

Center Parcs Finance Borrower Limited

Financial statements

Period ended 23 April 2020

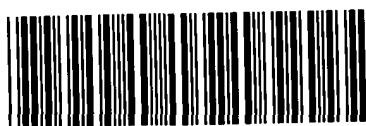
Center Parcs Finance Borrower Limited

Annual report and financial statements

Period ended 23 April 2020

Company registration number: 11725898

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Financial statements

Period ended 23 April 2020

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Strategic report

For the period ended 23 April 2020

The Directors present their strategic report on the Company for the period from 13 December 2018 to 23 April 2020. The company was incorporated on 13 December 2018.

Review of the business

The Company's principal activity is that of an intermediate holding company. The Company acquired the UK and Ireland Center Parcs group on 11 February 2019 via acquisition through a subsidiary undertaking of Center Parcs Ireland Limited and the group of companies headed by Center Parcs (Holdings 1) Limited. On 14 January 2019 the Company issued the Senior Debt Facility as part of an overall £185.0 million facility made available to the Company.

The Company did not trade during the current period, its only income and expenses arising as a result of its investment in subsidiary undertakings and the holding of certain debt instruments. The results of the Company for the period show a loss of £322.5 million.

Impact of the Covid-19 pandemic

Following UK and Irish Government advice in the light of the Covid-19 pandemic, the Center Parcs (Holdings 1) Limited Group's five holiday villages and the Center Parcs Ireland village were closed to guests on 20 March 2020 and 13 March 2020 respectively and remained closed as at 23 April 2020. The villages were able to re-open on 13 July 2020, albeit with reduced accommodation capacity and guest activities. The Irish Government subsequently increased the restrictions relating to Covid-19 resulting in the second closure of the Ireland village on 7 October 2020. The Irish Government have announced a lifting of certain restrictions over the Christmas period and it is expected that the village will reopen on 18 December. Restrictions may be returned after Christmas and a further closure required.

On Saturday 31 October 2020, new UK national restrictions were announced effective from Thursday 5 November 2020. Given these new restrictions all 5 UK holiday villages closed from Thursday 5 November 2020 until Thursday 3 December 2020. The closure of the Sherwood Forest village had already been announced due to increased local restrictions on 29 October 2020. All UK villages, except Sherwood, were able to re-open on 4 December 2020 with reduced capacity and limited activities.

The Group (companies headed by Center Parcs Finance Holdings 1 Limited, the "Group") has taken advantage of Government support measures and took decisive action to reduce remaining operating costs during the period of closure. The Group also took swift action to ensure a strong liquidity position was maintained and promptly secured additional funding from the Group's owner Brookfield. As at 11 December 2020, £164.1m of funds were provided with a further £20.9m approved for use if required. Brookfield have also indicated that additional funding could be made available should the need arise.

The Center Parcs Finance Borrower Limited Directors' have prepared the financial statements of the Company on a going concern basis as they consider the actions taken to date, together with the Group, current liquidity position and contingency plans to secure additional funding, will allow the Group to continue its activities.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the main trading group of companies headed by Center Parcs (Holdings 1) Limited and Center Parcs Ireland Limited and are not managed separately. Accordingly, the principal risks and uncertainties of the Group which include those of the Company are discussed within the Business review of the Center Parcs (Holdings 1) Limited Annual Report and Center Parcs Ireland Limited Directors' report which do not form part of this report.

Strategic report

For the period ended 23 April 2020 (continued)

Principal risks and uncertainties (continued)

The Company holds an interest rate swap to minimise its exposure to floating interest rates. The Company does not apply hedge accounting and therefore the swap is held at fair value through profit or loss.

Key performance indicators

The key performance indicators (KPIs) and financial risk management of the Company are integrated with those of the Center Parcs (Holdings 1) Limited Group and Center Parcs Ireland and are not assessed separately. An analysis of the KPIs of the Group, which include those of the Company, together with the Group's financial risk exposure, and the management objectives and policies thereon, is presented within the Business review of the Center Parcs (Holdings 1) Limited Annual Report and Center Parcs Ireland Limited Directors' report which do not form part of this report.

Section 172 Statement and our stakeholders

We report here on how our Directors have discharged their duties under Section 172 of the Companies Act 2006 and this statement reflects the contribution by the Company to the performance of the Center Parcs business.

Section 172 sets out the matters to which the Directors must have regard to in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard to other stakeholders and the likely consequences of any decision in the longer term. The Board considers it crucial that the Company maintains a reputation for high standards of business conduct.

