



# Annual Review

2015/16

# Center Parcs is all about family time

Center Parcs targets the premium end of the UK family short break market, offering an escape from the stresses and strains of modern life. With recent trends showing an increase in family short breaks, particularly in the UK, the Center Parcs concept is more relevant today than at any point in its history in the UK market.

Center Parcs continually invests heavily to ensure that we deliver high quality accommodation and facilities, combined with an unrivalled array of activities that cater for the most discerning of families, as well as the most changeable of British weather. And there's nothing prescriptive about a short break at Center Parcs, with each family free to choose to do as little or as much as they like.

Center Parcs remains a unique proposition for families in the UK market and proves more popular every year with a long-standing run of growth in terms of visitor numbers, revenue and profits, as well as guest feedback scores and consistently high levels of returning guests.

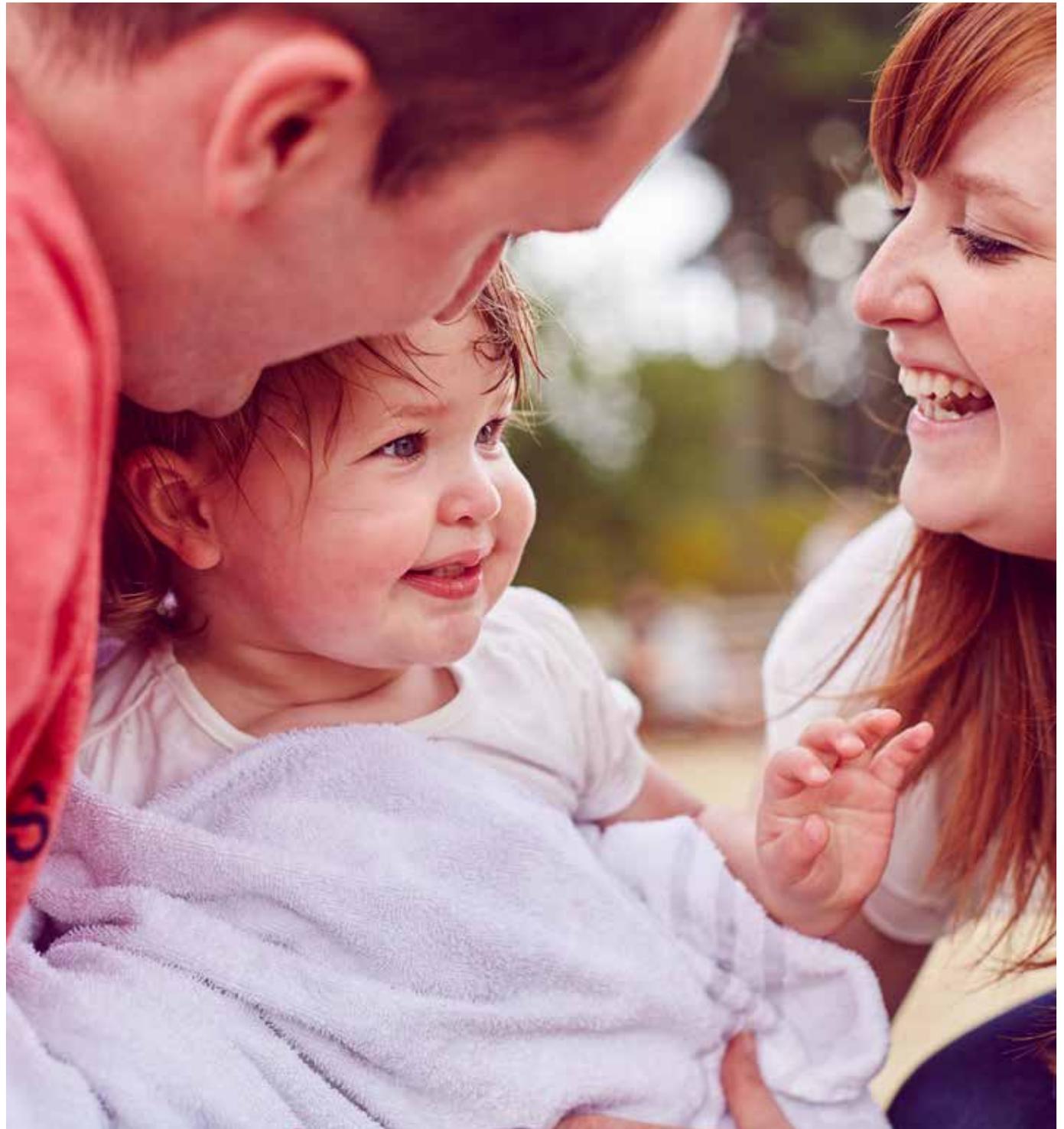


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# Strategic Report



## Business Overview



Center Parcs is a leading UK short-break holiday business. We operate five specially constructed holiday Villages in the United Kingdom:

- **Sherwood Forest in Nottinghamshire;**
- **Elveden Forest in Suffolk;**
- **Longleat Forest in Wiltshire;**
- **Whinfell Forest in Cumbria; and**
- **Woburn Forest in Bedfordshire.**

Each Village is set in a forest environment amongst approximately 400 acres of forest and lakes and is open 365 days a year. We have over 7,500 employees located across the five Villages and a head office in Nottinghamshire.

