



# Annual Review

2017/18



# 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 and 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.



# Contents

## ■ Strategic Report

■ Business Overview	4
■ Financial Highlights	5
■ Key Performance Indicators	6
■ Chief Executive's Statement	7
■ Strategy and Objectives	8-10
■ Financial Review	11-13
■ Risks and Uncertainties	14-16
■ Corporate Responsibility	17-20

## ■ Governance Report

■ Ownership Structure	22
■ Board of Directors	23-25
■ Governance Structure	26





# 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;
- Whinell Forest in Cumbria, and
- Woburn Forest in Bedfordshire.

We are developing a sixth holiday village in County Longford, Ireland to be called 'Longford Forest' and 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 8,500 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 lodges 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 hot tubs. 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

	2017/18	2016/17
Occupancy (%)	97.6	97.3
Sleeper nights (m)	7.5	7.2
Number of guests (m)	2.1	2.0
Capital investment (£m)	84.5	94.5
Revenue (£m)	469.0	440.3
Adjusted EBITDA (£m)	228.4	213.0
Profit before tax (£m)	87.5	75.7
Average daily rate (£) (net of VAT)	184.95	178.60
RevPAL (£) (net of VAT)	180.46	173.80
Accommodation bookings via web (% of total)	86	85
Guest satisfaction (% of guests ranking their break as excellent or good)	95	96
Employee turnover (%)	29	31





# 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 £469.0 million (2016/17: £440.3 million).

### Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation and exceptional/non-underlying items. Adjusted EBITDA for the period was £228.4 million (2016/17: £213.0 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 97.6% (2016/17: 97.3%) and the number of units of accommodation at 26 April 2018 was 4,227 compared to 4,123 at 20 April 2017.

### 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 £184.95 (2016/17: £178.60).

### 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 £180.46 (2016/17: £173.80).

### 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 2018 was 42% (2016/17: 43%).

### Guest satisfaction

Guest satisfaction is tracked and obtained using online questionnaires completed by guests. For the period 95% (2016/17: 96%) of respondents ranked their break as excellent or good.

### Employee Turnover

The average labour turnover for the business during the period was 29% (2016/17: 31%).



## Chief Executive's Statement



“ 2017/18 was another very strong year for Center Parcs, one in which we delivered a solid set of financial results as well as significant progress on a number of strategic projects.

The business continued to deliver robust turnover and EBITDA growth compared to the prior year. In order to maintain our market leading position, we invested heavily again in all areas of our operations, with some £84.5m being reinvested back in to the business for the benefit of our guests and our employees. Our occupancy level was up slightly on the prior year, at 97.6%, and our guest satisfaction scores remain high.

This year also saw significant progress in relation to two very important projects that are critical for the continued growth and success of our business. First, we launched two new websites that provide our guests with state of the art functionality and allow for additional personalisation. Secondly, we made excellent progress with construction at the 6th village, Longford Forest in Ireland, putting us in a good position for opening in summer 2019.

Despite some wider economic and political uncertainty and significant challenges for the retail, leisure and hospitality sector, we are confident that our commitment to investment and innovation will see us continue to deliver strong year on year results in the forthcoming year. ”

A handwritten signature in white ink, consisting of a stylized 'M' and 'D' followed by a long horizontal stroke.

**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 in Ireland with the opening of our sixth village, Longford Forest in County Longford, Ireland.

During 2017/18, we made significant progress on all of our strategic aims as well as continuing to deliver our core product and service offering to a very high standard.

### Ireland

We made excellent progress during the year, laying strong foundations to ensure that Longford Forest is opened on time and on budget by summer 2019. Key milestones included:

- Securing bank funding for part of the cost of the development;
- Awarding the contracts for the lodges and central buildings;
- Appointing a number of local and regional suppliers who will work with Center Parcs over the coming years; and
- Recruiting our senior management team who will prepare the village for its opening.

