



MOTION JVCO LIMITED
ANNUAL REPORT AND ACCOUNTS 2020

CONTENTS

At the end of 2020 the Group operated:

129

attractions

with

4,640

rooms

in

24

countries

Strategic report

KPIs	1
At a glance	2
Chief Executive's introduction	4
Business model	6
Growth drivers	8
Financial and operating review	10
Principal risks	17
Corporate social responsibility	23

Governance

Corporate governance	28
Directors' report	33
Directors' responsibilities statement	35
Independent auditor's report	36

Financial statements

Consolidated income statement	42
Consolidated statement of comprehensive income	43
Consolidated statement of financial position	44
Consolidated statement of changes in equity	45
Consolidated statement of cash flows	46
Notes to the accounts	47
Motion JVco Limited Company financial statements	92
Notes to the Company financial statements	94

Additional information

Glossary	99
Other financial information	101

KPIs

Introduction

Motion JVco Limited (the Company) was incorporated on 18 June 2019. On 4 November 2019, Motion Acquisition Limited, a subsidiary of the Company, acquired the Merlin Entertainments Group (Merlin, Merlin Group), completing the 'take private' transaction in respect of Merlin Entertainments plc announced in June 2019 by a consortium of investors comprising KIRKBI, certain Blackstone investment funds, and the Canada Pension Plan Investment Board (CPP Investments). The acquisition was financed through a combination of equity and shareholder loans from the consortium partners, together with debt finance agreed shortly prior to completion by certain of the Company's subsidiaries that were incorporated for that purpose.

The Company, together with other subsidiaries incorporated in order to perform the Merlin acquisition, had minimal activities until the acquisition was completed. Therefore, while the statutory comparative information within this report covers the period from incorporation, effectively it reports on Merlin's trading period between the effective date of the acquisition on 4 November 2019 and the reporting date of 28 December 2019. This period of the year is when several of Merlin's theme parks are closed or operating reduced hours in the winter period, so the results are therefore not indicative of the ongoing level of performance on a full year basis.

In order to provide a more meaningful comparison of the performance of the Merlin Group, certain limited proforma comparative information and commentary on the continuing operations of the Merlin Group and its underlying trading is provided in the strategic report, as extracted from the audited 2020 and 2019 Merlin Entertainments Limited consolidated financial statements. This is identified where required by making specific reference to that document or by the use of 'MEL' to signify this. Furthermore the strategic report also makes reference to other comparative data or information, and refers to longer term historic activities and strategic initiatives; these should be read as referring to the continuing Merlin business as if the Company had been the parent company in that period.

The audited consolidated financial statements present comparative information on the Group on a statutory basis, that is on the Group headed by Motion JVco Limited, for the 28 week period from incorporation on 18 June 2019 to the reporting date of 28 December 2019. Details on the period under review and the performance measures used are set out in the Financial and Operating Review on page 16. Terms used throughout this document are defined in the Glossary on pages 99 to 100.

<p>VISITORS</p> <p>22.1m MEL 2020: 22.1m (2019: 67.0m)</p>	<p>REVENUE</p> <p>£629m MEL 2020: £629m (2019: £1,740m)</p>	<p>UNDERLYING OPERATING LOSS</p> <p>£(371)m MEL 2020: loss of £(319)m (2019: profit of £342m)</p>
<p>TOTAL OPERATING LOSS</p> <p>£(740)m</p>	<p>LOSS BEFORE TAX</p> <p>£(962)m</p>	
<p>GUEST SATISFACTION</p> <p>This is based on guest satisfaction surveys; our target is a score over 90%. We are proud that we maintained the same high score of 94% as in 2019, despite having to introduce a number of measures in respect of social distancing and other COVID-19 related safety protocols, to help keep our guests safe. See more on page 7.</p>	<p>HEALTH AND SAFETY</p> <p>In 2020 we helped lead the location based entertainment industry in implementing new measures to enable us to trade safely during the COVID-19 pandemic. The Medical Treatment Case (MTC) rate captures the rate of guest injuries requiring external medical treatment relative to 10,000 guest visitations. This key measure remained constant with 2019 and is an improvement on 2018. See more on pages 24 to 25.</p>	<p>EMPLOYEE ENGAGEMENT</p> <p>We are proud of our global team of employees and now, more than ever, employee engagement continues to be one of the key elements of our business model. In 2020 we relaunched the 'MyMerlin' intranet and introduced a fortnightly company digital newsletter, which provide digital content including the latest reassuring health and safety information, updates from senior leaders and celebratory content from our attractions, to help ensure our global teams continue to feel engaged and connected with the business.</p> <p>In 2020, as a result of COVID-19 related closures, many of our staff were on furlough and therefore we did not run our annual employee engagement survey that for many years showed results consistently above our target score of being over 80% (2019: 87%, 2018: 86%). In 2021 we look forward to new engagement and feedback tools being launched. See more on page 23.</p>