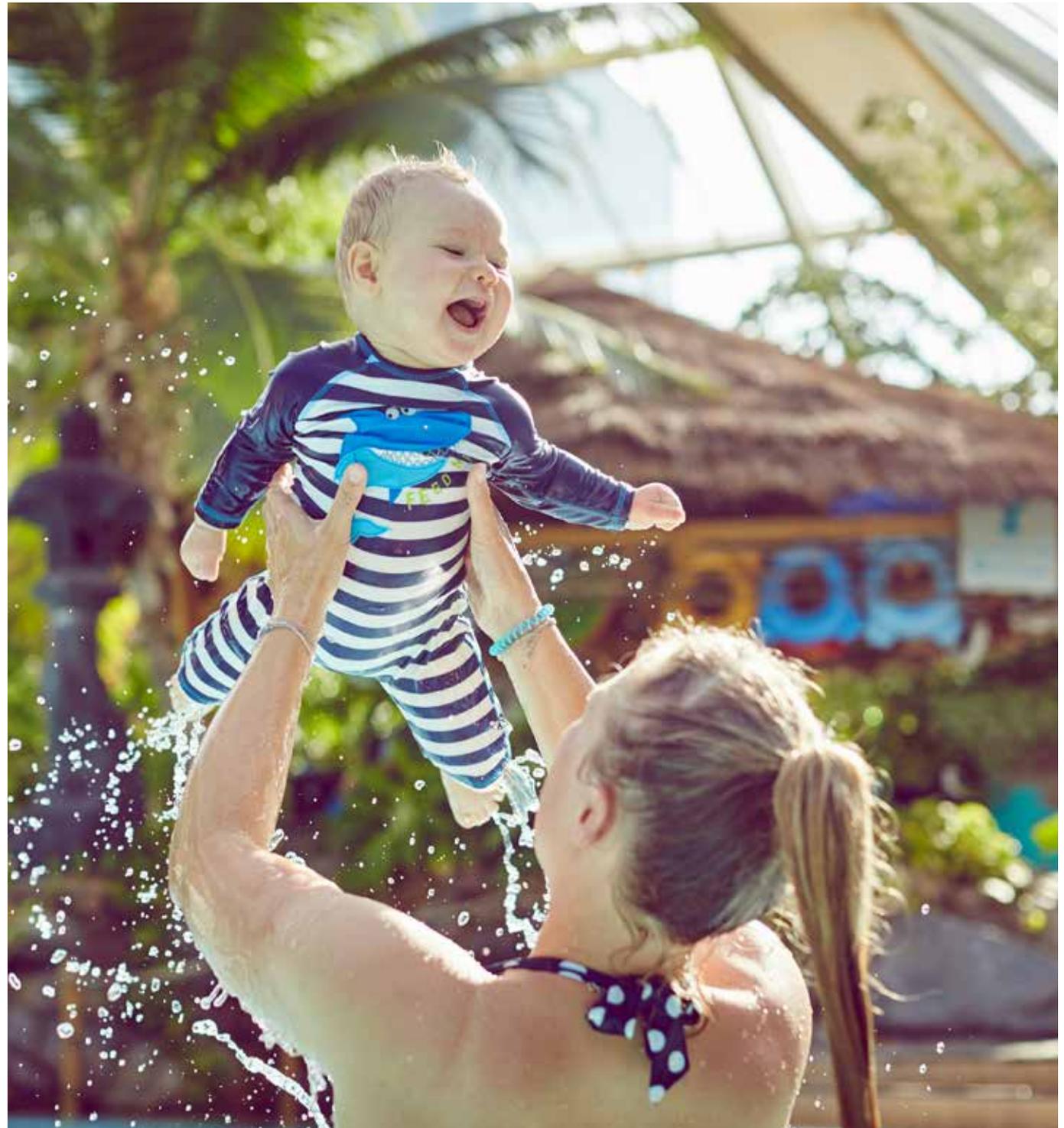
Woodland, water and a natural environment are the essential elements of a Center Parcs break. Within this comfortable, quiet and family-friendly setting, the Center Parcs Villages provide guests with high quality accommodation and more than 150 leisure and spa activities. There are over 4,000 units of accommodation across the five Villages. The focal point and key attraction of each Village is an all-weather indoor Subtropical Swimming Paradise, featuring a selection of water activities including a wave pool, river slides and rides, children's pools and jacuzzis. Other on-site experiences include outdoor activities such as cycling, boating and quad bikes; indoor activities such as Ten Pin Bowling, Badminton and Indoor Climbing Adventure; and leisure amenities such as spas, dining and retail.

We operate in the UK short break holiday market, which consists of three segments: (i) traditional holiday centres; (ii) holiday parks based on caravan or lodge accommodation; (iii) forest villages, which includes Center Parcs.

# Financial Highlights

	2015/16	2014/15 <sup>(1)</sup>
Occupancy (%)	97.7	96.9
Sleeper nights (m)	7.2	6.8
Number of guests (m)	2.1	2.0
Capital investment (£m)	63.2	42.9
Revenue (£m)	420.2	385.2
Adjusted EBITDA (£m)	198.2	180.2
Profit before tax (£m)	57.3	22.8
Average daily rate (£) (net of VAT)	167.31	159.43
RevPAL (£) (net of VAT)	163.51	154.60
Accommodation bookings via web (% of total)	84	82
Guest satisfaction (% of guests ranking their break as excellent or good)	96	96
Employee turnover (%)	30	24

<sup>(1)</sup> All figures relate to 52 weeks of trading for the four original Villages and 44 weeks of trading for Woburn Forest, which opened in June 2014.



## Key Performance Indicators



# Key Performance Indicators

The Board of Directors and the Operating Board receive a range of management information on a periodic basis. The principal measures used to monitor the progress and performance of the business are set out below. All results for 2015/16 include all five Villages for the 52 weeks ended 21 April 2016; results for 2014/15 reflect 52 weeks of trading for the original four Villages and 44 weeks of trading for Woburn Forest.

### Revenue

Revenue for the period was £420.2 million (2014/15: £385.2 million), reflecting both the additional eight weeks of trading at Woburn Forest and underlying growth at the original four Villages.

### Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation, owners' costs and exceptional/non-underlying items. Adjusted EBITDA for the period was £198.2 million (2014/15: £180.2 million).

### Occupancy

Occupancy is the average number of units of accommodation occupied as a percentage of the total number available. Occupancy for the period was 97.7% (2014/15: 96.9%) and the average number of units of accommodation was 4,129 during the period (2014/15: 4,127).

### ADR (Average Daily Rate)

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

ADR for the period was £167.31 (2014/15: £159.43).

### RevPAL (Rent per Available Lodge Night)

RevPAL is the average daily rent (excluding VAT) achieved based on the total accommodation income divided by the total available number of units of accommodation nights. RevPAL for the period was £163.51 (2014/15: £154.60).

### Forward Bookings

Forward bookings is the number of bookings for the forthcoming financial year expressed as a percentage of the total available breaks for that year. This gives good forward visibility of future occupancy levels. Forward bookings at April 2016 was 44% (2014/15: 41%).

### Guest Satisfaction

Guest satisfaction is tracked and obtained using online questionnaires completed by guests. For the period under review 96% (2014/15: 96%) of respondents ranked their break as excellent or good.

### Employee Turnover

The average labour turnover for the business during the period was 30% (2014/15: 24%).

## Chief Executive's Statement



“ 2015/16 was a year of personal bests for Center Parcs and the year in which we began to write the next chapter in our history.

On 3 August 2015, Brookfield, a Canadian based global asset management company, acquired Center Parcs from Blackstone. Following this acquisition, Brookfield have accelerated the capital investment in the business and we are already reaping the benefits of this investment and we will continue to do so over the years to come. During the year, a massive £63 million was invested in the business and it is investment of this magnitude that maintains our exceptionally high standards, delivers constant innovation and delivers first class facilities and services for our guests' enjoyment. A testament to this investment is that 96% of guests surveyed said that their holiday was either excellent or good, a superb result.

Our occupancy reached an all-time record of 97.7%, a remarkable achievement which is reflective of the relentless effort and passion shown by our people on a daily basis. This means that, allowing for accommodation that was off-line for upgrading works, we were virtually full all year round; not something experienced by any other business in our sector.

Having successfully built, opened and integrated our fifth site at Woburn Forest in to the Center Parcs business, we turned our attention to progressing our sixth site in County Longford, Ireland. In April 2015, we had secured a purchase option over the site we had selected. In October 2015, we submitted our planning application to Longford County Council; the culmination of thousands of hours of work put in by the project team. On 26 February 2016, the Council granted planning permission for the sixth site. The Council's decision was appealed to An Bord Pleanála, the national planning body in Ireland. On 27 July 2016, we received the fantastic news that An Bord Pleanála had granted planning permission for the sixth site.

I have every confidence that the combination of our people, continued innovation and increasing capital investment in our business will allow us to build on the excellence we have already achieved and will ensure the business goes from strength to strength. ”

A handwritten signature in white ink, appearing to be 'MD', enclosed within a white oval scribble.