### Product Development

We know that the key to our continued success is maintaining our villages to the highest possible standards. Some of the key developments include:

- An investment of £25.7m in maintenance capital, to ensure our villages maintain the high standards our guests rightfully expect;
- The construction of three Waterside Lodges at Elveden Forest, a new and exciting accommodation offering;
- The building of a new apartment block consisting of 51 one-bedroom apartments at Elveden Forest to replace the previous hotel;
- The completion of an additional 57 Executive Lodges at Woburn Forest;
- The refurbishment and upgrade of 1,057 units of accommodation to the new "Project Summer" specification;
- The completion of "Project Atlantis" at Longleat Forest – the installation of two water rides together with a new toddler play area; and
- The commencement of "Project Atlantis" at Sherwood Forest – a two year project to install new and exciting water rides within the Subtropical Swimming Paradise.





My View

# Strategy and Objectives

## Our Guests, Our People and Our Environment

During the year, we welcomed 2.1m guests to our 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, 95% of guests rated their break as excellent or good.

As part of our continued aim of being the local employer of choice, we continued to pay all of our employees, as a minimum, a premium over the National Living Wage. At the time of writing, we are paying a 12p premium over the National Living Wage, paying £7.95 per hour.

During the year, we launched our Apprenticeship Programme – a key element in training, up-skilling and developing our employees. We launched a range of Apprenticeships, for example Management Apprentice, Apprentice Chef and Apprentice Spa Therapist to name but a few. We will continue to invest heavily in our training programmes (Apprentice and non-Apprentice) to ensure that we have the right skills and talent to continue the delivery of excellent service to our guests.

In October 2017, we repeated our employee engagement survey, MyView, to gauge how our employees felt about working at Center Parcs and what we can do to make their working lives even more satisfying. 5,067 or 69% (compared to 4,445 or 55% last year) of employees responded to the survey and our Engagement Score remained at an excellent 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.

Labour turnover reduced by 2% over the year to 29% and we will continue with our ongoing initiatives to reduce this.

During the past year we have made significant progress, achieving two of our Sustainability Strategy targets:

- **Carbon Emissions were 8% lower than the previous reporting year**
- **The Renewable Energy Plant at Sherwood Forest meant that 18% of the electricity and 6% of the heat came from renewable energy.**

Center Parcs recognises and celebrates the role it plays in supporting local community groups and charitable causes. During the year, Center Parcs donated nearly £17,000 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, guests and Center Parcs' matched contributions we have raised over £450,000 to date for our corporate charity partner, Together for Short Lives, a truly inspirational charity.





# Objectives for 2018/19

## Ireland

This will be a critical year to ensure that Longford Forest opens successfully in summer 2019. We shall focus on maintaining the delivery of the project on time and on budget. The other key milestones are:

- Recruit and train the 1,000 employees that will be needed for when the village opens and begins to welcome guests; and
- Make the necessary changes to our systems and processes to ensure we can commence the sale of breaks at Longford Forest by late autumn of 2018

## Product Development

Whilst we continue to work on the development of our 6th village, we will continue to develop, evolve and enhance our existing 5 UK villages. We will:

- Continue transforming the Subtropical Swimming Paradise at Sherwood Forest;
- Open an additional 33 lodges at Whinfell Forest;
- Open 3 Treehouses at Woburn Forest; and
- Trial wristband cashless technology at Woburn Forest which will allow our guests to buy goods and services without using cash or payment cards.

## Our Guests, Our People and Our Environment

We have launched our “DES90” programme which will seek to take the guest experience from excellent to exceptional over the coming years through a range of strategic and local initiatives.

In relation to the environment, we will aim to reduce each of (i) carbon emissions, (ii) water consumption and (iii) waste to landfill by 1% per guest and increase the amount we recycle by 1%.