As a holding Company within the wider Center Parcs Group, the Directors consider the impact of the Company's activities on its shareholders and its subsidiaries that have an active interest in and are affected by the performance of the Company's investments and financial instruments. The Directors continuously monitor the Company's performance considering its purpose and objective and regularly report and consult with its stakeholders on a wide range of matters, both financial and non-financial, with the aim of maximising investment returns for the benefit of its shareholders. The Company is dedicated to upholding Group policies and to maintaining the highest level of business conduct and governance.

The Company does not have customers, employees or suppliers and does not directly engage with the community or directly impact on how the Group monitors and manages the Group's operations and their impact on the environment. There is only one shareholder Center Parcs Finance Holdings 2 Limited and the Directors are the same for both companies.

The principal board decisions approved during the year were made in line with the short and long-term strategic objectives of both the Company and the parent company Center Parcs Finance Holdings 1 Limited.

Approved by the board and signed on its behalf by



C G McKinlay
Director

11 December 2020

Directors' report

For the period ended 23 April 2020

The Directors present their report and the audited financial statements for the period from 13 December 2018 to 23 April 2020.

The registration number of the Company is 11725898.

Future developments

No changes to the nature of the business are anticipated.

Financial risk management objectives

Details of financial risk management objectives can be found under the heading 'Key performance indicators', found in the strategic report, and form part of this report by cross-reference.

Dividends

During the period, the Company declared and paid dividends totalling £275.3 million to its parent company, Center Parcs Finance Holdings 1 Limited.

The Directors have not proposed the payment of a final dividend.

Going concern

The Company had net current assets at the balance sheet date. In assessing the going concern of the business they have considered the projected future dividends receivable from subsidiary undertakings and that they will exceed the interest payable on the borrowings.

As described in note 1, the Directors have prepared the financial statements on a going concern basis as they believe the actions taken to date, together with the Group (companies headed by Center Parcs Finance Holdings 1 Limited, the "Group"), current liquidity position and contingency plans to secure additional funding, will allow the Group to continue its activities. However, although the Directors are confident in the Group's current position, given the village closures until 13 July 2020, subsequent re-closure of the Ireland and UK villages and the uncertain pace of recovery, the Directors recognise that there exists a material uncertainty which may cast significant doubt about the application of the going concern assumption in the financial statements.

Directors

The Directors who served during the period and up to the date of this report, unless otherwise stated, were as follows:

M P Dalby	(appointed on incorporation)
C G McKinlay	(appointed on incorporation)
Z B Vaughan	(appointed on incorporation)
K O McCrain	(appointed on incorporation and resigned 11 May 2020)
N J Adomait	(appointed on incorporation)
B T Annable	(appointed 11 May 2020)

The Group headed by Center Parcs Finance Holdings 1 Limited maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its Directors' and Officers' that may be incurred as a result of their position within the Company and the companies within the Group. The Directors' and Officers' have the benefit of an Indemnity provision in accordance with the Company's Articles of Association. These indemnities were in place for the whole of the period ended 23 April 2020 and as at the date of the report.

Directors' report

For the period ended 23 April 2020 (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the Directors' report is approved, the following applies:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

Deloitte LLP are deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Approved by the board and signed on its behalf by



C G McKinlay

Director

11 December 2020

Independent auditor's report to the members of Center Parcs Finance Borrower Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Center Parcs Finance Borrower Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 23 April 2020 and of its loss for the period 13 December 2018 to 23 April 2020;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that as a result of the adverse impacts of Covid-19 on Center Parcs Finance Borrower Limited, directly on the Center Parcs Group and the wider travel hospitality and leisure industry, there is uncertainty in relation to forecasting the nature and extent of government and social distancing restrictions that would impact the villages, the impact of consumer sentiment and hence the length of time it will take to achieve a full recovery and uncertainty in relation to the ability of the Company to secure additional funding which may be required in certain scenarios. As stated in Note 1, these events or conditions, along with the other matters as set forth in Note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Center Parcs Finance Borrower Limited (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Center Parcs Finance Borrower Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Nottingham, UK

11 December 2020

Income Statement

For the period ended 23 April 2020

	Note	Period ended 23 April 2020 £m
Impairment of Investments	2	(415.1)
Operating loss		(415.1)
Interest expense	4	(12.2)
Income from Group undertakings	5	102.5
Loss before taxation		(324.8)
Taxation	6	2.3
Loss for the period attributable to equity shareholders	13	(322.5)

All amounts relate to continuing activities.