AT A GLANCE

A GLOBAL LEADER IN LOCATION BASED, FAMILY ENTERTAINMENT

MERLIN IS EUROPE'S NUMBER ONE AND THE WORLD'S SECOND-LARGEST VISITOR ATTRACTION OPERATOR AND OPERATES 129 ATTRACTIONS, 21 HOTELS AND SIX HOLIDAY VILLAGES IN 24 COUNTRIES AND ACROSS FOUR CONTINENTS.

Our vision	To be the global leader in location based entertainment by number of visitors.
Our purpose	To deliver memorable experiences to our millions of visitors.
Our strategy	Merlin's strategy since its inception in 1999 has been to create a high growth, high return family entertainment company based on strong brands and a global portfolio that is naturally balanced against the impact of external factors.

Merlin operates two distinct types of visitor attraction, organised into three Operating Groups.

Midway Attractions are high quality, branded, predominantly indoor attractions with a typical one to two hour dwell time located in city centres, shopping malls or resorts. We have high quality, chainable brands and are the only company to successfully operate the Midway model on a global scale.

Theme Parks are larger multi-day outdoor destination venues, incorporating on-site themed accommodation.

- **LEGOLAND Parks** are aimed at families with younger children and have LEGO as the central theme. Highly themed accommodation is central to our strategy to develop the customer offering. Merlin holds the global, exclusive rights to the LEGOLAND brand.
- **Resort Theme Parks** are national brands aimed at families, teenagers and young adults, with themed accommodation at all locations. They have high brand and customer awareness in their local markets and include the leading theme parks in the UK, Italy and Northern Germany.

Our three Operating Groups are supported by our unique in-house business development, creative, project management and production group, Merlin Magic Making, which includes teams across Europe, North America and the Asia Pacific region. Merlin Magic Making is responsible for driving innovation across our Group and creating compelling propositions for our attractions; developing new concepts into commercially viable attractions; producing compelling content such as LEGO models, wax figures and attraction theming; and constructing new attractions and investment projects, including new hotels and rides.

Our portfolio of assets and brands is highly diversified across geography, attraction type, brand and customer demographic and well balanced between indoor and outdoor attractions and international and domestic visitation. We also partner with third party intellectual property owners to create new brands which complement the portfolio and broaden our appeal across all key target demographics.

Our footprint across 24 countries provides a high degree of diversity and a strong platform to benefit from long term growth in leisure spending.














We have demonstrated the strength of this diversified business model over many years, where the drivers of our performance have been;

- investment in our existing estate to increase capacity, provide compelling new propositions to guests, and improve customer satisfaction;
- rolling out new Midway attractions to drive revenue growth, often with a 'cluster' focus and in locations that continue our geographic diversification;
- developing new LEGOLAND parks under a combination of operating models. We have parks currently under construction in Asia and in the USA;
- transforming our theme parks into destination resorts by adding a broad range of themed accommodation and other second gate attractions to improve customer satisfaction and drive multi-day visitation;
- leveraging strategic synergies by generating revenue from promotions and marketing; improving our customers' online 'digital journey'; operating more efficiently; and securing procurement savings;
- acquisitions, ranging from large scale transformational transactions to smaller add-on deals.

