

Annual Review

2016/17

Center Parcs is all about family time

Center Parcs targets the premium sector of the UK family short break market, offering an escape from the stresses and strains of modern life helping families come together.

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 service, 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 enviable guest feedback scores and consistently high levels of returning guests.



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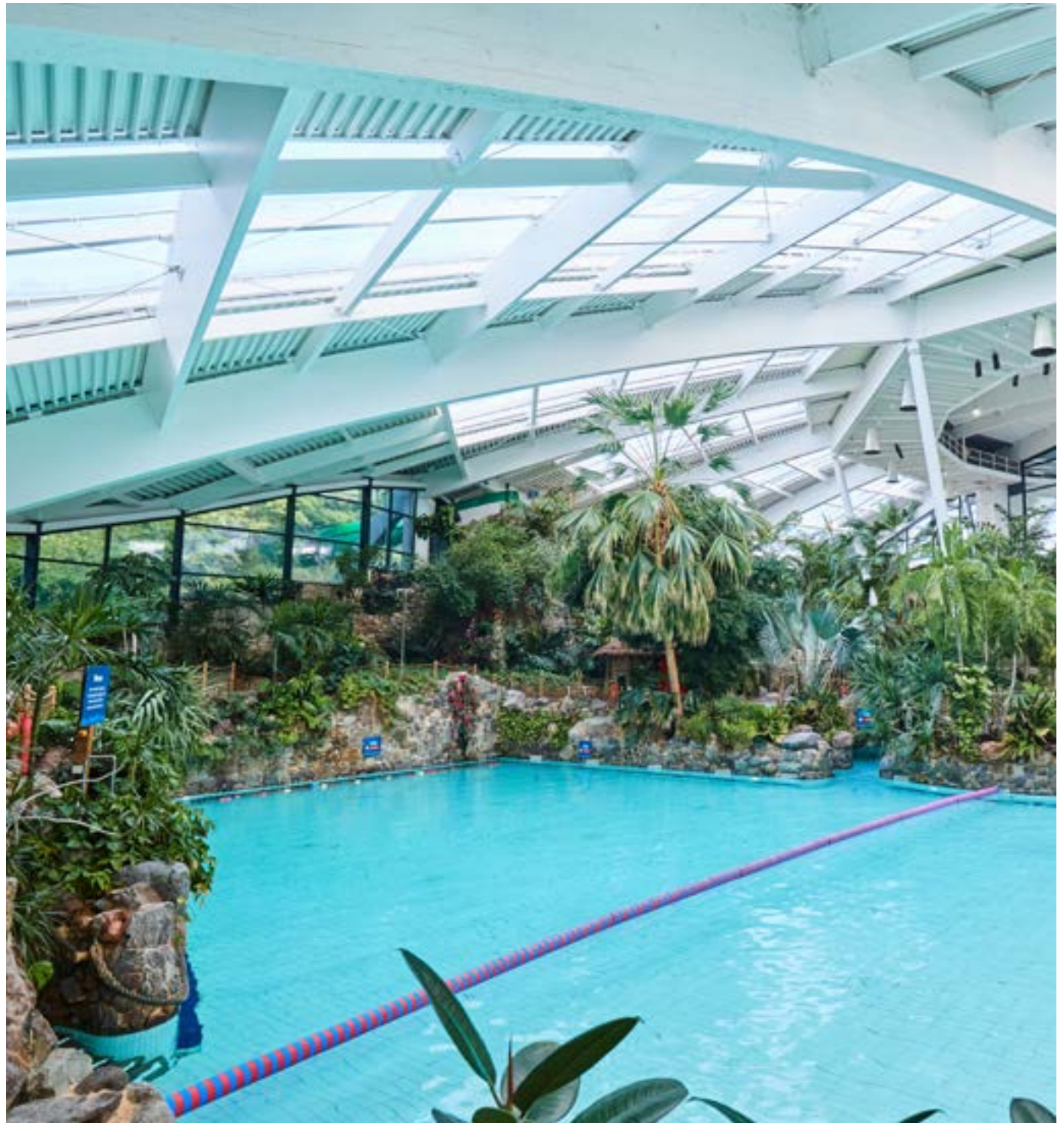
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Strategic Report



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;
- Longleat Forest in Wiltshire;
- Elveden Forest in Suffolk;
- Whinfall Forest in Cumbria, and
- Woburn Forest in Bedfordshire.