**Martin Dalby**  
Chief Executive Officer

# Strategy and Objectives



# Strategy and Objectives

## Objectives

During the period under review, there was a change in ownership of the Center Parcs business and it was imperative during this change that we remained focused on delivering our key corporate objectives to support our business strategy. We therefore focused on three key elements and we made excellent progress in each area.

## Ireland

Having already secured the purchase option over the site in County Longford in April 2015, we assembled the project team that would drive this project forward. We undertook an enormous amount of preparatory work in putting together our planning application to ensure that the local Council had all that they needed to make a decision. This included detailed ecological surveys, economic impact assessments and road traffic surveys. We also held a number of community engagement events in the local town of Ballymahon to ensure that the local communities were fully aware of our proposals and what benefits we would bring to the local area.

In October 2015, we submitted our planning application to Longford County Council, well ahead of our target of the end of December 2015 and the Council approved the application in February 2016. However, the Council's decision was appealed to An Bord Pleanála, the national planning body but on 27 July 2016, An Bord Pleanála granted planning permission for the development of our sixth site to be called Longford Forest. This fantastic news is testament to all of the comprehensive preparatory work undertaken by the project team.

## Product Development

It is absolutely imperative that we continually improve our facilities and services so that our guests can enjoy the very best we have to offer. During the year we:

- Commenced construction of 18 new premium Lodges at Woburn Forest;
- Added six new Exclusive Lodges at Sherwood Forest;
- Substantially completed the construction of four treehouses at Elveden Forest;
- Received planning permission to build a new apartment block at Elveden Forest and we made significant progress on the construction works during the year;
- Commenced construction of an extension to the Subtropical Swimming Paradise to accommodate a new iconic ride and children's play area at Longleat Forest;
- Carried out major refurbishments at our popular "Sports Café" at Sherwood, Whinfell and Elveden Forest and at "Leisure Bowl" at Longleat and Elveden Forest;
- Refurbished a number of our retail shops such as Time for Shade and Aquatique;
- Completed the roll out of Wi-Fi to all accommodation types and central buildings providing our guests with excellent speed and connectivity;
- Introduced exciting new leisure activities such as Indoor Climbing Adventures, Woodland Wheelers and Adventure of the Senses; and
- Continued with the accommodation upgrade programme known as "Project Spring", an extensive programme of works through which accommodation is upgraded to a significantly higher specification. As of April 2016, approximately 91% of the units of accommodation had been upgraded at the original four Villages since Project Spring commenced in 2008 – a remarkable achievement.



# Strategy and Objectives

## Our Guests, Our People and Our Environment

Center Parcs cannot achieve its objectives without its guests, its people and the environment which is central to our offering. We remain focused on ensuring that each of our Villages maintains the very high level of guest satisfaction scores they have achieved. During the year, we welcomed approximately 2.1 million guests to Center Parcs and 96% of those guests say that their holiday was either excellent or good. Whilst these levels of guest satisfaction are excellent and demonstrate the fantastic work undertaken by all of our people, we continue to strive to deliver higher standards in everything we do and the passion and motivation of our people is key to this.

In summer 2015, the Government announced the introduction of the National Living Wage for all employees aged 25 years and over – maintaining the National Minimum Wage rates for younger workers. In April 2016, in keeping with our tradition of not paying different rates linked to age, we introduced the National Living Wage for all of our employees which demonstrates a clear commitment to our people.

As economic conditions continued to improve and virtually full employment was reached, staff turnover did increase marginally. In the coming year, we will redouble our efforts to manage staff turnover back to historic levels.

Whilst our water consumption continued to increase, due to the full impact on our newest Village, our electricity usage reduced by 2% and even though our gas usage increased by 2% our overall carbon emissions decreased by 3%. This continues to demonstrate our commitment to the environment.

During the year, Center Parcs raised over £96,000 for its corporate charities, the Wildlife Trusts and the NSPCC, bringing the total raised for these worthy causes over the last 3 years to over £300,000. The Center Parcs Community Fund also distributed £16,500 to worthy causes based in our local communities, making a tangible difference to the lives of local people.

# Objectives for 2016/17

## Ireland

Now that we have received planning permission for the construction of Longford Forest, we will work towards commencing construction in 2017 by:

- Continuing to engage with the local communities and all local stakeholders to ensure we keep them informed of our plans and progress against these plans.
- Fully mobilising our operational and design teams to progress the detailed design of the Villages.
- Commencing pre-construction works such as building a security fence and laying tracks and paths.
- Securing appropriate project funding for the development.
- Tendering the main construction works.

## Product Development

It is our intention to invest an even greater amount than the £63 million invested in our business in the last year. This investment will allow us to:

- Continue the investment in upgrading our accommodation to ensure we maintain the very highest of standards. This will include upgrading a further 208 Lodges to the Project Spring specification.
- Start working back through the accommodation that has been upgraded through Project Spring and undertake refurbishment works that are less transformational than the original upgrade works but that will ensure that the accommodation will remain up to the high standards synonymous with Center Parcs. This round of refurbishments will be known as "Project Summer" and we will be refurbishing 125 units of accommodation in the first half of the financial year with another 120 units to follow in the second half.

- Sensitively build additional accommodation on Village, including the building of another 57 Lodges at Woburn, 10 at Whinfell and 6 at Longleat. We will also open the 48 unit apartment complex at Elveden known as "The Brecklands" and commence work on demolishing the existing hotel at Elveden which will be replaced with a new apartment complex and an exciting range of new accommodation.
- Undertake a major refurbishment of the Aqua Sana at Sherwood Forest costing over £3 million, including the introduction of the Treetop Relaxation area and rolling out the spa experiences that we introduced at Woburn Forest.
- Introduce new leisure concepts such as Mini Captains' Adventure, an experience in which young guests get to pilot a boat on the lake and Limitless Tower, an adrenaline experience where guests can leap from a high tower on to the inflatable landing areas.
- Continue the refurbishment programme in relation to our restaurants and our shops, including the complete refurbishment of the ParcMarket at Sherwood Forest.
- Work with our concessionaire partner, The Casual Dining Group, to introduce the exciting "Las Iguanas" concept restaurant at Longleat Forest.

## Our Guests, Our People and Our Environment

To ensure our guests continue to enjoy the very best service, we will be launching a range of initiatives to drive service standards across all areas of the business, both pre-arrival and once guests are on Village. This will include a new Center Parcs website, a new Aqua Sana website and an updated version of the Center Parcs App. The new websites will allow our guests to create personal accounts that they can use to access and manage their bookings more easily.

To ensure we listen to our people, who truly make Center Parcs the excellent business it is, we will be launching an extensive employee engagement programme called "My View". This will allow us to hear first-hand how our people feel about Center Parcs and help us deliver initiatives that mean we can motivate, reward and retain our very best people.

We will continue to search for ways to limit our carbon footprint across our business by using green energy and looking for ways to continually reduce our consumption of energy. We will be installing a Combined Heat and Power unit at Sherwood Forest that will be powered by renewable fuel produced by an anaerobic digester plant that uses waste crops to create gas. This green initiative will have a big impact on reducing our carbon footprint.