# 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.

	53 weeks ended 26 April 2018			52 weeks ended 20 April 2017		
	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>469.0</b>	-	<b>469.0</b>	<b>440.3</b>	-	<b>440.3</b>
Cost of sales	(123.7)	-	(123.7)	(115.7)	-	(115.7)
<b>Gross profit</b>	<b>345.3</b>	-	<b>345.3</b>	<b>324.6</b>	-	<b>324.6</b>
Administrative expenses	(116.9)	(2.3)	(119.2)	(111.6)	-	(111.6)
<b>Adjusted EBITDA</b>	<b>228.4</b>	(2.3)	<b>226.1</b>	<b>213.0</b>	-	<b>213.0</b>
Depreciation and amortisation	(52.7)	-	(52.7)	(47.9)	-	(47.9)
Total operating expenses	(169.6)	(2.3)	(171.9)	(159.5)	-	(159.5)
<b>Operating profit</b>	<b>175.7</b>	(2.3)	<b>173.4</b>	<b>165.1</b>	-	<b>165.1</b>
Finance income	0.3	-	0.3	0.2	-	0.2
Finance expense	(88.5)	(26.9)	(115.4)	(89.6)	(5.2)	(94.8)
<b>Profit before taxation</b>	<b>87.5</b>	<b>(29.2)</b>	<b>58.3</b>	<b>75.7</b>	<b>(5.2)</b>	<b>70.5</b>
Taxation	(14.0)	7.2	(6.8)	(12.3)	5.6	(6.7)
<b>Profit for the period</b>	<b>73.5</b>	<b>(22.0)</b>	<b>51.5</b>	<b>63.4</b>	<b>0.4</b>	<b>63.8</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 £75.7 million to £87.5 million during the year, as the result of both an improved trading performance and the benefit of an additional week of trading in the current year.

We achieved an occupancy level of 97.6%, despite approximately 1.5% of capacity being offline for upgrade and therefore unavailable for sale. This occupancy level and ADR growth of 3.6% resulted in RevPAL of £180.46, a 3.8% 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 53 weeks ended 26 April 2018 increased by £28.7 million, or 6.5%, to £469.0 million reflecting growth in accommodation revenue of 7.1% and on-village revenue of 5.6%. This reflects good underlying growth at each of the five villages.

## Cost of sales

Cost of sales increased to £123.7 million in the 53 weeks ended 26 April 2018 (52 weeks ended 20 April 2017: £115.7 million). This is broadly in line with the increase in on-village revenue and includes the impact of the increased National Living Wage from 1 April 2017.

## Administrative expenses

Administrative expenses increased to £116.9 million in the 53 weeks ended 26 April 2018 (52 weeks ended 20 April 2017: £111.6 million). This was driven by an increase in business rates year over year, as well as the impact of the 53rd week.

The £2.3 million exceptional/non-underlying administrative expenses in the current year represent £1.6 million of costs relating to legal claims and associated settlements, together with £0.7 million of one-off restructuring and reorganisation costs.

## Adjusted EBITDA

As a result of the factors outlined above, including the additional week of trading in the current year, Adjusted EBITDA grew by £15.4 million or 7.2% in comparison to the prior year.

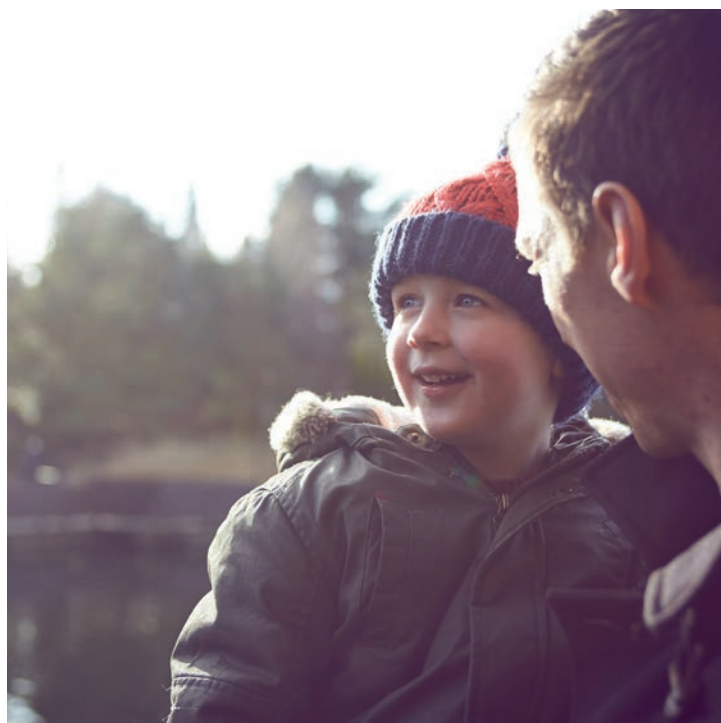
The heavy snowfall in England in March 2018 caused the temporary closure of Longleat Forest and restricted guest arrivals and activities at all other villages. Guests impacted by the snow were issued refunds of both their accommodation and pre-paid on-village activity bookings. This was only the fourth time that a village has had to close in over 30 years of trading. The Directors estimate that the reduction in EBITDA for the 53 weeks ended 26 April 2018 was approximately £1.5 million. As such, had the heavy snowfall not occurred, EBITDA would have been £229.9 million (7.9% higher than the previous year).