We are developing a sixth site in County Longford, Ireland to be called 'Longford Forest' which is set to open in Summer 2019.

Each Village is set in a forest environment amongst approximately 400 acres of forest and lakes and is open 365 days per year. We have around 8,200 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 lodges across the five Villages. The focal point and key attraction of each village is an all-weather indoor sub-tropical 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 pottery; 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.

Financial Highlights

The Year in Numbers

	2016/17	2015/16
Occupancy (%)	97.3	97.7
Sleeper nights (m)	7.2	7.2
Number of guests (m)	2.2	2.1
Capital investment (£m)	94.5	63.2
Revenue (£m)	440.3	420.2
Adjusted EBITDA (£m)	213.0	198.2
Profit before tax (£m)	75.7	57.3
Average daily rate (£) (net of VAT)	178.60	167.31
RevPAL (£) (net of VAT)	173.80	163.51
Accommodation bookings via web (% of total)	85	84
Guest satisfaction (% of guests ranking their break as excellent or good)	96	96
Employee turnover (%)	31	30



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.

Revenue

Revenue for the period was £440.3 million (2015/16: £420.2 million).

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation, owners' costs and exceptional/non-underlying items. Adjusted EBITDA for the period was £213.0 million (2015/16: £198.2 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 97.3% (2015/16: 97.7%) and the average number of units of accommodation was 4,132 during the period (2015/16: 4,129).

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 £178.60 (2015/16: £167.31).

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 £173.80 (2015/16: £163.51).

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 2017 was 43% (2015/16: 44%).

Guest satisfaction

Guest satisfaction is tracked and obtained using online questionnaires completed by guests. For the period 96% (2015/16: 96%) of respondents ranked their break as excellent or good.

Employee Turnover

The average labour turnover for the business during the period was 31% (2015/16: 30%).

Chief Executive's Statement



“ The most recent year has been another very strong year for Center Parcs, where we continued to innovate and invest significantly in all aspects of our business for the benefit of both our guests and our employees. The business delivered solid turnover and EBITDA growth over the year.

Over the course of the year, we invested £95m in our business to maintain and enhance our position as the UK's leading short break destination – this is the highest amount that we have invested in the history of the business. It is this investment that helped deliver another set of excellent guest satisfaction scores and is a commitment on the part of our owners to ensure that we create the very best environment for our guests to come back to year after year to enjoy precious time together. We reached an occupancy level of 97.3%, which is marginally lower than last year and reflects the fact we took more accommodation off-line for refurbishment and improvement.

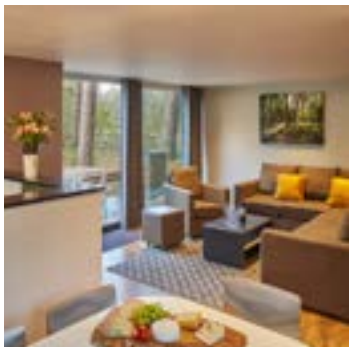
We also continue to look to the future. Having secured planning permission for the development of our 6th forest holiday village in County Longford in Ireland, work began in earnest on the development. In November 2016, we acquired the 400 acre site just outside the town of Ballymahon and we quickly went to work on creating a public footpath around the site to preserve public access and created a network of roads around the site that will be used during the construction phase. As part of our commitment towards the local community, we continued our dialogue with all of the local stakeholders to ensure that they are kept fully up to date with progress on site and that we maintain an invaluable relationship with them.

Our continued investment in the business means that the business grows from strength to strength enabling us to deliver even better results over the coming year. ”

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

Martin Dalby
Chief Executive Officer

Strategy and Objectives



Strategy and Objectives

Objectives

Our strategy is to be the leading provider of short break holidays in the UK and, over the coming years, to establish a strong presence within Ireland with the opening of our 6th forest holiday village, Longford Forest in County Longford, Ireland.