The Company has no recognised income or expenses other than the loss for the period above and so no Statement of Comprehensive Income is presented.

The notes on pages 12 to 23 form part of these financial statements.

Statement of Changes in Equity

For the period ended 23 April 2020

	Note	Attributable to owners of the parent			Total £m
		Share capital £m	Share premium £m	Retained earnings £m	
On incorporation		-	-	-	-
Comprehensive income					
Loss for the period	13	-	-	(322.5)	(322.5)
Transactions with owners					
Issue of shares	12,13	-	1,255.0	-	1,255.0
Capital reduction	13	-	(1,255.0)	1,255.0	-
Equity contributions	13	-	41.5	-	41.5
Dividends	13	-	-	(275.3)	(275.3)
At 23 April 2020		-	41.5	657.2	698.7

The notes on pages 12 to 23 form part of these financial statements.

Balance Sheet

As at 23 April 2020

	Note	23 April 2020 £m
<u>Assets</u>		
Non-current assets		
Investments	7	881.4
		881.4
Current assets		
Trade and other receivables	8	1.9
		1.9
<u>Liabilities</u>		
Current liabilities		
Trade and other payables	9	(0.7)
Net current assets		1.2
Non-current liabilities		
Borrowings	10	(183.9)
		(183.9)
Net assets		698.7
Equity		
Ordinary shares	12	-
Share premium	13	41.5
Retained earnings	13	657.2
Total equity		698.7

The financial statements on pages 8 to 23 were approved by the board of Directors on 11 December 2020 and were signed on its behalf by:



C G McKinlay
Director

Center Parcs Finance Borrower Limited
Registered no. 11725898

The notes on pages 12 to 23 form part of these financial statements.

Cash Flow Statement

For the period ended 23 April 2020

	Note	Period ended 23 April 2020 £m
Cash flows from operating activities		
Operating loss	2	(415.1)
Working capital and non-cash movements	14	(1.9)
Impairment of Investments	7	415.1
Tax losses surrendered for Group relief	6	2.3
Net cash from operating activities		0.4
Cash flows from investing activities		
Dividends received	5	102.5
Return of capital from subsidiary	7	183.6
Investment in subsidiary undertaking	7	(225.1)
Net cash from investing activities		61.0
Cash flows used in financing activities		
Proceeds from external borrowings	10	185.0
Issue costs on secured debt	10	(1.4)
Dividends paid	13	(275.3)
Interest paid		(11.2)
Equity contributions	13	41.5
Net cash used in financing activities		(61.4)
Net movement in cash and cash equivalents		-
Cash and cash equivalents at the start of the period		-
Cash and cash equivalents at end of the period		-

The notes on pages 12 to 23 form part of these financial statements.

Notes to the financial statements

for the period ended 23 April 2020

1. Accounting policies

General information

The Company is a private company limited by shares, which is incorporated and domiciled in the UK, and is registered in England and Wales. The address of its registered office is One Edison Rise, New Ollerton, Newark, Nottinghamshire, NG22 9DP.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and on a going concern basis.

The Company's accounting reference date is 22 April.

The Company was, at the end of the period, a wholly-owned subsidiary of another company not incorporated in the EEA and included in the audited consolidated financial statements of Brookfield Property Partners LP, as disclosed in note 15 to the financial statements, and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements.

Going concern

The Group's (companies headed by Center Parcs Finance Holdings 1 Limited, the "Group"), financial statements and those of the Company have been prepared on a going concern basis. The Directors consider this to be appropriate for the reasons set out below:

Coronavirus (Covid-19) pandemic

As at the date of approving these financial statements the impacts of Covid-19 on the Group's trading have been assessed. Government response to the pandemic continues to evolve and customer sentiment to short break holidays remains uncertain although there are indications of strong demand for Center Parcs breaks. As such, the Group will continue to monitor and re-assess the impact of the pandemic.

