr Stoll worked with LaSalle Partners in Chicago, Paris, and Amsterdam. Mr Stoll received a BA in History from Dartmouth College where he graduated with honours, and also attended the United States Military Academy at West Point, and the London School of Economics.

Ownership and Management Structure

continued

Senior management

Paul Kent
Operations and Development Director

Paul started his career in retail management with Safeway plc and joined Center Parcs in 1987, when the first holiday Village was established in the UK. During his career with Center Parcs UK, Paul has held a variety of roles with responsibility for Retail, Leisure and Food & Beverage before moving to the position of General Manager of Sherwood Forest and then taking up the UK Operations Manager role in 2002. In January 2004, Paul was appointed to the position of Commercial Director, then in May 2012 he took over responsibility for both Operations and Development.

Judi Leavor
HR Director

Judi joined Center Parcs at its inception in the UK in November 1985 and was promoted through a number of personnel roles before being appointed to her current position of Human Resources Director in March 2002.

Colin Whaley
Sales and Marketing Director

Colin joined British Airways in 1987, gaining broad experience in a number of departments before being appointed as Head of Sales and Marketing with BA Holidays in June 1998. Following the acquisition of BA Holidays by Thomas Cook Holidays, he headed up Sales and Marketing for the newly merged company for a year and then in June 2002 took up the position of Marketing Director at Travelbag Limited. After this business was acquired by ebookers, Colin was promoted to Marketing Director of ebookers (UK). He joined Center Parcs in November 2004 as Sales & Marketing Director.

Don Camilleri
Woburn Construction Director

Don graduated as a civil engineer and held a number of senior engineering positions in the UK and overseas. While at Ove Arup and Partners he was the senior engineer on the building of Center Parcs Sherwood Forest. In 1986, Don was appointed as Director of Development and Engineering for Center Parcs UK and has since been responsible for all development projects including the construction of Elveden Forest in 1989; the construction of Longleat Forest in 1994 and the reconstruction of Elveden Forest after the fire in 2002.

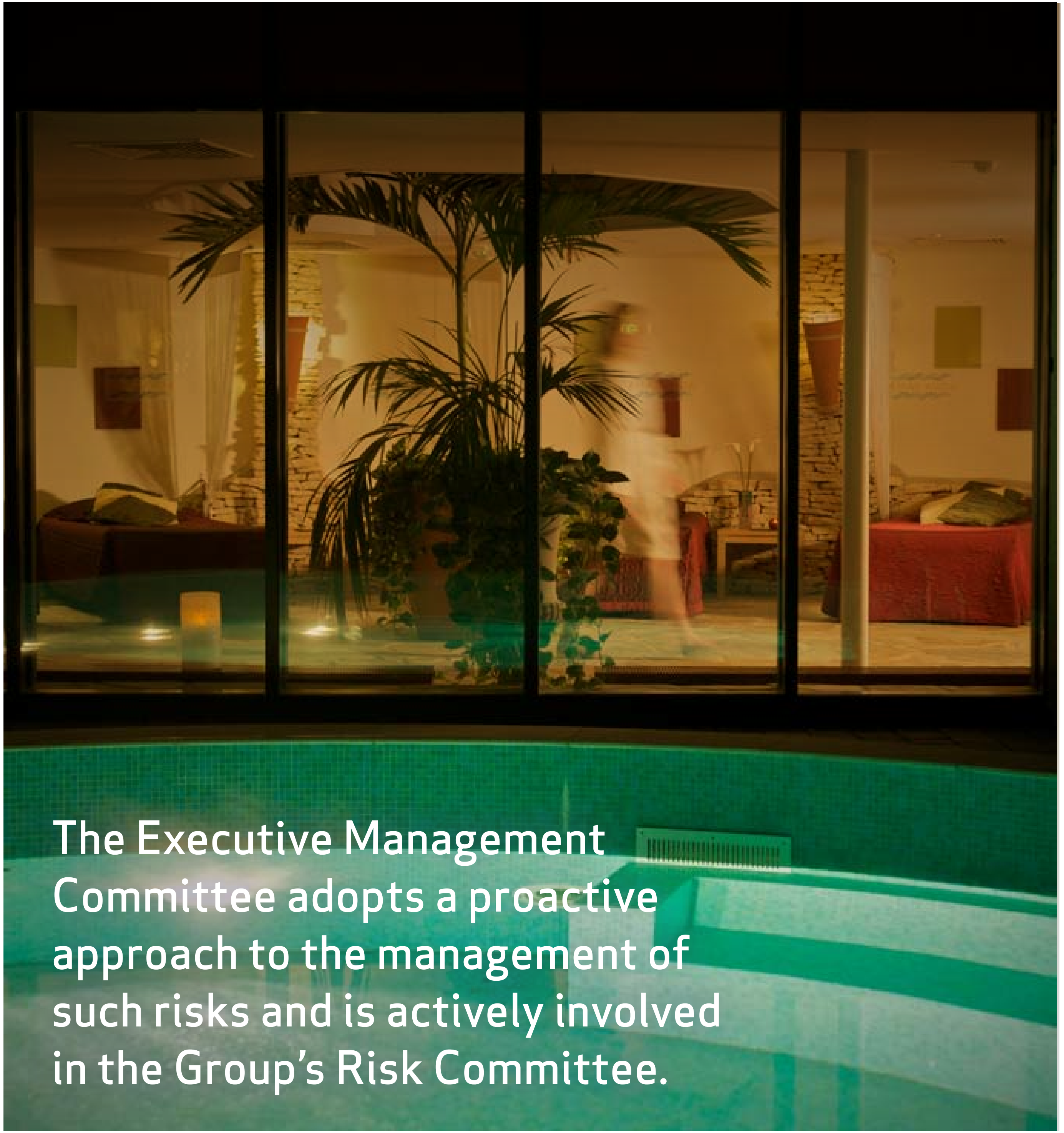
Don is a Chartered Engineer and member of the Institution of Structural Engineers as well as a member of the European Federation of National Engineering Association. In May 2012, Don moved onto the Woburn Forest project full-time as Construction Director.