During the period under review, we knew that we would be investing a record amount in to our business and delivering improvements right across our 5 existing villages, as well as progressing the development in Ireland. With this in mind, it was imperative that we redoubled our efforts to ensure that our guest service was at its very best and that our employees felt supported and empowered to deliver the experience our guests richly deserve. Our strategy therefore focused on three key elements and we made excellent progress in each area.

Ireland

Having received planning permission on appeal from An Bord Pleanála in July 2016, we quickly set about progressing our plans to commence development. The first thing we did was acquire the 400 acre site in County Longford. Having purchased the site, we then erected a perimeter fence around the site and created a magnificent purpose built 5.1km footpath around the site to ensure that the local community would have the benefit of an enhanced amenity that they could enjoy for generations to come. At the time of writing, this footpath has been opened and is already being well used. The perimeter fence and footpath works were carried out by a local contractor, clearly demonstrating Center Parcs' commitment to the local economy.

At the time of writing, the first of the three main contracts has been awarded and the infrastructure contractor is already on site and making excellent progress.

Product Development

Our record investment in the core business during the year reached far and wide. A small selection of projects are highlighted below:

- Complete refurbishment of the Aqua Sana Spa at Sherwood Forest at a cost of £3.7m bringing new concepts to the spa including the 'TreeTop Sana' – a sauna sitting 10 metres high in the forest canopy;
- Unveiling of a completely new website for our Aqua Sana Spa guests which allows them to create a personal account and provides much greater functionality;
- Opening a further 18 new premium lodges at Woburn Forest;
- Opening 4 Treehouses and 48 one bedroom apartments at Elveden Forest;
- Refurbishment of 250 lodges at Elveden Forest to the new 'Project Summer' specification;
- Introduction of new children's water and road activities including Mini Captains Adventures, Off Road Explorers and track activities;
- Introduction of 'The Drop', a 10m free fall jump activity;
- Extension of the electric boat fleet and the indoor climbing adventure;
- Refurbishment of Huck's restaurant in Elveden Forest and Whinfall Forest and the Sports Café in Longleat Forest;
- Conversion of the Strada restaurant to Bella Italia at Sherwood Forest and Longleat Forest;
- Introduction of the Las Iguanas restaurant at Longleat Forest;
- Refurbishment of Parc Market at Sherwood Forest and Treats at Elveden Forest and Whinfall Forest.



Strategy and Objectives

Our Guests, Our People and Our Environment

During the year, we welcomed 2.2m guests to our Holiday Villages and we continued to ensure that each guest went away with excellent memories of their stay and with the intention to visit us again very soon. During the year, 96% of guests rated their break as excellent or good.

In summer 2015, the Government introduced the National Living Wage of £7.20 per hour for all employees aged 25 or over. We had already gone further by paying all of our employees the National Living Wage, irrespective of their age. The Government announced that from April 2017, the National Living Wage would be £7.50. In recognition of the importance of our people to our business and to reward them for the excellent results that they deliver, we decided to pay a base rate of £7.56 per hour to all our employees. Given our financial results this year, each employee again received a bonus payment as a reward for their on-going commitment to the business.

Recognising that understanding the views of our people is essential to our continued success, in October 2016, we carried out an Employee Survey called 'My View' across all of our employees to find out what their experience was of working at Center Parcs. 4,445 (55%) of employees responded to the survey and we received an Engagement Score of 79% – i.e. 79% of employees agreed or agreed strongly with a number of statements that indicate a positive experience of working for Center Parcs.

Whilst this score was very pleasing, we have undertaken to address a number of the issues raised by employees over the coming year in a process called "You said... We did" so that we become an even better place to work.

Labour turnover increased to 31% over the year and we will be refocusing our efforts over the coming year to reduce this number.

Our carbon emissions were 10% lower than last year, which means we have achieved the 20% carbon reduction target three years earlier than planned. In addition to this, a new renewable energy plant at Sherwood Forest means we have now also achieved our target of obtaining 10% of our energy from renewable sources. Over the past seven years, we have achieved carbon neutral expansion of our facilities. All of this continues to demonstrate our commitment to the environment.

Center Parcs recognises and celebrates the role it plays in supporting local community groups and charitable causes. During the year, Center Parcs donated nearly £15,500 to local community groups in and around our locations which makes a tangible difference to the lives of local people. Additionally, with the help of staff and guests and Center Parcs' matched contributions we have raised over £200,000 for our corporate charity partner, Together For Short Lives, a truly inspirational charity.