AT A GLANCE

A GLOBAL LEADER IN LOCATION BASED, FAMILY ENTERTAINMENT

A GLOBAL PORTFOLIO OF ATTRACTIONS AND ACCOMMODATION, REACHING ALL TARGET DEMOGRAPHICS

		UK	Continental Europe	Americas	Asia Pacific	Total	Brand Demographics
MIDWAY ATTRACTIONS							
Global brands							
SEA LIFE		10	18	8	10	46	Families and city centre tourists
Madame Tussauds		2	4	7	9	22	Families and city centre tourists
Dungeons		6	3	1	1	11	Teenagers and young adults and city centre tourists
LEGOLAND Discovery Centre		2	3	12	6	23	Families
Eye		2	-	-	1	3	City centre tourists
Peppa Pig World of Play		-	-	2	1	3	Pre-school families
Other		2	1	-	4	7	
Total		24	29	30	32	115	
LEGOLAND PARKS							
		Windsor, UK (209 rooms)	Billund, Denmark (578 rooms)	California, USA (500 rooms)	Dubai, UAE		
			Günzburg, Germany (461 rooms)	Florida, USA (468 rooms)	Johor, Malaysia (263 rooms)		
					Nagoya, Japan (252 rooms)		
Total						8 parks 2,731 rooms	Families
RESORT THEME PARKS							
		Alton Towers Resort, UK (694 rooms)	Gardaland Resort, Italy (475 rooms)				Families, teenagers and young adults
			Heide Park Resort, Germany (329 rooms)				
		Chessington World of Adventures Resort, UK (254 rooms)					Families
		Warwick Castle, UK (67 rooms)					
		THORPE PARK Resort, UK (90 rooms)					Teenagers and young adults
Total						6 parks 1,909 rooms	

CHIEF EXECUTIVE'S INTRODUCTION

RESPONDING TO THE CHALLENGE

2020 overview

We have all had to respond to the unprecedented challenge of the COVID-19 pandemic, and no one could have predicted the ways in which it has impacted our lives. I am particularly proud of Merlin's response to this difficult period and the way our teams have adapted to this new environment, whilst still ensuring that we deliver the 'magic' we are known for.

Our primary objective at Merlin throughout this period has been to protect the wellbeing of our employees and guests, and as such, we have always followed scientific and government advice, often going above and beyond these requirements to ensure our actions have been safe and socially responsible.

Merlin's global footprint of 129 attractions in 24 countries around the world meant we got experience of the pandemic early, as it was emerging across Asia in the latter part of 2019. We swiftly responded to protect the business by taking multiple steps to safeguard our attractions and teams, minimise our cost base and protect our operating cash flows.

When we were able to open our attractions, it became clear that there is still demand for high quality days out with family and friends, despite the restrictions imposed by social distancing. Our COVID-secure attractions, adopting Merlin's best in class health and safety protocols, have allowed the public to enjoy quality time together, which after the stresses of the pandemic are so crucial to people's mental health and wellbeing. Now more than ever, we recognise we have an important role to play in the worldwide recovery from the COVID-19 pandemic.

2020 trading

Despite the impact of COVID-19 forcing attraction closures and reducing our trading days to far fewer than normal, we still welcomed 22 million visitors to our attractions in 2020 (MEL 2019: 67 million) and reported revenue of £629 million (MEL 2019: £1,740 million).

When the vast majority of our attractions closed early in 2020, swift action had to be taken early in the crisis to protect the business in the medium term. This included accessing employee furlough schemes and equivalents around the world, managing our costs and cash flows, and promptly raising €500 million in additional liquidity on the public markets to ensure we remained on a stable financial footing.

As restrictions lifted, we were well prepared for opening, although there was still a significant challenge in adapting to new operating procedures, both for staff and our guests. As restrictions were relaxed, we opened swiftly and safely where we were permitted to and flexed our operations with local demand.

Although trading has varied significantly around our estate, since reopening we have seen strong consumer demand from domestic visitors, with a clear 'staycation' benefit which has been evident in our short break and hotel bookings. Our hotels, Resort Theme Parks and LEGOLAND parks have benefited from the staycation impact, with those in Europe and the UK performing particularly well. Our SEA LIFE Centres, especially in coastal areas, also saw strong demand.

Our teams took every opportunity to engage with potential guests and we saw a number of entrepreneurial developments and new, creative ideas across our business. These included 'Making Magic With Merlin' digital activity created for guests to enjoy virtually during lockdown, new online shops, retail-only attraction openings and adaptations to focus on new markets to drive volume.

Unfortunately a small number of our most significant locations had to remain closed for the majority of the year and some that had opened were forced to close again. Furthermore, towards the end of the year additional lockdowns and restrictions were implemented in several key geographies, in many cases continuing into 2021.

Primarily because of these closures, the potential for continued social distancing measures and restrictions on international travel, the corresponding reduction in revenue in the near term has resulted in accounting impairment charges totalling £352 million (MEL 2019: £38 million) within the financial statements.

We are currently complying with and expect to continue to comply with the covenants contained within our debt facilities, which are monitored on a regular basis.

Outlook

Despite the many short term challenges presented by COVID-19, we remain confident in the opportunities for the future that our diverse business has. As we report we are pleased to see trading restrictions easing as vaccine roll outs progress and virus transmission rates reduce, with approximately 60% of our attractions currently open. The roll out of vaccines will, we hope, help people stay safe and feel safe.