Due to measures taken by the UK and Irish Government all UK villages and the Irish village were closed to guests on 20 March 2020 and 13 March 2020 respectively and remained closed until 13 July 2020. Subsequent to re-opening government restrictions in Ireland and the UK have increased such that on 7 October 2020 and 5 November 2020 respectively the villages had to close again. All of the UK villages except Sherwood re-opened on 4 December 2020. This resulted in all affected guests in that period being offered either a full refund or the option to move their break to a later date. Sherwood and Ireland villages remain closed and will only reopen when government restrictions allow. During the closure period, the Group reported no revenue and whilst there has been a corresponding reduction in variable costs, the Group had to fund its fixed costs and refund guests for breaks that were cancelled. Where possible mitigating actions have been taken by management to minimise such costs. Refunds of £111 million have been given to affected guests since the financial year-end.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

1. Accounting policies (continued)

Going concern (continued)

On 13 July 2020 all UK and Irish villages re-opened to guests after the initial closure albeit with social distancing restrictions in place. These restrictions resulted in reduced available accommodation capacity and on-site activities which are likely to remain impacted until such restrictions are lifted. The Irish Government subsequently increased the restrictions relating to Covid-19 resulting in the second closure of the Ireland village on 7 October 2020. On Saturday 31 October 2020, new UK national restrictions were announced effective from Thursday 5 November 2020. Given these new restrictions all 5 UK holidays villages closed from Thursday 5 November 2020 until Thursday 3 December 2020. The closure of the Sherwood Forest village had already been announced due to increased local restrictions on 29 October 2020. All of the UK villages except Sherwood re-opened on 4 December 2020.

Whilst it is difficult to predict the future with any certainty, current Covid related occupancy restrictions mean we do not anticipate a return to pre-Covid trading levels until later in calendar year 2021. However, demand for the Group's breaks does remain strong and current forward bookings for the financial year ending 21 April 2022 are ahead of those seen for the equivalent period in the year to 22 April 2021 at this time last year.

In order to preserve liquidity during the closure period, the Group took the following measures:

- Secured additional funding from the Group's owner, Brookfield. As at 11 December 2020 they had provided funding of £164.1 million of funds to ensure the liquidity of the Group. Further committed funds of £20.9 million are approved for use if required and Brookfield have indicated that additional funding could be made available should the need arise.
- A significant element of the Group's cost base relates to wages and salaries. The majority of the Group's staff were furloughed during the period of closure with the Group benefitting from the Government's job retention scheme. The hours of remaining staff undertaking essential activities were reviewed to further reduce costs where possible.
- Reviewed all remaining areas of operating cost to eliminate all non-essential expenditure.
- Agreed deferrals of certain tax payments and benefitted from Business rates relief.
- Reviewed capital expenditure and delayed certain non-essential projects.

The Directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements assuming a further 4 week closure of all 6 villages in February 2021 following which occupancy increases back to pre-Covid levels by the end of June 2021. Under the forecast scenario noted above, the Group will have sufficient funds to meet its liabilities as they fall due for that period. Under this scenario there would be no breach of lending facilities.

With regard to this forecast and other factors which may impact the Group's future liquidity position, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. However, given that the Covid-19 situation continues to evolve, there exists a material uncertainty related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

1. Accounting policies (continued)

Going concern (continued)

The events or conditions are as follows:

- As at the date of approval of these financial statements the Group has cash balances of £90 million. The Group's owner, Brookfield, has already provided £164.1 million of funds to ensure the liquidity of the Group. Further committed funds of £20.9 million are approved for use if required and Brookfield have indicated that additional funding could be made available should the need arise. However, as noted elsewhere, there remains some uncertainty with regards forecasting both the pace of recovery and the eventual levels to which trading will return and accordingly it is possible that further funding will be required that as at the date of approval of these financial statements has not yet been secured.
- Depending on how quickly the Group's trading recovers or if there are further Government imposed restrictions that result in the closure of one or more villages for a period of time, there is a risk that existing financial covenants will be breached. The Directors have agreed covenant waivers until February 2022 on the Group's UK borrowing and deferred the first covenant measure date on borrowing in Ireland until December 2021. As at the date of approval of these financial statements the Directors do not anticipate any breaches.
- The Group had only recently recommenced operations, in line with UK and Irish Government advice. As at the current date the UK and Ireland villages are again temporarily closed but once re-open there is an expectation that a requirement to ensure certain social distancing measures are in place will remain and certain activities will not yet be able to operate. As a result, these measures may have a significant impact on the format of the breaks in the near term. While there are indications of strong demand for the Group's breaks with bookings for the financial period to 21 April 2022 ahead of the current financial period to 22 April 2021, the ability to initially operate at the previous high levels of occupancy may be restricted. While the fundamentals of the Group's model remain sound, the above factors naturally create challenges in the ability to accurately forecast the cash flows of the Group.