Objectives for 2017/18

Ireland

Now that construction works have commenced at Longford Forest, 2017/18 will be a key year in ensuring our new village is opened on time and on budget by late summer 2019. We will deliver this by:

- **Securing bank funding for part of the cost of the development, with the remainder being funded from cash-flow;**
- **Ensuring that the infrastructure contract is carefully managed to ensure it remains on schedule;**
- **Awarding the contracts for the lodges and central buildings and getting these contractors on to site during the year.**

Product Development

Following the significant investment made in to the core business last year, this year will be no different with Center Parcs investing significantly again into the core business in 2017/18. This investment will be used to continue the delivery of even better facilities for our guests to use and experience and will include:

- **The launch of a new Center Parcs website, including greatly improved functionality and user experience;**
- **The completion of the project to enhance the Subtropical Swimming Paradise at Longleat Forest and the commencement of a similar project at Sherwood Forest – further enhancing the iconic swimming pools that are synonymous with Center Parcs;**
- **The construction of additional accommodation at our Holiday Villages, including new exciting 'Water Lodges' at Elveden Forest and Treehouses at Woburn Forest along with upgrading guest facilities, such as restaurants, to ensure we maintain a wide range of choice for our guests;**
- **The refurbishment of over 200 lodges across Sherwood and Whinfell Forests to the enhanced 'Project Summer' standard; and**
- **Continued innovation in our leisure activities.**

Our Guests, Our People and Our Environment

Our commitment to our guests, our people and our environment will be re-affirmed through what we do during 2017/18.

Whilst we continue to upgrade and enhance our facilities, we will aim to ensure our guests enjoy an even better experience with Center Parcs, whether this be through using our new website, staying in our newly built or refurbished accommodation, dining in one of our restaurants or undertaking a new and exciting activity. We are passionate about ensuring we deliver the very best service to our guests.

We will continue to listen to what our employees tell us about how they feel about working at Center Parcs and, to this end, we will conduct another MyView survey in November 2017 and we will focus on improving those areas that make a real difference to the working lives of our people.

Sustainability will remain a key focus for us and we will endeavour to reduce carbon emissions and water usage as well as the amount of waste we send to landfill each year.

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.

Income statement

The following income statement presents the performance of the Center Parcs UK Group.

	2017			2016		
	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
Revenue	440.3	-	440.3	420.2	-	420.2
Cost of sales	(115.7)	-	(115.7)	(111.7)	-	(111.7)
Gross profit	324.6	-	324.6	308.5	-	308.5
Administrative expenses	(111.6)	-	(111.6)	(110.3)	(4.5)	(114.8)
Adjusted EBITDA	213.0	-	213.0	198.2	(4.5)	193.7
Depreciation and amortisation	(47.9)	-	(47.9)	(42.6)	-	(42.6)
Owners' costs	-	-	(159.5)	(0.4)	-	(0.4)
Total operating expenses	(159.5)	-	165.1	(153.3)	(4.5)	(157.8)
Operating profit	165.1	-	-	155.2	(4.5)	150.7
Movement in fair value of financial derivatives	-	-	-	-	(16.8)	(16.8)
Finance income	0.2	-	0.2	0.4	-	0.4
Finance expense	(89.6)	(5.2)	(94.8)	(98.3)	(42.0)	(140.3)
Profit before taxation	75.7	(5.2)	70.5	57.3	(63.3)	(6.0)
Taxation	(12.3)	5.6	(6.7)	(8.5)	20.9	12.4
Profit for the period	63.4	0.4	63.8	48.8	(42.4)	6.4

Group Financial Review



Financial review

Profit before tax and exceptional/non-underlying items increased from £57.3 million to £75.7 million during the year, as the result of both an improved trading performance and the full annual benefit of a refinancing of the Group's debt that occurred during the prior year.

We achieved an occupancy level of 97.3%, despite approximately 2.2% of capacity being off-line for upgrade and therefore unavailable for sale. This occupancy level and strong ADR growth of 6.7% resulted in RevPAL of £173.80, a 6.3% 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 20 April 2017 increased by £20.1 million, or 4.8%, to £440.3 million reflecting growth in accommodation revenue of 6.4% and on-village revenue of 2.5%. This reflects strong underlying growth at each of the five Villages.