Graham White
Woburn Implementation Director

Graham joined Center Parcs in 1989 as Food & Beverage Manager at Elveden Forest having previously been a General Manager of Sodexho and the proprietor of The Malbank Hotel in Cheshire. Graham was promoted to Deputy General Manager for Elveden Forest followed by General Manager for Sherwood Forest and UK Operations Manager, before becoming UK Operations Director in September 2000. In May 2012, Graham took up the role of Woburn Implementation Director with responsibility for the operational readiness of Woburn Forest.

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on Center Parcs' performance and execution of its growth strategy.



The Executive Management Committee adopts a proactive approach to the management of such risks and is actively involved in the Group's Risk Committee.

Principal Risks and Uncertainties

The Executive Management Committee adopts a proactive approach to the management of such risks and is actively involved in the group's Risk Committee. In addition to ongoing monitoring, the Risk Committee meets quarterly to oversee risk management arrangements and ensure appropriate processes are put in place to mitigate potential risks and uncertainties. These risks include, but are not limited to:

Operational Risk Factors

Business continuity

Center Parcs operates four holiday Villages in the UK and a significant interruption of any one would have a material impact on the group. As a result, the Risk Committee supervises comprehensive risk management arrangements, including business continuity plans, which are regularly tested with the support of external specialists. These arrangements are supported by a broad insurance programme.

Supply chain

Center Parcs has a large number of suppliers and prides itself on the quality of its product. The group could be adversely affected by a fall in the standard of goods or services supplied by third parties or by a failure of a key partner. Quality risks are mitigated via a robust supplier registration system with food and safety further supported by independent advisors. In addition, the Risk Committee considers supply chain contingency arrangements and takes appropriate measures to mitigate this risk.

Contractual arrangements

Center Parcs has contracts with third parties for the supply of goods and services. Contracts are negotiated at arm's length and Center Parcs does not enter into contracts that are outside the ordinary business or those that contain onerous terms. Center Parcs adopts a compliance programme to ensure that the group is compliant with its material contractual commitments. There is no single contractual counter party that is critical to the running of the business. The failure of any critical contractual counter party is managed through supply chain contingency arrangements (see Supply chain below left).

Employees

Center Parcs' performance largely depends on its managers and staff, both on the Villages and at head office. The resignation of key individuals or the inability to recruit staff with the right experience and skills could adversely impact the group's results. To mitigate these issues, the group has invested in training programmes for its staff and has a number of bonus schemes linked to the group's results and achievement against key performance indicators, linked to guest satisfaction that are designed to reward and retain key individuals.

Input price increases

The group's margin can be adversely affected by an increase in the price of key costs to the business including, but not limited to, wages, overheads and utilities. The group takes proactive steps to manage any such increases including cost control, forward buying and budgeting for any increase.

Brand risk

The Center Parcs brand could be adversely affected by a serious incident, accident or similar occurrence or just a slow decline in the brand's appeal to consumers. The group mitigates the risk of a serious incident, accident or similar occurrence by maintaining industry-leading health and safety systems and standards of training. The risk of a slow decline in the brand's appeal is managed through continuous product innovation, marketing campaigns and brand development.

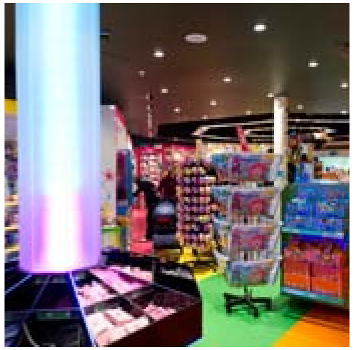
Fraud

Risk of fraud exists in misappropriation of assets, including banking, theft of stock and theft of cash takings. The group mitigates this risk through management structure and regular financial review with, and extensive use of, business systems. Regular external audits are also carried out on the group.

Market Risk Factors

General economic conditions

The disposable income of our guests and/or their holiday preferences are, and will be, affected by changes in the general economic environment and this may result in a fall in the number of guests and/or a decrease in on-site expenditure. Center Parcs regularly reviews its product offering and engages with guests to ensure it provides value for money to meet guests' needs.



Financial Risks

The Operating Board regularly reviews the financial requirements of the group and the risks associated therewith. Center Parcs does not use complicated financial instruments and where financial instruments are used they are used for reducing interest rate risk.

Financial Risks

The group does not use financial instruments for trading purposes. Group operations are primarily financed from retained earnings and bank loans. In addition to the primary financial instruments, the group has other financial instruments such as debtors, prepayments, trade creditors and accruals that directly arise from the group's operation.

The three key financial risks are:

Interest rate risk

All of the group's borrowings are at fixed rates of interest.

Liquidity risk

Cash forecasts identifying the group's liquidity requirements are produced frequently and are regularly reviewed to ensure that sufficient headroom is in place for the group to meet its debt service and other financial obligations for at least a 12-month period.

Foreign currency risk

Whilst no borrowings are denominated in foreign currencies, a number of suppliers are exposed to the Euro and American Dollar. Accordingly, wherever possible, the group undertakes supply contracts denominated in Sterling. Center Parcs has reviewed its exposure to foreign currency risk and has concluded not to hedge any foreign currency risk.

CenterParcs