## Depreciation and amortisation

Depreciation and amortisation for the 53 weeks ended 26 April 2018 was £52.7 million, an increase of £4.8 million compared to the 52 weeks ended 20 April 2017. This increase reflects the Group's ongoing capital investment programme as well as the impact of the 53rd week.



# Group Financial Review



## Taxation

The underlying effective tax rate for Center Parcs for the 53 weeks ended 26 April 2018 was 16.0% (2016/17: 16.2%).

## Cash inflow

Center Parcs continues to be highly cash generative, with a net cash inflow from operating activities during the year of £237.3 million (2016/17: £216.9 million).

This year has seen £86.0 million spent on capital projects and £84.5 million on interest payments. Cash balances increased by £12.1 million to £46.1 million during the year.

## Borrowings

At 26 April 2018, the borrowings of Center Parcs totalled £1,760.6 million (20 April 2017: £1,490.9 million), being £1,760.0 million of secured notes and a mortgage of £0.6 million on the Center Parcs Head Office.

On 15 June 2017 Center Parcs issued an additional £100.0 million of Tranche A4 secured notes via a tap issue, at a premium of £9.5 million. On the same date the Group issued £730.0 million of New Class B secured notes, divided into £480.0 million 4.250% B3 notes and £250.0 million 4.875% B4 notes. Part of the proceeds of these new notes was used to settle the Group's £560.0 million of Class B2 secured notes which were due to mature in August 2020.

The £26.9 million exceptional/non-underlying finance expense in the current year represents the premium paid on the settlement of the B2 tranche of the secured debt.

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 villages 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 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.

### Fraud

Risk of fraud exists in misappropriation of assets, including banking, theft of stock and theft of cash takings. We mitigate this risk through the management structure and regular financial review with, and extensive use of, business systems. In addition, our internal audit function undertakes regular reviews of financial controls with particular focus on cash and stock transactions. Center Parcs is also subject to regular external audits.

### 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.

### Brexit

Following the result of the Brexit Referendum on 23 June 2016, there remains a large degree of uncertainty regarding what the legal, economic, political and trading relationship will be between the United Kingdom and member states of the European Union and other sovereign states. Until the terms of Brexit have been finalised, it is difficult for businesses to predict the impact it will have on them and their financial performance. Thus far, the referendum result has not had a material impact on the business of Center Parcs.

### 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

As at 26 April 2018, 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 at 26 April 2018 were 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 and forward buys currency to hedge this risk.

### 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 focussed 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 2.1m guests to Center Parcs and 95% 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 ISO14001:2015), 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 two of our Sustainability Strategy targets:

- **Carbon Emissions were 8% lower than the previous reporting year**
- **The Renewable Energy Plant at Sherwood Forest meant that 18% of the electricity and 6% of the heat came from renewable energy.**

Other Key Performance Indicators from last year:

- **Water consumption was flat to the previous year, impressive given the business growth (increased accommodation and expansion projects);**
- **Recycling increased by 183 tonnes; and**
- **594 tonnes of food waste was diverted from landfill.**



# Corporate Responsibility

## **Sustainability** *continued*

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 fourth year and rewards employees by matching any savings they make on their gas, electricity and water usage over 12 months. Once again, the initiative has been a huge success with 44 employees sharing a prize fund of over £8,000.