As restrictions are lifted, we expect the business to return to growth, underpinned by a recovery in sales levels and an ongoing focus on efficient operating practices. We look forward to providing more safe, magical experiences to our guests, as well as much-needed lifts to local economies.

Strategic developments

During 2020 we continued to monitor the situation around our current and planned investments in new business development. As a result of the COVID-19 outbreak, we decided to delay the grand opening of LEGOLAND New York to 2021, albeit we completed a large part of the construction of the park by the end of 2020. The construction of LEGOLAND Korea also continued through the period.

We also maintained ongoing dialogue with a number of potential partners to develop new LEGOLAND parks in China, with a focus on developing and operating these parks under management contracts. An important milestone was reached in November 2020 when we announced that we had entered into a formal co-operation agreement to develop a LEGOLAND resort in the Jinshan District of Shanghai, China. We also have two further projects where we have signed development agreements; one in Sichuan and another in Guangdong Province in southern China, where design development is well progressed.

Although advancement on certain projects has been delayed by the events of 2020, both Merlin and our selected partners continue to pursue opportunities to expand our global estate.

Health, safety and security

The health, safety and security of our guests and employees remains our number one priority. Our industry leading team created enhanced hygiene and safety measures that were rolled out across each of our geographical markets, to help guests stay safe whilst still enjoying a memorable day out.

These measures met, and in many cases exceeded, government guidelines and duly received positive feedback from customers, local authorities, and health agencies. Our staff also had rigorous training and we have been highlighted by government and our industry as leading the way with our health and safety procedures and guest communications.

CHIEF EXECUTIVE'S INTRODUCTION

RESPONDING TO THE CHALLENGE

Despite all the challenges associated with COVID-19, we were especially proud that to the best of our knowledge there were no on-site COVID transmission cases reported for any of the 22 million guests that visited our attractions in 2020. In addition, our key guest accident rate KPI also remained consistent with 2019, which was again very pleasing.

Guest satisfaction

Our guest satisfaction scores have remained strong and reflect our relentless focus on delivering the very best experience to our guests despite the impact of social distancing and other COVID-related measures. These efforts helped maintain our guest satisfaction scores at 94%. Our 'Top Box' scores increased by 1%. We also implemented a programme to extend customers' annual and season passes, and to enable customers with advanced bookings to easily re-book where our attractions were forced to close.

Employee engagement

During 2020 it was often not possible to get out and see our fantastic teams delivering memorable experiences to our guests, so to maintain regular contact we relaunched our intranet and our company newsletter into easy-access digital formats. The new, mobile-accessible 'MyMerlin' intranet includes dynamic creative content and news updates, and the Executive Committee and I keep colleagues up to date via the relaunched fortnightly digital newsletter 'The Wizard's News', which was previously a quarterly paper magazine. These digital forums enable us to keep spirits and staff engagement high through regularly showcasing the great work from our teams as they look after our guests, care for our animals and support wider local communities.

One consequence of the shorter trading period and reduced levels of activity in 2020 was the need to place staff members on furlough. While it was the right thing to do, it was frustrating that for often extended periods, so many of our team were unable to do the jobs they do so well. Furthermore, we were forced to delay and reduce the recruitment of our teams of seasonal staff who work for Merlin over the peak trading period, including many that have been part of the business over several seasons. We hope that they will be able to re-join the Merlin team as trading gets back more to normal.

I have a huge sense of pride when I reflect on our achievements over the last 12 months and how hard our teams have worked under challenging circumstances. I've seen so many of our people going above and beyond, taking on responsibilities outside of their usual roles and showing a clear dedication to get back to creating magical memories for our guests.

This level of dedication, the experience of our leadership team, and the ongoing commitment of our shareholders all combine to ensure that Merlin is well placed for future growth.

Nick Varney

Chief Executive Officer

15 April 2021

BUSINESS MODEL

COMPETITIVE STRENGTHS AND A STRONG CULTURE

COMPETITIVE STRENGTHS IN A LONG TERM ATTRACTIVE MARKET ENVIRONMENT

A unique portfolio of strong brands and iconic assets

We operate a unique global portfolio of brands and iconic assets which are widely recognised by consumers, enabling us to differentiate our attractions from unbranded operators. Our Midway attractions portfolio includes chainable brands while the Resort Theme Parks attractions are typically number one or two in their respective markets. Our LEGOLAND parks also benefit from a mutually synergistic relationship with LEGO, the world's leading toy brand.