# Group Financial Review



## Financial highlights

- Net revenue up 9.1% to £420.2 million
- Adjusted EBITDA up 10.0% to £198.2 million
- Cash generated from operating activities of £200.9 million
- Capital investment of £63.2 million
- Profit before and exceptional/non-underlying items of £57.3 million

### Financial Review

The original four Villages (Sherwood, Elveden, Longleat and Whinfell Forests) were owned and operated throughout the period under review by the group headed by Center Parcs (Holdings 1) Limited.

On 11 June 2015, the group headed by Center Parcs (Holdings 1) Limited undertook an intra-group reorganisation, which resulted in CP Woburn (Operating Company) Limited, the owner and operator of Woburn Forest, becoming a subsidiary of Center Parcs (Holdings 1) Limited, as anticipated under the terms of the Group's financing arrangements.

# Group Financial Review



## Income Statement

The following income statement presents the performance of the Center Parcs Group inclusive of CP Woburn (Operating Company) Limited:

	2016			2015		
	Before exceptional and non- underlying items	Exceptional and non- underlying items	Total	Before exceptional and non- underlying items	Exceptional and non- underlying items	Total
	£m	£m	£m	£m	£m	£m
<b>Revenue</b>	<b>420.2</b>	-	<b>420.2</b>	<b>385.2</b>	<b>1.7</b>	<b>386.9</b>
Cost of sales	(111.7)	-	(111.7)	(103.3)	(2.8)	(106.1)
<b>Gross profit</b>	<b>308.5</b>	-	<b>308.5</b>	<b>281.9</b>	<b>(1.1)</b>	<b>280.8</b>
Administrative expenses	(110.3)	(4.5)	(114.8)	(101.7)	(8.8)	(110.5)
<b>Adjusted EBITDA</b>	<b>198.2</b>	<b>(4.5)</b>	<b>193.7</b>	<b>180.2</b>	<b>(9.9)</b>	<b>170.3</b>
Depreciation and amortisation	(42.6)	-	(42.6)	(40.4)	(0.6)	(41.0)
Owners' costs	(0.4)	-	(0.4)	(2.0)	-	(2.0)
Total administrative expenses	(153.3)	(4.5)	(157.8)	(144.1)	(9.4)	(153.5)
<b>Operating profit</b>	<b>155.2</b>	<b>(4.5)</b>	<b>150.7</b>	<b>137.8</b>	<b>(10.5)</b>	<b>127.3</b>
Movement in fair value of financial derivatives	-	(16.8)	(16.8)	0.2	16.8	17.0
Finance income	0.4	-	0.4	0.7	-	0.7
Finance expense	(98.3)	(42.0)	(140.3)	(115.9)	(6.4)	(122.3)
<b>Profit before taxation</b>	<b>57.3</b>	<b>(63.3)</b>	<b>(6.0)</b>	<b>22.8</b>	<b>(0.1)</b>	<b>22.7</b>
Taxation	(8.5)	20.9	12.4	(4.6)	(5.7)	(10.3)
<b>Profit for the period</b>	<b>48.8</b>	<b>(42.4)</b>	<b>6.4</b>	<b>18.2</b>	<b>(5.8)</b>	<b>12.4</b>

# Group Financial Review



## Financial review

This year has seen the business deliver another good financial performance, reflecting the continued attractiveness of Center Parcs as a short break destination in the UK. Profit before tax and exceptional/non-underlying items increased from £22.8 million to £57.3 million during the year, as the result of both an improved trading performance and the refinancing of certain elements of the Group's debt.

We achieved our highest ever level of occupancy of 97.7%, despite approximately 1.5% of capacity being off-line for upgrade and therefore unavailable for sale. This record occupancy and strong ADR growth of 4.9% resulted in RevPAL of £163.51, a 5.8% increase in comparison to the prior 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 Center Parcs is operationally and financially robust and will generate sufficient cash to meet its debt service requirements for the next 12 months.

## Revenue

Revenue in the 52 weeks ended 21 April 2016 increased by £35.0 million, or 9.1%, to £420.2 million reflecting growth in accommodation revenue of 8.7% and on-Village revenue of 9.6%. This growth was driven in part by Woburn being open for all of FY16 compared to 44 weeks in FY15, but also reflects strong underlying growth at the original four Villages.

## Cost of sales

Cost of sales increased to £111.7 million in the 52 weeks ended 21 April 2016 (52 weeks ended 23 April 2015: £103.3 million) in line with the growth in on-village revenue. This in part reflected the extra eight weeks of trading at Woburn in the current financial year.



# Group Financial Review



## Administrative expenses

Administrative expenses increased to £110.3 million in the 52 weeks ended 21 April 2016 (52 weeks ended 23 April 2015: £101.7 million), again partly as a consequence of the impact of Woburn.

The £4.5 million of exceptional/non-underlying administrative expenses incurred in the 52 weeks ended 21 April 2016 are costs in respect of the Group's review of its strategic options, which ultimately resulted in the Group's acquisition by a fund managed by a subsidiary of Brookfield Asset Management Inc.

## Adjusted EBITDA

As a result of the factors outlined above, adjusted EBITDA for the 52-week period grew by £18.0 million or 10.0% in comparison to the prior year.

## Depreciation and amortisation

Depreciation and amortisation for the 52 weeks ended 21 April 2016 was £42.6 million, an increase of £2.2 million or 5.4% in comparison to the charge for the 52 weeks ended 23 April 2015. This increase was primarily driven by higher depreciation at Woburn in the current period (Woburn's assets

were not depreciated prior to its opening on 6 June 2014) and continued high levels of capital investment.

## Taxation

The underlying effective tax rate for Center Parcs for the 52 weeks ended 21 April 2016 was 14.8% (2014/15: 20.2%).

## Cash inflow

Center Parcs continues to be highly cash generative, with a net cash inflow from operating activities during the year of £200.9 million (2014/15: £182.6 million).

This year has seen £59.2 million spent on capital projects and £87.7 million on interest payments. Cash balances decreased by £56.3 million to £47.7 million during the year, principally driven by the £140.5 million acquisition of CP Woburn (Operating Company) Limited.

## Borrowings

At 21 April 2016, the borrowings of Center Parcs totalled £1,491.2 million, being £1,490.0 million of secured notes and a mortgage of £1.2 million on the Center Parcs head office.

On 11 June 2015 Center Parcs issued £490.0 million of New Class A senior notes, divided into £350.0 million 2.666% notes due to mature

in February 2020 and £140.0 million 3.588% notes due to mature in August 2025. The proceeds of these new notes, along with existing cash resources available, were used to settle the £300.0 million of Class A1 notes, which were due to mature in February 2017, and fund the acquisition of the equity share capital of CP Woburn (Operating Company) Limited.

On 3 August 2015 Center Parcs was acquired by a fund managed by a subsidiary of Brookfield Asset Management Inc. from the previous owner, being funds advised by The Blackstone Group. On the same date the business announced the issue of £560.0 million 7.000% Class B2 secured notes due to mature in August 2020. Part of the proceeds from these new notes were used to settle the £280.0 million of Class B secured notes which were due to mature in February 2018.

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 the business.