Cost of sales

Cost of sales increased to £115.7 million in the 52 weeks ended 20 April 2017 (52 weeks ended 21 April 2016: £111.7 million) in line with the increase in on-site revenue and reflecting the impact of the introduction of the National Living Wage on 1 April 2016.

Group Financial Review



Administrative expenses

Administrative expenses increased to £111.6 million in the 52 weeks ended 20 April 2017 (52 weeks ended 21 April 2016: £110.3 million), primarily due to increased payroll costs, including as a result of the introduction of the National Living Wage from April 2016.

Adjusted EBITDA

As a result of the factors outlined above, adjusted EBITDA for the 52-week period grew by £14.8 million or 7.5% in comparison to the prior year.

Depreciation and amortisation

Depreciation and amortisation for the 52 weeks ended 20 April 2017 was £47.9 million, an increase of £5.3 million or 12.4% in comparison to the charge for the 52 weeks ended 21 April 2016. This increase was primarily due to the Group's ongoing capital investment programme.

Taxation

The underlying effective tax rate for Center Parcs for the 52 weeks ended 20 April 2017 was 16.2% (2015/16: 14.8%).

Cash inflow

Center Parcs continues to be highly cash generative, with a net cash inflow from operating activities during the year of £216.9 million (2015/16: £200.9 million).

This year has seen £95.8 million spent on capital projects and £86.4 million on interest payments. Cash balances decreased by £13.7 million to £34.0 million during the year.

Borrowings

At 20 April 2017, the borrowings of Center Parcs totalled £1,490.9 million, being £1,490 million of secured notes and a mortgage of £0.9 million on the Center Parcs head office.

On 15 June 2017 Center Parcs issued an additional £100 million of Tranche A4 secured notes via a tap issue, at a premium of £9.5 million. On the same date the Group issued £730 million of New Class B secured notes, divided into £480 million 4.250% B3 notes and £250 million 4.875% B4 notes. Part of the proceeds of these new notes was used to settle the Group's £560 million of Class B2 secured notes which were due to mature in August 2020.

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 section.

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, Safety and Security

The health, safety and security 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. Our security teams regularly monitor our sites to maintain a safe and secure environment for our guests to enjoy. 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 robust contract management processes and supplier registration systems for food and safety and further supported by independent advisors. 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 compliance 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 could be adversely affected by an increase in the price of key costs to the business, due to general economic conditions and the general uncertainty surrounding Brexit. This could impact 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 investment and 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 programmes focused on ensuring the long term stability of IT operating systems, data protection and cyber security. The Operating Board receives regular updates on these 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, including the uncertainty surrounding Brexit. 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, which is not weather dependant.

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

Whilst no borrowings are denominated in foreign currencies, a number of suppliers are exposed to the Euro and US Dollar. Accordingly, wherever possible the business enters into supply contracts denominated in Sterling.

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



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 surrounded 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 2.2m 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, wherever 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 significant progress, achieving three of our Sustainability Strategy targets:

- Carbon Emissions were 10% lower than the previous reporting year, which means we have achieved the 20% carbon reduction target three years earlier than planned;
- The new Renewable Energy Plant at Sherwood Forest means we have now also achieved our target of obtaining 10% of our energy from renewable sources; and
- Over the past seven years, we have achieved carbon neutral expansion of our facilities.

Other Key Performance Indicators from last year:

- Water consumption increased by 2%, due to business growth (increased accommodation and expansion projects);
- Recycling increased by 110 tonnes; and 613 tonnes of food waste was diverted from landfill.



Corporate Responsibility

Sustainability *continued*

Over the past twelve months we completed some major projects including a Renewable Energy Plant and district heating system to supply heat to the Aqua Sana Spa, Jardin de Sports and Subtropical Swimming Paradise at Sherwood Forest. This supplies renewable electricity to meet 90% of the Village electricity demand and will save in excess of 3,000 tonnes of carbon. This has contributed to achieving our 2020 Carbon Reduction Target, three years early.