Together, the strength and breadth of this portfolio enable us to offer compelling propositions through a wide variety of visitor experiences across a broad range of geographies. This allows us to attract target demographic groups ranging from families with young children, teenagers, young adults to older adults. It also provides a degree of resilience to short term trading shocks arising from a particular geography, brand or demographic.

Intellectual Property (IP) partnerships

Merlin's global reach and multi-format expertise means we are well placed to benefit from the growing opportunities to partner with leading owners of intellectual property (IP) content, enabling us to deliver memorable experiences to our visitors and offer our partners opportunities to increase engagement with their customers.

Most significant is our core global, multi-product and exclusive relationship with the LEGO Group, where we hold the global, exclusive rights to the LEGOLAND brand under the licencing and co-operation agreement with KIRKBI, one of our major shareholders (see page 7).

We have multiple other IP agreements ranging from local relationships for specific attractions, to global, multi-product relationships with some exclusivity as we establish and continue to develop, global, regional and local IP partnerships with brands such as Ghostbusters, The Gruffalo, Shrek, Kung Fu Panda and CBeebies, the latter through our partnership with BBC Studios. We continue to develop and strengthen new IP partnerships, most notably through our relationship with Hasbro, where we have a multi-territory exclusivity arrangement to develop a range of attractions based on the Peppa Pig brand, one of the most well-known pre-school IP's in the world.

Unique portfolio of skills

Our three Operating Groups are supported by other teams including our in-house innovation and product delivery group, Merlin Magic Making (MMM), which includes teams across Europe, North America and the Asia Pacific region. Together they capture a unique combination of skills, including research, creative, production and project management. We have resources dedicated to researching future opportunities – dedicated teams within the Operating Groups search for locations for potential new attractions and negotiate with local landlords, developers and civic bodies.

MMM create world class, compelling propositions and develop new concepts into commercially viable attractions. Our in-house production capabilities include bespoke content such as wax figures, attraction theming and LEGO model production, thereby creating efficiencies and reducing costs. Our operating teams in Merlin have world class animal welfare expertise and ethical animal husbandry skills.

We manage any scale of construction project ranging from individual rides and attractions in our existing estate, new Midway attractions across the globe, through to the development of full-scale LEGOLAND parks, the latter led by a senior management team who pursue new locations for potential parks through multiple ownership models.

Long term attractive market environment

Notwithstanding the severe short term impact of the COVID-19 pandemic, we continue to believe that Merlin operates in an attractive marketplace, benefiting from underlying growth characteristics and favourable dynamics. At its heart are long term increases in disposable income, including in emerging economies, for example such as China.

During 2020 we reacted swiftly to re-engineer how we can operate flexibly in a changing environment and under a number of challenges and restrictions. The positive results we saw once our sites were able to trade gives us confidence that this more dynamic operating model will support us operating successfully as the external environment evolves. We continue to see long term growth opportunities from tourism; this benefits our resorts and drives visitation to our gateway city locations, where we operate our Midway attraction clusters.

We also expect to see the growth in domestic short break holidays to continue. We are increasingly well-positioned to meet this demand through our offering of themed, on-site accommodation and second gate attractions that extend the duration of our visitors' stay. Accommodation offerings also enable greater cross-selling opportunities, drive improved levels of guest satisfaction, and lead to increases in pre-bookings, revenue visibility and positive working capital. Our domestically focused resort positioning also provides a hedge against the impact of macro-economic volatility on tourist flows.

OUR CULTURE

Merlin's business model is underpinned by our entrepreneurial culture, a focus on strong and effective corporate governance, and how we operate as a responsible business. 'The Merlin Way' sets out these values which are embedded throughout the business. We are proud of the inclusive environment we create for all the people who work at Merlin and focus significant effort in driving a culture of accountability and fairness.

Corporate governance

Merlin believes that effective corporate governance is the foundation of a well-run company and maintains high standards of governance. We recognise that a strong governance framework is fundamental to the execution of Merlin's strategic objectives, underpinned by a clear purpose and well understood culture and values. More details are set out on pages 28 to 32.

Health, safety and security

Merlin is dedicated to delivering best in class health, safety and security (HSS) standards that are clearly understood and implemented across the Group. This involves adopting industry leading standards, reinforcing a rigorous safety culture and demanding complete commitment from our teams.