# Risks and Uncertainties



# Risks and Uncertainties

Center Parcs has a proactive approach to the management of potential risks and uncertainties which could have a material impact on the performance of our business and the execution of our growth strategy. Details of our approach to risk management can be found in the Governance Report.

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. These risks include, but are not limited to:

## Operational Risk Factors

### Health and Safety

The health, safety and welfare of our guests and employees is paramount in our business. We are committed to maintaining industry leading standards in health and safety including fire and food safety and we adopt a proactive approach to safety management. All incidents are reported via a management system and reviewed to monitor trends and capture learning points that are then integrated into the business. The Fire, Health and Safety Steering Committee reviews major incidents, all policies and procedures and is focused on continuous improvement in order to mitigate this risk.

### Business Continuity

We operate five holiday Villages in the UK and a significant interruption of any one would have a material impact on the business. 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 to mitigate this risk.

### Supply Chain

We have a large number of suppliers and pride ourselves on the quality of our product. The business 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. These risks are mitigated by supplier registration systems, robust contract management processes and performance management. In addition, the Risk Committee considers supply chain contingency arrangements and takes appropriate measures.

### Contractual Arrangements

We have contracts with third parties for the supply of goods and services. Contracts are negotiated at arm's length and we do not enter into contracts that are outside the ordinary course of business or those that contain onerous terms. We maintain a compliance programme to ensure adherence with all material contractual commitments. There is no single contractual counterparty that is critical to the running of the business. The failure of any critical contractual counterparty is managed through supply chain contingency arrangements (see the supply chain risk).

### Employees

Our performance depends largely on our employees both on the Villages and at head office. The resignation of key individuals or the inability to recruit employees with the right experience and skills could adversely impact the business's results. To mitigate these issues we have invested in training programmes and have a number of bonus schemes linked to the business'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 business'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. We take pro-active steps to manage any such increases including cost control, forward buying and budgeting for any increase.

### Brand

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. We mitigate this risk 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.

### Technology and Cyber Security

We rely heavily on systems and technologies for reservations, revenue management and property management. Failure to keep up to date with technology in these areas could have an adverse impact on the business. To mitigate this risk we have an IT programme focused on ensuring the long term stability of operating systems, data protection and cyber security. The Operating Board receives regular updates on the IT programmes.

# Risks and Uncertainties

## 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. We regularly review our product offering and engage with guests to ensure we provide value for money to meet guest needs and expectations.

### Competition

The Center Parcs brand is synonymous with high quality short breaks in a forest environment but we compete for the discretionary expenditure of potential guests, who could choose to take short breaks at other destinations or participate in other recreational activities. This risk is mitigated by the strength of the Center Parcs brand and continual investment in the accommodation and central facilities (including retail and restaurants) coupled with the innovation amongst the leisure activities and the responsiveness to guest surveys.

### Seasonality and Weather

The demand for short breaks is linked to the main seasonal holiday periods. Our reservation and revenue management systems encourage demand outside of these peak periods in order to mitigate the seasonality risk. The weather could impact our business as the Villages are located within forest environments and there are a significant number of outdoor activities. However, there is a wide mixture of indoor and outdoor activities to mitigate this risk and our systems encourage advance bookings.

## Financial Risks

The Board of Directors and the Operating Board regularly review the financial requirements of the business and the associated risks. Center Parcs does not use complicated financial instruments and where financial instruments are used they are used to reduce interest rate risk. The business does not hold financial instruments for trading purposes. The business finances its operations through a mixture of retained earnings and borrowings as required. Historically, Center Parcs has sought to reduce its cost of capital by refinancing and restructuring the business's funding using the underlying asset value.

All tranches of the secured debt are subject to financial covenants. The Directors have assessed future compliance and at this time do not foresee any breach of the financial covenants.

### Interest Rate Risk

Principal sources of borrowing are fixed interest rate loan notes.

### Liquidity risk

The business maintains sufficient levels of cash to enable it to meet its medium-term working capital and debt service obligations. Rolling forecasts of liquidity requirements are prepared and monitored and surplus cash is invested in interest bearing accounts.

### Currency risk

No borrowings are denominated in foreign currencies. Wherever possible the business enters into supply contracts denominated in Sterling. Although there are a small number of suppliers paid in foreign currencies. The business does not operate a hedging facility to manage currency risk as it is not considered to be material.

### Credit risk

Cash balances are held on deposit with a number of UK banking institutions. Credit risk in respect of revenue streams is limited as the vast majority of customers pay in advance.

### Financial reporting risk

The financial systems are required to process a large number of transactions securely and accurately; any weaknesses in the systems could result in the incorrect reporting of financial results and covenant compliance. This risk is mitigated by the production of detailed management accounts which are regularly compared to budgets and forecasts. Center Parcs is also subject to an annual external audit.

# Corporate Responsibility



## Corporate Responsibility

Center Parcs has a strong commitment to acting responsibly in our relationships with guests, employees, suppliers, neighbours, shareholders and regulators and making a positive contribution to the communities surrounding by our Villages. This includes:

- Ensuring high levels of guest satisfaction;
- Managing our environmental impact;
- Being an employer of choice; and
- Supporting the community and charities.

### Our Guests

Our guests are at the heart of our business and we cannot achieve our objectives without them. We remain focused on ensuring that each of our Villages maintains the very high level of guest satisfaction scores they have achieved. During the year, we welcomed approximately 2.1 million guests to Center Parcs and 96% of those guests said that their holiday was either excellent or good. Whilst these levels of guest satisfaction are excellent and demonstrate the fantastic work undertaken by all of our people, we continue to strive to deliver higher standards in everything we do and the passion and motivation of our people is key to this.

After each visit we invite our guests to complete an online satisfaction

questionnaire and to share their experience via Trip Advisor. We really are interested in our guests' views and we ask them to rate all areas of our business and to provide feedback to help us improve our service and facilities. We use the results to reward our employees for delivering excellent service and also to recognise areas where additional training and support is required.

### Our Environment

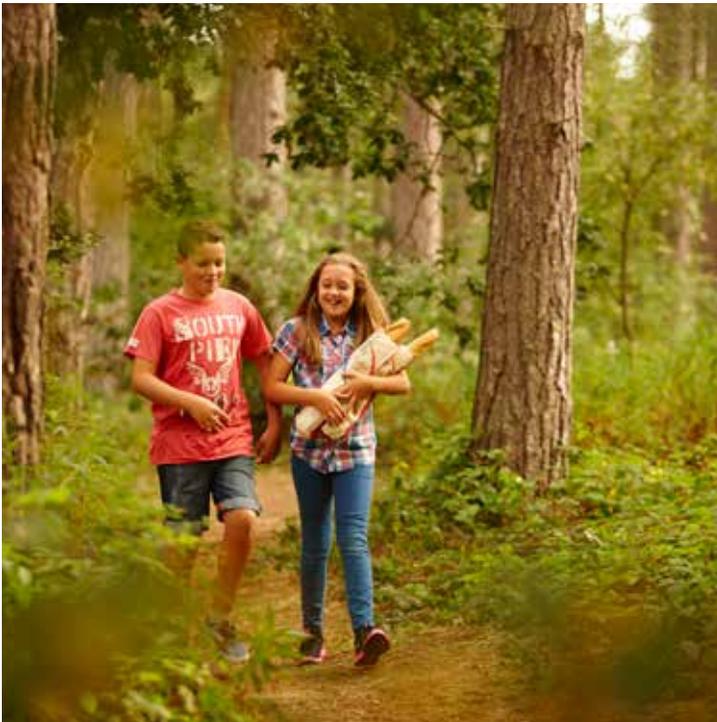
Our Villages are built deep within the forest, enabling our guests to enjoy acres of unspoilt woodland where they can interact directly with nature. This close link with the natural environment means we have always been committed to the protection of our surroundings. However, our responsibilities go far beyond this. As a sustainable business, we seek to benefit and improve the communities in which we operate, by sourcing local services and produce, where ever possible. We aim to minimise our impact on the environment and encourage biodiversity when caring for Center Parcs' forests but also the wider surroundings. We understand the importance of a sustainable community too and work closely with our employees, local suppliers, communities and charities across the UK to improve the way we operate.