Alongside these projects staff incentives remain an important way to motivate efficient behaviour. 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 £393 on his previous year's bills and won over £1,800 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.

Sherwood remains one of the most significant sites for bats in Nottinghamshire and houses one of the largest known Soprano Pipistrelle roosts in the county. Elveden continues to be an important site for the local Breckland habitat. Both Longleat and Whinfall have been regularly recording the presence of Otter, a European Protected species which is new to the villages. Woburn once again shows how much the sites flourish under our Forest Management with it already being home (like our other villages) to a number of Red and Amber listed bird species, recording ten different bat species and seeing big increases in the invertebrate population.

We once again were re-accredited with The Wildlife Trusts Biodiversity Benchmark Award in recognition of our continued commitment to the protection of biodiversity and habitats through the Forest Management Plans and Biodiversity Action Targets. This complements our Environmental Management System, which is independently audited under ISO14001.



Corporate Responsibility *continued*

Our People

Our People Strategy

- 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.

We are pleased to report an exceptional year in our delivery against our People Strategy, in particular we have implemented a new HR system and with it an exciting new self-service portal, 'ConnectMe' for all our employees giving them access to their own data and with functionality to submit expenses and request holidays from their personal devices.

Future enhancements to 'ConnectMe' in the years ahead will cement its place as a key enabler in the transformation of HR communication and processes.

We also developed a new all-employee engagement survey, 'MyView' which is being used to gather feedback from all areas of the business, enabling us to utilise the results to drive some key actions across our business. In our first review we achieved an incredible engagement/satisfaction score of 79% and believe that with the focus on taking action in the areas that our employees are most dissatisfied with we can improve on that when we launch our next annual 'MyView' survey in late 2017.

Attraction, Recruitment & Retention

We created a dedicated central resourcing team and through them have significantly improved the candidate service journey, making it easier to apply for jobs at Center Parcs. A retention taskforce has also been created to challenge and support strategic activities involved in attracting, recruiting and retaining good employees.

Development, Engagement & 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 the year has seen us up skilling our teams to deliver excellent service and activities to our guests.

We have also introduced a number of new and innovative training programmes for our colleagues such as the 'Wellness for Cancer' programme one of the first of its kind in the UK Spa sector.

September 2016 saw our first Chef Academy cohort graduate from a programme that we created to proactively develop and retain our rising Chef talent. All graduates were presented with their certificates at an event where they showcased their newly acquired culinary skills to Senior Managers from around the business.



Corporate Responsibility *continued*

We are proud to announce that in September 2016, we successfully gained reaccreditation of Investors in People standard.

During the year, we worked closely with our training providers to prepare ourselves for the arrival of the Apprenticeship Levy which we saw as an exciting opportunity for us to completely refresh our approach to identifying and addressing skills gaps and as a result we are committed to creating at least 100 apprenticeships by April 2018.

Reward at Center Parcs

In our annual pay review we raised our basic team member rate of pay above the National Living Wage and protected the pay differentials to an additional 2,000 employees in a variety of roles. We are also pleased to be making annual Shared Success and Management bonus payments to all Village and Head Office colleagues for the 13th consecutive year. A change to the Shared Success eligibility rules meant that an additional 1,400 colleagues received a payment this year.

Diversity and Equality

We are wholly committed to embracing and supporting the 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 career, social and economic 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:

	2016/17		2015/16	
	Male	Female	Male	Female
Board of Directors ⁽¹⁾	4	1	5	0
Operating Board ⁽²⁾	5	0	5	0
Senior Managers ⁽³⁾	10	10	10	10
All other employees	2,430	5,768	2,373	5,694

(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.

together for short LIVES



Corporate Responsibility *continued*

Our Charities

Center Parcs has a proud history of supporting charities that make a difference to families across the UK. We are passionate about supporting organisations that share our ethos of bringing and keeping families together.

Since June 2016 our main corporate charity partner has been Together for Short Lives, a national charity for children and young people expected to have short lives and providing care and support to these children and families.

We are proud to match fund donations made by our guests either through our website or Contact Centre and donate 25 Center Parcs breaks a year to the charity.

As well as national support, each Center Parcs village fundraises for their local children's hospice, which are listed below.