These principles have underpinned our response to the COVID-19 pandemic. We have been instrumental in developing best practice enhanced hygiene and safety measures for the hospitality and leisure industry, including in numerous territories helping government agencies to develop sector specific COVID guidance. Our robust COVID safety protocols and procedures have been rolled out across each of our geographical markets and have received positive feedback from customers, local authorities and health agencies. More details on HSS are on pages 24 to 25.

BUSINESS MODEL

COMPETITIVE STRENGTHS AND A STRONG CULTURE

Business responsibility

Merlin has an ethical operating culture and high animal welfare standards, with a commitment to managing environmental impacts. Our attractions operate responsibly at the heart of their communities and contribute to the local economy. We partner with two charities. Merlin's Magic Wand provides memorable experiences to children faced with the challenges of serious illness, disability, and adversity. The SEA LIFE Trust works to protect the marine environment. More details are set out on page 27.

DELIVERING FOR OUR STAKEHOLDERS

Customers

We constantly monitor the views of our guests and engage with them directly and on social media to measure the quality of their experience and drive improvements. We measure the results of this engagement through a combination of guest satisfaction and 'Top Box' scores from touchscreen data at our attractions, and 'Net Promoter' scores that measure whether a guest would recommend our attractions. We are proud that we maintained the same high guest satisfaction score as in 2019, again well ahead of our 90% benchmark, and that the Top Box measure increased by 1%. The Group's average Net Promoter score remained above the 50% level which is considered 'world class'. These results are despite introducing a number of measures to help keep our guests safe in response to the operating restrictions required in 2020.

Employees

Our many thousands of employees are committed to delivering memorable experiences, and now more than ever, employee engagement continues to be one of the key elements of our business model. In 2020 we utilised several new and existing resources to help ensure our global teams continue to feel engaged and connected with the business. In a normal year we run our staff survey, 'The Wizard Wants to Know', which for many years has shown results consistently above our target score of being over 80%. This was not completed in 2020 because of the COVID-19 pandemic. See more on how we maintained employee engagement through the pandemic on page 23.

Investors

Merlin was listed on the London Stock Exchange from November 2013 until November 2019, when a consortium of three long term investors joined forces to take Merlin back into private ownership, with the capability to support Merlin's growth ambitions. The consortium work together in accordance with the principles set out at the time of the transaction. Their investment is held in the Company.

Details of the investor consortium are set out below and details of their representation on the Board of Directors are set out on page 31.

During the year the investor consortium converted £156 million of initial funding that had been made in the form of shareholder loan notes into equity. In addition, in May 2020, the Company issued shares to a new minority investor for proceeds of £150 million. Both investments were made in a combination of ordinary and preference shares. See note 5.5 to the financial statements.

- **KIRKBI** – the private holding and investment company of the Kirk Kristiansen family, founded to manage, protect and develop the LEGO brand and its activities under long term family ownership. KIRKBI's strategic activities include a 75% ownership of the LEGO Group, a 100% ownership of the LEGO and LEGOLAND trademarks, and investments in renewable energy supporting the LEGO Group's commitment to balance global consumption of energy with renewable energy. KIRKBI manages an international, diversified investment portfolio with a long term investment profile and is a responsible investor with high environmental, social and governance standards. At the end of 2020, KIRKBI's investment activities amounted to approximately EUR 10 billion. KIRKBI was a strategic investor in Merlin while the Group was listed, holding 29.6% of Merlin's listed equity.
- **Blackstone** – one of the world's leading investment firms, that seeks to create positive economic impact and long term value for investors, the companies in which it invests, and the communities in which it works. Blackstone's asset management businesses had \$619 billion in assets under management as at 31 December 2020 across a range of investment vehicles. Blackstone has long-standing experience investing in location based entertainment businesses, like Merlin, as well as the wider hospitality, travel and leisure sector. Blackstone's investment in Merlin has been made through its long-dated Core Private Equity Strategy, which invests in high-quality businesses for typically ten to 15 or more years.
- **Canada Pension Plan Investment Board (CPP Investments)** – a professional investment management organisation that manages the CPP Fund in the best interest of the more than 20 million contributors and beneficiaries of the Canada Pension Plan. CPP Investments is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At 31 December 2020, the Fund totalled C\$476 billion, including approximately C\$20 billion of assets invested in the United Kingdom, and net investments of C\$120 billion in private equity. CPP Investments' private equity team is a committed long term investor with permanent capital, a focus on sizeable investments alongside aligned partners, the ability to invest across the full spectrum of ownership, and the ability to shape the duration and underwriting approach of investments to support longer-date returns on investment initiatives.