### Sustainability

The Center Parcs experience is built around enabling our guests to enjoy the natural environment. It is therefore vital that we protect it. Through the rigorous adherence to our Environmental Management System, (which is independently audited under ISO14001), we continue to make progress in our efforts to reduce the impact of our business on the environment. Our Sustainability Strategy sets out our commitments to 2020.

During the past year we have made progress towards our Sustainability Strategy targets:

- Electricity usage reduced by 2% during the period, although gas usage increased by 2% due to a new combined heat and power unit at Longleat Forest;
- Water consumption increased over the year by 8% partly due to the full year impact of Woburn Forest;
- Recycling increased by 152 tonnes;
- 643 tonnes of food waste was diverted from landfill, a reduction of 20 tonnes on the previous year; and
- Total carbon emissions for the year January to December 2015 was 60,428 tonnes.



## Corporate Responsibility *continued*

We remain committed to our strategic targets and have a range of measures in place to help us achieve our ambitious targets including the continual investment in our infrastructure, such as new boilers and smaller scale energy initiatives.

Carbon reduction targets continue to be an important part of our employee bonus schemes, and during the year we completed another period of the Home Energy Savers, a scheme designed to help our employees reduce the carbon footprint in their own homes. The scheme is now in its third year and rewards employees by matching any savings they make on their gas, electricity and water usage over 12 months. This year's winner, saved £381 on her previous year's bills and won over £1000 to spend on home improvements related to sustainability.

### Nature and Biodiversity

Our forests define Center Parcs. When planning a Center Parcs Village, it is the woodland setting which provides the opportunity, atmosphere and unique characteristics of each location, and we recognise our duty to protect and enhance the forests in which we operate. We continue to manage the forests in a way that not only creates a landscape that provides a unique guest experience but also provides habitats that enhance the biodiversity value of our Villages.

Each Village supports a remarkable diversity of flora and fauna, including endangered and rare species, such as the red squirrel colony at Whinfall Forest, an important site for bats at Sherwood Forest, at Elveden Forest the RDB (Red Data Book) Mining Bee which had been feared to be extinct in the UK was sighted, the Dormouse another European Protected Species was discovered at Longleat Forest and Woburn, only two years old already has a growing bird and bat population. Our conservation teams work hard to maintain the level of biodiversity, at the same time as attracting new wildlife to the area.

This year, we were again awarded The Wildlife Trusts' Biodiversity Benchmark in recognition of our continual biodiversity protection and enhancements to our forests. This complements our Environmental Management System, which is independently audited under ISO14001.

### Our People Strategy

This was an exciting year for our People agenda. We started many initiatives and projects which collectively will transform our approach to people management and HR service delivery and will further enhance our ability to deliver our core people strategy of:

- Attracting, recruiting and retaining colleagues who can deliver excellent service and fit the Center Parcs culture and brand;
- Delivering fair and equitable reward systems;
- Investing in training and development initiatives that assist colleagues with fulfilment and progression, ensuring high engagement within the business; and
- Nurturing and protecting a diverse culture where equality and fairness are paramount.

### Attraction, Recruitment and Retention of Colleagues

We encourage applications from all ages and backgrounds but we are proud to continue to champion young people in employment and work closely with our local schools and colleges ensuring our roles and career opportunities are well known. Despite a more buoyant labour market we continue to experience much lower levels of employee turnover than many others in the hospitality and leisure industry.



# Corporate Responsibility *continued*

## Development, Engagement and Culture

Developing our people to fulfil their potential and aspirations is a key activity for Center Parcs and is underpinned by our award winning Aspire Management Development Programme. During the year 100 colleagues benefited from the Aspire programme. Aspire has an excellent reputation for providing a constant stream of emerging managers with over 40% of individuals who attained the highest level, the Diploma, going on to secure new management positions within a year post completion.

As an organisation that is continuously developing its people this year has seen us deliver over 11,000 elements of training, up skilling our teams to deliver excellent service and activities to our guests.

The annual Star Performer events are the highlight of our year and recognise the individual passion and dedication of our colleagues. This year saw 271 individuals celebrated and rewarded in style at our award dinners, with 6 very deserving colleagues confirmed as 'Colleague of the Year' at their respective locations.

We are proud to display our Investors in People accreditation and we will be seeking re-accreditation with the main focus and assessments taking place at our Woburn Forest and Longleat Forest Villages.

## Reward at Center Parcs

We have applied the new National Living Wage to all our colleagues regardless of age and without any reduction to existing terms or benefits. In July 2015 and ahead of any mandatory need to do so, we introduced additional holiday pay which takes in to account all voluntary overtime worked when calculating holiday pay, reflecting the value we place on the flexibility shown by our people when they work above their contract hours. Over 4,000 colleagues benefitted from this, sharing £350,000 in additional holiday pay.

Our bonus schemes at all locations yet again achieved their targets, making it the 12th consecutive year that we will be making payments across the whole business.

## Diversity and Equality

We are wholly committed to embracing and supporting the human rights, equality and diversity of our workforce, as it forms an essential part of our culture. We are also proud to be able to offer a great variety of roles, hours, and shift patterns reflecting the diverse work and social needs of our colleagues.

The table below provides a breakdown of the gender of the Directors, senior managers and employees during the financial year, in accordance with the gender reporting requirements:

Center Parcs	2015/16		2014/15	
	Male	Female	Male	Female
Board of Directors <sup>(1)</sup>	5	0	7	1
Operating Board <sup>(2)</sup>	5	0	5	1
Senior Managers <sup>(3)</sup>	10	10	12	10
All other employees	2,373	5,694	2,222	5,388

(1) – Directors of the UK holding company, Center Parcs (Holdings 1) Limited.

(2) – The management team responsible for day to day operations within the group.

(3) – We have defined senior managers as those managers which report directly to a member of the Operating Board.



## Corporate Responsibility *continued*

### Our Communities

We have an extremely close relationship with the communities surrounding our Villages, with 82% of our employees living within 15 miles of a Center Parcs Village, as well as our commitment to using local suppliers wherever possible. The Community Fund, which was launched last year, allows each of our Villages and Head Office to sponsor local projects whether delivered by our colleagues or members of the community. This ensures that the local area further reaps the benefit of our involvement in the communities that surround our Villages. In its first year the Community Fund distributed £16,500 to worthy causes based in our local communities, making a tangible difference to the lives of local people.