The Directors have already taken a number of measures as described above to manage the Group's liquidity position. In the light of these material uncertainties and in the case where further funding was not forthcoming, the Directors have a range of further measures which are within their control, to protect the Group's liquidity position even further, including:

- Further encouragement for customers to change their break to a future date in the event of a cancellation of their break rather than receiving a full refund.
- Additional changes to working arrangements to reduce staff costs further.
- Negotiations with HMRC for further delay of payroll and indirect tax payments.
- A £90 million committed liquidity facility that remains undrawn. This is available to pay certain senior expenses and Class A note interest.

The Directors believe the cash flow forecast outlined above is reasonable in light of the re-opening of the villages and the current Government risk levels. However, Covid-19's continued presence may see a change in Government advice and/or further periods of lock down in the future. Such lock downs could result in further village closures on a national or regional level or affect the ability of guests and employees to travel to site. These uncertainties clearly introduce a level of subjectivity in assessing assumptions to be used in a downside case. However, the Directors have prepared downside forecasts which assume the continuing closure of the Sherwood village until the end of the calendar year and all 5 UK villages and Ireland are closed for a period of eight weeks in the remaining quarter of the financial period to April 2021. After re-opening the forecast assumes the occupancy is capped at 75% at all villages until the end of the financial period to 21 April 2022.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

1. Accounting policies (continued)

Going concern (continued)

As with the base case scenario this downside case would not see the Group breach lending covenants or suffer a liquidity shortage. However, were the Group to require access to further liquidity this could be sought from the Group's owner. The Directors believe that this support would be available and forthcoming for a number of reasons including:

- Previous actions and commitments in supporting the Group with £164.1 million already provided and a further £20.9 million approved for use if required.
- Center Parcs' potential value to Brookfield is very significant and hence injection of further cash to protect this value could reasonably be expected.
- BSREP II is one of Brookfield Asset Management's flagship funds which closed with total equity commitments of \$9 billion. BSREP II still has equity commitments available to satisfy any needed follow-on capital calls from existing investments and expenses or other liabilities
- Brookfield have provided a letter of support to the Directors of the Group indicating their intention to provide such funding in the event that it is required.
- Three of the Group's Directors are "Investor Directors" appointed by the Group's owners. They are uniquely placed to understand both the Group's business and potential actions by the owners. They have indicated that they believe it reasonable to believe support would be made available.

However, ultimately there is no guarantee that this support would be provided and as a consequence there exists a material uncertainty that additional funding may not be available.

As a result of the options available to them the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the circumstances described above represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Key assumptions and significant judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Key sources of estimation uncertainty

Impairment test for investment carrying values:

An assessment of the investment carrying values has been undertaken by management. The calculation requires management to estimate future cash flows expected to arise from the investment and make judgements on the future market performance, see note 7.

Investments in subsidiary undertakings

Investments are stated at cost, less any provision for permanent diminution in value. If there are indications of impairment, an assessment is made of the recoverable amount. An impairment loss is recognised in the income statement when the recoverable amount is lower than the carrying value.

Dividends receivable from investments in subsidiary undertakings are recognised in the income statement when approved by the shareholders of the company paying the dividend.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

1. Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Financial instruments

The Company classifies its financial assets into two categories, being those measured at amortised cost and those measured at fair value. Where assets are measured at fair value gains and losses are recognised either in the income statement or in other comprehensive income, depending on the nature of the asset. Financial assets are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets

Financial liabilities are classified as either fair value through profit and loss or other financial liabilities. The classification depends on the nature of the financial instrument acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date. Other financial liabilities are carried at amortised cost using the effective interest rate method.

Derivative financial instruments

All derivative financial instruments are measured at the balance sheet date at their fair value. The Company does not currently hedge account for any derivatives. As such, any gain or loss on remeasurement is taken to the income statement.

Details of the Company's financial risk management objectives are included in the strategic report.

Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and is measured at the amount expected to be paid to or recovered from the tax authorities.

Deferred tax is provided in full, using the liability method, on all differences that have originated but not reversed by the balance sheet date which give rise to an obligation to pay more or less tax in the future. Differences are defined as the differences between the carrying value of assets and liabilities and their tax base.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax is calculated using tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes relate to the same fiscal authority and there is an intention to settle on a net basis.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

1. Accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest on borrowings is treated as an expense in the income statement, with the exception of interest costs incurred on the financing of major projects, which are capitalised within property, plant and equipment

Early termination costs

Costs associated with the early repayment of borrowings are written off to the income statement as incurred.