## **Nature and Biodiversity**

Our forests continue to define Center Parcs and we recognise our duty to protect and enhance the forests in which we operate. As a result of the positive management of the forests, all of our villages continue to provide a rich diversity of both flora and fauna species. They are also home to birds, reptiles, amphibians, insects and mammals. Bat surveys at Sherwood Forest last summer discovered the presence of a new species, which further increases the significance of Sherwood Forest for bat colonies in Nottinghamshire. A real highlight at Elveden Forest continues to be the diversity of the bird population, with its eastern location drawing many migratory species to the forest. Longleat Forest has seen continuing growth in the population of dormouse, a European protected species. The recovery and growth of the red squirrels has been the big news this year at Whinfell Forest. The biodiversity and ecology continue to increase at Woburn Forest, with the village now providing an important release site for hedgehogs from the local rescue hospital.

Center Parcs continues to retain the Wildlife Trusts Biodiversity Benchmark Award, in recognition of the good management and biodiversity of our villages. Woburn was also recognised with a DEFRA award for supporting pollinating species, especially bees.





# Corporate Responsibility *continued*

## Our People

We continued to deliver against many areas of our 5-year strategic people plan with some notable achievements.

### MyView Employee Engagement Survey Results

Our staff satisfaction survey (MyView) conducted in October 2017 achieved a participation rate of 69% – an increase of 14% from our 2016 survey. We were proud to see that our overall staff satisfaction score remained high at 79% and that no new significant areas of dissatisfaction were highlighted.

In response to lower satisfaction levels in some areas we will be launching a brand-new appraisal process in 2019. The new process will be supported by new management development programmes, ensuring we have managers with the right skills and attitude driving our employee engagement.

### Apprenticeships

In 2017, we introduced 10 new 'Management Apprentice Fast Track' positions across the business, to take part in a 3 year programme to develop management knowledge in the classroom combined with hands on job placements. Our aim is to have managers with the right skills, knowledge and behaviours in place to support our employees and guest expectations for the future. We are proud to announce 100% of our Fast Track Management Apprentices are still on the programme, reporting back high levels of satisfaction. Due to the success of this programme, we will starting our second Fast Track programme in September 2018.

## Succession Programmes

We are proud to have made some key promotions from within the organisation including the appointment of two new General Managers who were both previously Deputy General Managers, demonstrating the strength of our succession planning and development activity.

## Reward

We once again increased the basic team member rate of pay above that of the National Living Wage fulfilling the commitment we made to our employees last year. This enhanced rate is applied to all team member workers regardless of their age. We improved our basic holiday entitlement for all staff by an additional 1 day per annum.

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:

	2017/18		2016/2017	
	Male	Female	Male	Female
Board of Directors <sup>(1)</sup>	4	1	4	1
Operating Board <sup>(2)</sup>	6	0	5	0
Senior Managers <sup>(3)</sup>	10	11	10	10
All other employees	2,266	5,641	2,430	5,768

(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 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.

- Whinell 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

At the time of writing, with Together for Short Lives, with the help of our staff and guests, we have raised over £450,000 for the charity.

Alongside our corporate partnerships, we also support several 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 £52,000.

### Our Communities

We have an extremely close relationship with the communities surrounding our villages, with 83% 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 the year the Community Fund distributed nearly £17,000 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, Suffolk.
- 1994 – the third UK village was opened at Longleat Forest, Wiltshire.
- 2001 – the fourth UK village at Whinfell Forest, 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.	99.406%
Management	0.594%



## 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 Financial 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)*

## The Board of Directors

### Shareholder Representative Directors

#### **Zach Vaughan**

Zach is a Managing Partner 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**

Kevin McCrain is a Managing Director 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**

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 directors for Brookfield's UK Student Housing company. She received a Honors degree in International Business from the Sprott School of Business in Ottawa.



## The Board of Directors

## Operating Board

During the financial year the executive Directors; Martin Dalby, Chief Executive Officer and Colin McKinlay, Chief Financial Officer, 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**

*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 shareholder. 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 four 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, the Fire Health and Safety Steering Committee (FHSSC) and following the introduction of the General Data Protection Regulation 2016 and new data protection laws, the Data Protection Governance Committee.

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 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.

The Data Protection Governance Committee will meet quarterly to consider and review data protection risks and issues facing the business, including significant new projects or data breaches and will notify the Board of Directors where necessary. The Data Protection Governance Committee is chaired by the HR & Commercial Services Director and comprises of the Sales and Marketing Director, the IT Security Manager and the Legal Manager and Data Protection Leads throughout the business.