### Our Charities

Center Parcs has a strong background of charitable support, offering donations in both financial terms and gifts in kind, to a range of charitable organisations. We have long been involved with a number of charities and appeals, both nationally and in the local areas surrounding our UK Villages and Head Office. Every few years we make a commitment to a long-term charitable partnership and also pledge our support by donating breaks across a number of charities supporting families during difficult times.

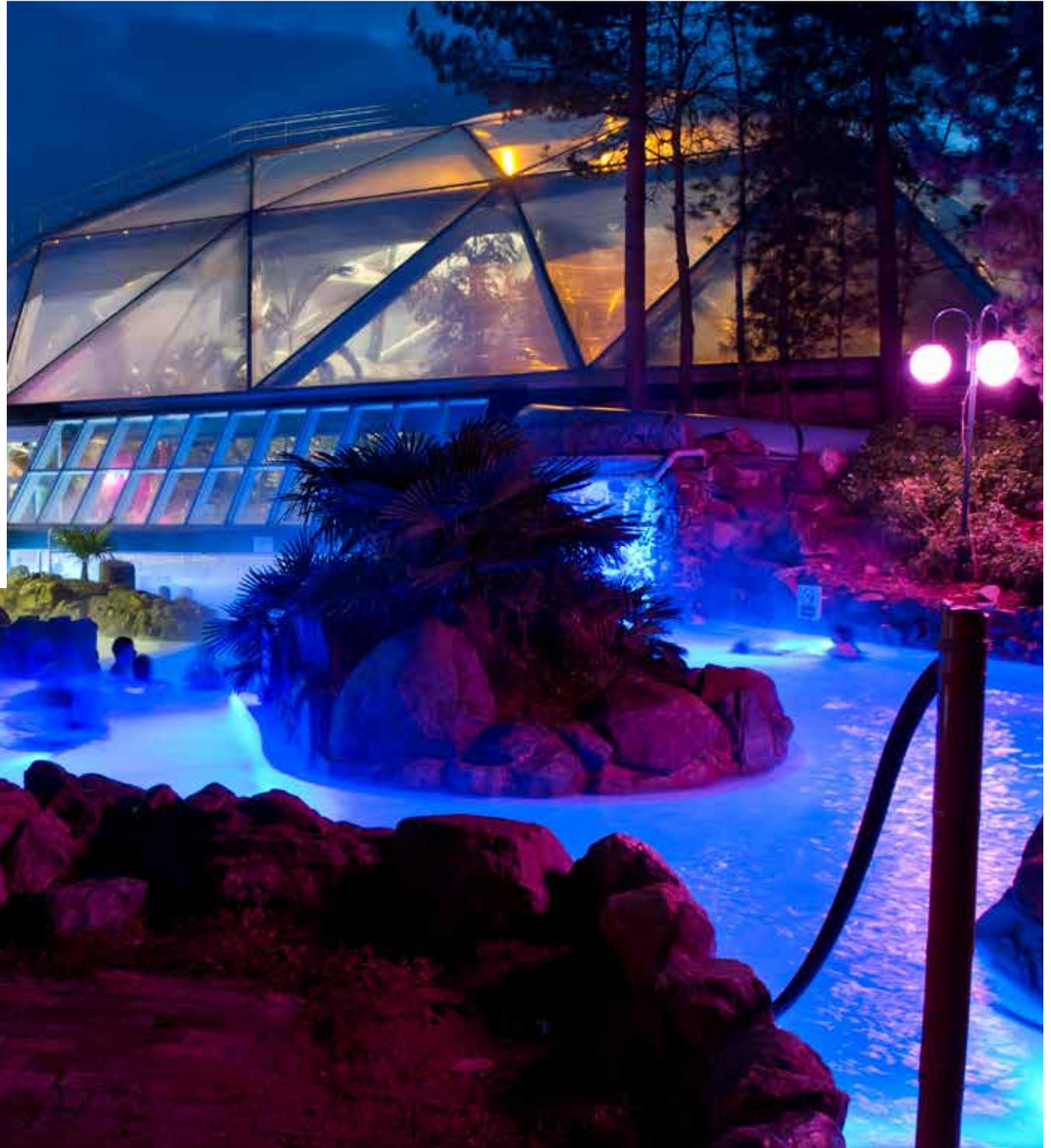
During the year, we raised over £96,000 for our corporate charities, the Wildlife Trusts and the NSPCC, bringing the total raised for these worthy causes over the last 3 years to over £300,000.

Since June 2016 we have partnered with Together for Short Lives and hope to raise awareness and vital funds to support more than 49,000 families who are caring for a child with a life-shortening condition. Together for Short Lives is a charity which helps families to have as fulfilling lives as possible and the very best care at the end of life.

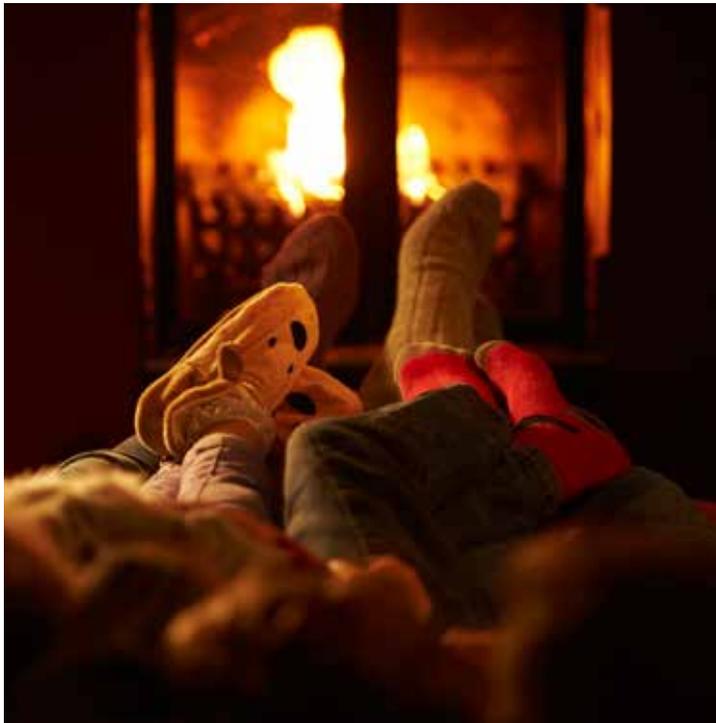
As part of their work Together for Short Lives raise money for the UK's 54 children's hospice services that deliver lifeline care and support to families right across the country. All children's hospice services are charities, relying overwhelmingly on public generosity to continue to provide their vital services. We hope that through this partnership we can make a real difference to the work of children's hospices and help more families to make the most of their precious time together.

Alongside our corporate partnerships, we also support a number of local and national charities helping children and families who are going through difficult times. By donating a number of breaks each year, we give these families the chance to enjoy some quality time together. Last year, we donated short breaks to the value of more than £56,000.