New standards and interpretations

A number of new standards, amendments and interpretations were effective for the first time in the current period. None of these have significantly impacted the financial statements of the Company and are unlikely to have a material impact in the future.

The International Accounting Standards Board (IASB) has issued the following new or revised standards and interpretations with an effective date for financial periods beginning on or after the dates disclosed below and therefore after the date of these financial statements. The IASB has also issued a number of minor amendments to the standards as part of their annual improvement process.

IFRS 3	Business Combinations	
	Definition of a Business	1 January 2020
IFRS 7	Financial Instruments: Disclosures	
	Interest Rate Benchmark Reform	1 January 2020
IFRS 17	Insurance Contracts	
	New accounting standard	1 January 2023
IAS 1	Presentation of Financial Statements	
	Definition of Material	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	
	Definition of Material	1 January 2020

The Directors do not anticipate that the adoption of any standards listed above will have a material impact on the Company's financial statements in the period of initial application, although the assessment is ongoing.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

2. Operating loss

Operating loss is stated after charging the following:

	Period ended 23 April 2020 £m
Impairment of investments (note 7)	(415.1)

Auditor's remuneration of £42,000 is included within the financial statements of the Company including services relating to the audit of the parent and subsidiary companies. This includes £14,000 in respect of the audit of the financial statements of Center Parcs Finance Borrower Limited

3. Employees

The Company has no employees other than the Directors. No salaries or wages have been paid to employees, including the Directors, during the period

4. Finance expense

	Period ended 23 April 2020 £m
Interest payable on borrowings (note 10)	12.2

Interest payable on borrowings includes amortisation of deferred issue costs of £0.3 million.

5. Income from Group undertakings

	Period ended 23 April 2020 £m
Dividends receivable	102.5

During the period, Center Parcs Finance Holdings 2 Limited declared and paid dividends on its ordinary shares totalling £102.5 million. A return of capital was also undertaken as detailed in note 7.

6. Taxation

(a) Taxation

The tax credit for the period is £2.3 million.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

6. Taxation (continued)

(b) Factors affecting the tax charge

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 19%. The difference is reconciled below:

	Period ended 23 April 2020 £m
Loss before taxation	(324.8)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19%	(61.7)
Expenses not deductible for tax	78.9
Income from subsidiary undertakings – not subject to tax	(19.5)
Tax credit for the period (note 6(a))	(2.3)

There is no deferred tax, either recognised or unrecognised, at the balance sheet date

Change of corporation tax rate

Finance Act 2016, which was substantively enacted on 6 September 2016, had included provisions to reduce the standard rate of corporation tax in the UK to 17% with effect from 1 April 2020. Finance Act 2020 included provisions to maintain the standard rate of corporation tax in the UK at 19%, and these were substantively enacted on 17 March 2020 through the Provisional Collection of Taxes Act

7. Investments

	Investments in subsidiary undertakings £m
Cost	
Additions	1,255.0
Equity contribution	225.1
Return of capital	(183.6)
At 23 April 2020	1,296.5
Impairment	
Impairment in the period	(415.1)
At 23 April 2020	(415.1)
Net book value	
At 23 April 2020	881.4

Investments at 23 April 2020 represent 100% of the ordinary shares in Center Parcs Finance Holdings 2 Limited.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

7. Investments (continued)

As part of the refinancing undertaken February 2019 a return of capital was undertaken by Center Parcs Finance Holdings 2 Limited of £183.6 million.

An impairment review was undertaken as at 23 April 2020 which identified an impairment of £415.1 million to the carrying value of the investments in Center Parcs Finance Holdings 2 Limited.

The principal activity of Center Parcs Finance Holdings 2 Limited is an investment holding company. The company made a loss of £312.6 million for the period from 13 December 2018 to 23 April 2020 and its net assets at that date were £881.4 million.

The registered office for Center Parcs Finance Holdings 2 Limited is One Edison Rise, New Ollerton, Newark, Nottinghamshire, NG22 9DP

8. Trade and other receivables - current

	2020 £m
Amounts owed by related parties	1.8
Other receivables	0.1
	1.9

Amounts owed by related parties are unsecured and repayable on demand, resulting from group relief surrendered off-set by costs paid on the Company's behalf by Center Parcs (Operating Company) Limited.