GROWTH DRIVERS

HOW WE DRIVE GROWTH

CAPITAL EXPENDITURE

Existing estate

Part of Merlin's growth strategy is to make regular, targeted investments to update and refresh the existing estate in order to grow visitation to attractions, providing something new to market and a degree of pricing power.

Each attraction has a planned investment cycle with varying capex levels over a number of years. These help to smooth overall expenditure across the portfolio and ensure investments are funded from operating free cash flow. Midway attractions require relatively lower capital expenditure due to the smaller scale of the attractions and the higher proportion of 'first-time' tourist visitors, while our theme parks require relatively higher capital expenditure due to the scale and nature of new rides and attractions and the drive to attract repeat visitors.

New business development

Our growth strategy has historically involved the roll out of our chainable Midway attractions in new locations and countries, often creating 'clusters', where we develop multiple attractions in one location. We continue to see the opportunity to open new Midway attractions, especially using IP as a central element of the attraction.

New business development capex also includes the expansion of our theme parks into destination resorts, and the development of new LEGOLAND parks. These are described in more detail below.

TRANSFORMATION OF THEME PARKS TO DESTINATION RESORTS

We continue to transform our theme parks into destination resorts, extending visitor market reach and enhancing revenues from a number of sales channels. These include primary admissions (including multi-day tickets and second gate admission fees), and commercial spend such as the sale of food and beverages, retail merchandise and souvenirs such as photos.

The themed accommodation offerings in our hotels and holiday villages continue to be very successful. They provide an integral contribution to the overall customer experience, helping to drive pre-bookings, increase multi-day ticket sales and improve guest satisfaction.

There are also ongoing opportunities to add visitor attractions that are located next to theme parks and for which additional admission fees are charged. These attractions, such as waterparks, are referred to as second gate attractions. This is an increasing area of focus across the two theme park Operating Groups.

LEGOLAND PARK DEVELOPMENTS

We have a proven track record of developing and operating LEGOLAND parks globally, where we have three operating and investment models.

Firstly, in more proven locations, we follow an 'owned and operated' model, securing the land and developing the infrastructure ourselves. LEGOLAND New York and LEGOLAND Korea are being developed in this way, with construction continuing during 2020 on both parks. As a result of the COVID-19 outbreak, we decided to delay the grand opening of LEGOLAND New York to 2021, albeit we completed a large part of the construction of the park by the end of 2020.

Secondly, we might work with a local partner, marrying their capabilities and expertise with our strengths and experience to both parties' mutual benefit. Typically, the funding for the capital investment is provided by a third party and we operate the park under a management contract.

In November 2020 we announced that we had entered into a formal co-operation agreement with the Shanghai Jinshan District Government, CMC Inc. and KIRKBI to develop a LEGOLAND resort in the Jinshan District of Shanghai, China. This followed the signing of a framework agreement in November 2019. All parties will form a joint venture company and contribute funding to the construction and development of LEGOLAND Shanghai.

In September 2019, we announced that we had entered into an agreement to partner in the development of LEGOLAND Sichuan and operate it under a management contract arrangement, with the resort scheduled to open by the end of 2023.

Design development is well progressed on a third LEGOLAND park project in Guangdong Province in southern China.

We maintain ongoing dialogue with a number of other potential partners to develop several LEGOLAND parks in China, with a focus on developing and operating these parks under this model. We currently operate LEGOLAND Malaysia and LEGOLAND Dubai under this model.

Thirdly, we can operate parks under a 'leased and operated' model, where the acquisition of the park site, the development of the infrastructure and the basic construction is funded by a third-party partner. We fund and build the rides and the necessary theming, lease the site on a long term basis, and operate the LEGOLAND park. LEGOLAND Japan, for example, was developed using this approach, with a KIRKBI subsidiary as the lessor.

GROWTH DRIVERS

HOW WE DRIVE GROWTH

LEVERAGING STRATEGIC SYNERGIES

We aim to simplify our operations, maximise the synergies afforded by our scale and leverage relationships with our shareholders.