# Governance Report



# Ownership and Management Structure



At the end of the financial year, a fund managed by a subsidiary of Brookfield Asset Management Inc. have a controlling interest in the Center Parcs group of companies. Center Parcs (Holding 1) Limited is considered a portfolio company as defined by the Walker Report. This annual review has been prepared in accordance with the Walker Report and a copy of the consolidated financial statement for 2015/2016 is available on our website.

## History

- 1968 – the first Center Parcs Village opened in the Netherlands.
- 1987 – the first UK Village was opened at Sherwood Forest, Nottinghamshire.
- 1989 – the second UK Village was opened in Elveden Forest Village, Suffolk.
- 1994 – the third UK Village was opened at Longleat Forest Village, Wiltshire.
- 2001 – the fourth UK Village at Whinell Forest Village, Cumbria was acquired.
- 2001 – the Center Parcs Europe and UK businesses were split and the UK business was sold to Deutsche Bank Capital Partners.
- 2003 – the UK business was floated on the London Alternative Investment Market.
- 2005 – the UK business moved to a main London stock market listing.
- 2006 – the Center Parcs UK business was acquired by funds advised by the Blackstone Group.
- 2014 – the fifth UK Village was opened at Woburn Forest in Bedfordshire.
- 2015 – an option was acquired over a site in Ireland for the sixth Center Parcs Village.
- 2015 – the Blackstone Group sold Center Parcs UK to Brookfield, a Canadian based global asset management company.

- 2016 – planning permission was granted for the sixth Center Parcs Village at Longford Forest, Ireland.

## Ownership

From the start of the financial year to 2 August 2015 the Center Parcs business was owned by investment funds advised by the Blackstone Group. However, on 3 August 2015 the Blackstone Group sold the Center Parcs business to a fund managed by a subsidiary of Brookfield Asset Management Inc., a Canadian based global asset management company.

As at the end of the financial year the ownership split was:

Funds managed by Brookfield Asset Management Inc.	99.36%
Management	0.64%

## Management Structure

The Center Parcs business is managed in the UK by the Board of Directors, which comprises of two executive Directors and representatives of its principal shareholders. The Board provides leadership and sets the strategy. It is also responsible for overseeing implementation of the strategy, risk management, financial performance and corporate governance.

Operational oversight is the responsibility of the Operating Board which is made up of the two executive Directors and three members of senior management. The Operating Board is the main day-to-day decision making forum. It implements the strategy and has responsibility for ensuring that the business complies with all applicable statutory, regulatory and governance requirements.

# The Board of Directors

During the year the Board comprised of the following Directors:

## **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 he became Finance Director of Center Parcs UK and in July 2000 he was appointed Chief Executive Officer. He has led the UK business 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. He then 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, the purchase and sale by the Blackstone Group and subsequent purchase by Brookfield.

## **Paul Inglett**

*Finance Director*

Paul joined Marston's 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 he joined Center Parcs as Finance Director and is CIMA qualified.

## **Martin Robinson**

*Chairman (resigned on 2 June 2015)*

The Blackstone shareholder representative Directors, being Andrea Valeri, Michael Pegler, Farhad Karim and Tania Daguere-Lindbäck resigned on 3 August 2015, following the sale of the Center Parcs business to Brookfield.

### **The current Brookfield shareholder representative Directors are:**

## **Zach Vaughan**

*(appointed 22 February 2016)*

Zach is a Senior Vice President of Brookfield Property Group and is responsible for Brookfield's European real estate investments. He has over 14 years of real estate experience. Prior to joining Brookfield in 2012, he served as Director of Real Estate Investments for Canada Pension Plan Investment Board for over five years where he oversaw its North American investments in office and industrial properties. Previously he worked for Reichmann International and LaSalle Investment Management in the US. He received an Honours Economics degree from the University of Western Ontario.

## **Vikram Aneja**

*(appointed 18 October 2015)*

Vikram is a Vice President of Brookfield Property Group. He joined Brookfield Property Group in September 2010. He is focused on transactions across Europe. Prior to joining Brookfield he worked for a residential development firm in Toronto, Canada and a real estate opportunity fund in Miami, Florida. He holds an undergraduate degree from York University in Canada and an MBA from London Business School in the UK.

## **Kevin McCrain**

*(appointed 3 August 2015)*

Kevin McCrain is a Senior Vice President of Brookfield Property Group and is responsible for advising on all legal aspects of Brookfield's real estate platform, specifically focusing on European acquisitions and dispositions. Prior to moving to London, he was based in New York and focused on North American acquisitions and dispositions. Since joining Brookfield in 2010, he has been involved in a number of acquisitions, including Gazeley Limited, Verde Realty and International Developments International. Prior to joining Brookfield, he worked at another real estate investment management company and at international law firms where he focused on real estate related mergers and acquisitions and general real estate transactions. He holds a Juris Doctor degree from Georgetown University Law Center.

During the year the following directors were appointed to the Board of Directors but have since resigned:

## **Stephen Skaar**

*(appointed 3 August 2015, resigned 16 October 2015)*

## **Andrew Burych**

*(appointed 3 August 2015, resigned 22 February 2016)*

## The Board of Directors



# Operating Board

During the financial year Martin Dalby, Chief Executive Officer and Paul Inglett, Finance Director, were members of the Operating Board, along with the following members of 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 he 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 he was appointed to the position of Commercial Director and in May 2012 took over responsibility for both Operations and Development.

### **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. In June 2002 he 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), adding ebookers and Bridge The World to a multi-brand portfolio. He joined Center Parcs in November 2004 as Sales and Marketing Director.

### **Rajbinder Singh-Dehal**

*HR and Commercial Services Director  
(appointed 1 January 2015)*

Raj joined Center Parcs in June 2009 as Company Secretary with responsibility for legal, pensions, health & safety, insurance and risk. In May 2012, he was appointed as Head of Legal and Commercial Services which saw him assume responsibility for Purchasing in addition to his previous responsibilities. In January 2015, he was appointed as HR and Commercial Services Director. In his new role, he added Human Resources to his remit and joined the Center Parcs Operating Board. Before joining Center Parcs, Raj was Head of the Corporate & Commercial legal team at Alliance & Leicester plc. He started his career with Eversheds LLP where he practised as a corporate lawyer advising large to medium sized public and private companies. He qualified as a Solicitor in September 2001.

# Governance Structure



## Governance Structure

To allow the Board of Directors and the Operating Board to operate effectively, there are various committees within the business.

The Risk Committee meets quarterly to consider the nature and review the risks facing the business, review the framework to mitigate such risks, and notifies the Board of Directors of changes in the status and control of risks. It reviews the key risk registers, challenging and making changes where appropriate and receives reports from the FHSSC. The Risk Committee comprises of the Operating Board Directors, the Head of Health & Safety and the Deputy Company Secretary and is chaired by the Chief Executive Officer.

The Fire Health and Safety Steering Committee meets bi-monthly to review and oversee fire, health and safety and security operational risks. Health and Safety audits are conducted throughout the year to assess compliance with the Health and Safety policies and reported to the FHSSC, for review and approval where necessary. The FHSSC is chaired by the Operational and Developments Director and comprises of the Head of Health & Safety, the Head of Estates Assets & Development, the Deputy Company Secretary and all Village General Managers.