9. Trade and other payables - current

	2020 £m
Interest payable	0.7

Interest payable represents interest on the £185.0 million secured loan that was issued by the Company during the period. Interest is payable at a rate of 3-month LIBOR plus 4.50%.

10. Borrowings

Non-current	2020 £m
Debt facility	183.9

On 14 January 2019 the Company issued the Senior Debt Facility as part of an overall £185.0 million facility made available to the Company. The assets of the Company, Center Parcs Finance Holdings 1 Limited and Center Parcs Finance Holdings 2 Limited, the Company's immediate parent and subsidiary undertaking, were provided as security for the debt, and the funds raised were advanced to the Company. Total fees of £1.4 million were incurred in respect of the issuance of the debt.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

10. Borrowings (continued)

The loan has a maturity date of 7 February 2024 with interest charged at 3 month LIBOR plus 4.50% and denominated in £ sterling. Interest of £12.2 million was incurred for the period to 23 April 2020.

The maturity of the Company's borrowings is as follows:

Debt facility	Less than 1 year £m	1 – 2 years £m	2 – 5 years £m	Greater than 5 years £m	Deferred issue costs £m	Total £m
As at 23 April 2020	-	-	185.0	-	(1.1)	183.9

Reconciliation of opening and closing secured debt

	2020 £m
Debt facility at the beginning of the period	-
Cash flows	
- Proceeds from external borrowings	185.0
- Issue costs on secured debt	(1.4)
Amortisation of deferred issue costs	0.3
Debt facility at the end of the period	183.9

11. Financial instruments

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below. As at 23 April 2020 all of the Company's financial assets were classified as those measured at amortised cost and all of the Company's financial liabilities were categorised as other financial liabilities.

Financial assets	2020 £m
Other receivables	1.9
	1.9

Financial liabilities	2020 £m
Borrowings	183.9
Accruals	0.7
	184.6

Notes to the financial statements

for the period ended 23 April 2020 (continued)

11. Financial instruments (continued)

Maturity of financial liabilities

The non-discounted minimum future cash flows in respect of financial liabilities are:

	At 23 April 2020 £m
Debt facility	
In less than one year	9.8
In one to two years	9.8
In two to five years	202.9
In more than five years	-
	222.5

Fair value hierarchy

IFRS 13 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All of the Company's fair value measurements have been categorised as Level 3.

12. Share capital

	2020 £m
Allotted and fully paid	
3 ordinary shares of £1 each	-

On 13 December 2018 the Company issued 1 ordinary share at a premium of £1,255.0 million. During the period 1 ordinary share was issued at par and a further ordinary share was issued at a premium of £41.5 million.

Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or borrow additional debt.

Notes to the financial statements

for the period ended 23 April 2020 (continued)

13. Share premium and retained earnings

	Share premium £m	Retained earnings £m
At 13 December 2018	-	-
Loss for the period	-	(322.5)
Issue of shares	1,255.0	-
Capital reduction	(1,255.0)	1,255.0
Equity contributions	41.5	-
Dividends	-	(275.3)
At 23 April 2020	41.5	657.2

On 11 February 2019 the Company undertook a capital reduction pursuant to which its share premium account was reduced by £1,255.0 million.

During the period the Company distributed £275.3 million of cash to Center Parcs Finance Holdings 1 Limited, its parent undertaking.

14. Working capital and non-cash movements

	At 23 April 2020 £m
Increase in trade and other receivables	(1.9)
	(1.9)

15. Ultimate parent company and controlling parties

The immediate parent company is Center Parcs Finance Holdings 1 Limited, a company registered in England and Wales. The ultimate parent company and controlling party is Brookfield Asset Management Inc., a company incorporated in Canada.

The largest group in which the results of the Company are consolidated is that headed by Brookfield Asset Management Inc. The consolidated financial statements of Brookfield Asset Management Inc. are available to the public and may be obtained from Brookfield Place, Suite 300, 181 Bay Street, Toronto, ON M5J 2T3 (the registered office of that company).

The smallest group in which the results of the Company are consolidated is that headed by Brookfield Property Partners L.P listed on the Nasdaq Stock Market and the Toronto Stock Exchange.

16. Events after the reporting period

The Company's ultimate owner, Brookfield, has provided additional funding of £114.9 million to the group of companies headed by Center Parcs Finance Holdings 1 Limited in the period between the financial period-end and the date of signing these financial statements.