- Whinfell Forest – Jigsaw Children's Hospice
- Sherwood Forest and Head Office – Bluebell Wood Children's Hospice
- Elveden Forest – East Anglia Children's Hospice
- Woburn Forest – Keech Children's Hospice
- Longleat Forest – Children's Hospice South West
- In the first year of our partnership with Together for Short Lives, with the help of our staff and guests, we have raised over £200,000 for the charity.

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 £51,000.

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. Our Community Fund 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. During 2016 the Community Fund distributed nearly £15,500 to worthy causes based in our local communities, making a tangible difference to the lives of local people.

Governance Report



Ownership and Management Structure



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 Whinfell 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 – acquisition of the land for the sixth Center Parcs Village at Longford Forest, Ireland.
- 2017 – commenced construction of the Longford Forest Village in Ireland.

Ownership

The Center Parcs business is owned by investment funds advised by Brookfield Asset Management Inc., a Canadian 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%

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.

Colin McKinlay

Chief Finance Officer (appointed 3 July 2017)

Colin joined the Mytravel Group in 1995 and held the roles of Finance Director for North America, Germany and UK & Ireland. He then joined Thomas Cook as UK & Ireland Chief Finance Officer. Following this, after serving as Group Finance Director for an AIM listed travel company and then Finance Director for Homeserve UK he joined TUI Group as Finance Director for their UK & Ireland operations in 2010. He then became Finance Director for their Northern Europe Operations in 2014. Over the course of his career he has gained extensive experience of Corporate and Operational Finance, M&A, Restructuring and Business Development as well as Information Technology. In 2017 he joined Center Parcs as Chief Financial Officer and is a Chartered Accountant.

Paul Inglett

Finance Director (resigned 4 August 2017)

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 he joined Center Parcs as Finance Director and is CIMA qualified.

The Board of Directors

Shareholder Representative Directors

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 a Honours Economics degree from the University of Western Ontario.

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.

Natalie Adomait

(appointed 25 November 2016)

Natalie is a Vice President in Brookfield's Property Group, involved in the Asset Management for Brookfield's European real estate investments. She joined Brookfield in Canada in 2011 and relocated to London in 2014. Since joining Brookfield, she has been involved in several M&A and transactions for Brookfield's renewable energy and real estate groups including Bord Gais Energy, White Pine Hydro, and various UK student housing assets. She also sits on the board of director's for Brookfield's UK Student Housing company and sits on the Senior Team for Gazeley. She received a Honors degree in International Business from the Sprott School of Business in Ottawa.

Vikram Aneja

(resigned 25 November 2016)

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.

The Board of Directors

Operating Board

During the financial year the executive Directors; 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 companies, adding ebookers and Bridge The World to a multi-brand portfolio.

In June 2002, Colin 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 and Marketing Director.

Rajbinder Singh-Dehal

HR and Commercial Services Director

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.

Alan Park joined the Operating Board in June 2017 following a restructure of roles and responsibilities, to allow Paul Kent, Operations and Development Director, to focus his attention on the development aspects of the business and the construction of Longford Forest.

Alan Park

Operations Director

Alan joined Center Parcs in 2004 as UK Operations Manager, responsible for Leisure/Spa, Retail, Guest Service and Security. He was then appointed as Regional Director of Operations in 2012 with responsibility for Elveden, Longleat and Woburn Forest. He took responsibility for all five villages in 2016 as Director of Village Operations, before joining the Operating Board as Operations Director in June 2017.

Prior to Center Parcs, Alan held senior positions with BUPA Hospitals and Eurostar, where he was part of the opening team and then went on to be Head of UK Terminals and Customer Service. In his earlier career he worked for the Home Office at Heathrow and in Flight Operations in the Royal Air Force.

Governance Structure



Governance 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.

Committees

To allow the Board of Directors and the Operating Board to operate effectively, they have delegated authority to the Risk Committee and the Fire Health and Safety Steering Committee (FHSSC).

The Risk Committee meets quarterly to review the nature of the risks facing the business, consider the framework to mitigate such risks and notify 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 Legal Manager and is chaired by the Chief Executive Officer.

The FHSSC 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 Operations Director and comprises of the Head of Health & Safety, the Head of Estates Assets & Development, the Legal Manager and all Village General Managers.