Strategic initiatives include:

- **Operational efficiency** – we continue to focus on operational excellence, as we streamline how we work while still delivering memorable experiences for our guests. In 2020, in response to COVID-19, we have made significant changes to how our attractions operate and continued the transformation of our support functions through shared service centre initiatives. An example is our 'Finance 21' transformation project, that continued its roll out during the year, underpinned by a new cloud-based finance system.
- **Merlin Annual Pass and Merlin Pass Monthly Membership** – where we offer customers a pass that enables them to visit all attractions within a particular country.
- **Accesso ticketing** – the acceso® 'Passport' ticketing system helps improve the customer 'digital journey' to access our tickets and other offerings, as the shift towards advance booking continues.
- **Promotions and marketing** – where we apply flexible pricing and promotional strategies to manage visitor numbers through periods of high and low attendance volume, extend the length of stay, encourage repeat visits and enhance overall revenue.
- **Procurement synergies** – our scale combined with the support and knowledge of our shareholders allows us to exploit procurement cost efficiencies within a country or region, and where practical across clusters.
- **LEGO relationship** – we continue to benefit from the mutually synergistic relationship with LEGO, the world's leading toy brand.

STRATEGIC ACQUISITIONS

We continue to consider acquisitions of, or investments in, visitor attractions, sites and brands that could strategically enhance our portfolio and enable us to grow into new geographies, and believe that there remain further attractive acquisition opportunities that would meet our investment criteria in the future.

FINANCIAL AND OPERATING REVIEW

SWIFT AND DECISIVE ACTION

	Motion JVco	Motion JVco	MEL	Motion JVco	MEL
	Total	Underlying	Underlying	Underlying	Underlying
	52 weeks ended	52 weeks ended	52 weeks ended	28 weeks ended	52 weeks ended
	26 December	26 December	26 December	28 December	28 December
	2020	2020	2020	2019	2019
	£m	£m	£m	£m	£m
Revenue	629	629	629	152	1,740
EBITDA	(119)	(102)	(76)	(8)	569
Depreciation, amortisation and impairment	(621)	(269)	(243)	(42)	(227)
Operating (loss)/profit	(740)	(371)	(319)	(50)	342
Net finance costs	(222)	(222)	(222)	(30)	(108)
(Loss)/profit before tax	(962)	(593)	(541)	(80)	234
Taxation	151	124	96	11	(67)
(Loss)/profit for the period	(811)	(469)	(445)	(69)	167

See 'Presentation of results' below for how we have presented underlying comparative information.
See 'How we report our results' on page 16 for details of how we report our financial performance.

Introduction

In 2020 Merlin, like every business, has had to respond to the challenges presented by the COVID-19 pandemic. Having started the year with strong early trading, the geographic diversity of our business alerted us to the potential impact of COVID-19 early in China and we started taking broader decisive actions as the pandemic impacted across global markets.

We acted swiftly to preserve cash flow while also creating a ground up cost plan, restructuring our activities to maximise profitability once attractions were able to open. We were encouraged by the Group's ability to trade in an environment of social distancing and reduced customer demand.

We have actively engaged to access government support in a number of areas, most notably in relation to the costs of furloughed staff in qualifying jurisdictions. We temporarily reduced our planned capital expenditure programme and actively engaged with our landlords to seek rent abatements.

Working together with the investor consortium, the Group was able to raise €500 million in senior notes on the public markets to provide extra liquidity.

Our new business development programme continued to make progress, with construction ongoing at two new LEGOLAND parks. We also progressed further Midway attractions, developments in China, and other opportunities for the future.

Presentation of results

Basis of preparation and comparative information

Motion JVco Limited (the Company) was incorporated on 18 June 2019. On 4 November 2019 Motion Acquisition Limited, a subsidiary of the Company, acquired the Merlin Entertainments Group (Merlin, Merlin Group), completing the 'take private' transaction in respect of Merlin Entertainments plc announced in June 2019 by a consortium of investors comprising KIRKBI, certain Blackstone investment funds, and the Canada Pension Plan Investment Board (CPP Investments). The acquisition was financed through a combination of equity and shareholder loans from the consortium partners, together with debt finance agreed shortly prior to completion by certain of the Company's subsidiaries that were incorporated for that purpose.

The Company, together with other subsidiaries incorporated in order to perform the Merlin acquisition, had minimal activities until the acquisition was completed and therefore while the statutory comparative information within this report covers the period from incorporation, effectively it reports on Merlin's trading period between the effective date of the acquisition on 4 November 2019 and the reporting date of 28 December 2019. This period of the year is when several of Merlin's theme parks are closed or operating reduced hours in the winter period, so the results are therefore not indicative of the ongoing level of performance on a full year basis.

In order to provide a more meaningful comparison of the performance of the Merlin Group, certain limited proforma comparative information and commentary on the continuing operations of the Merlin Group and its underlying trading is provided, as extracted from the audited 2020 and 2019 Merlin Entertainments Limited consolidated financial statements. This is identified where required by making specific reference to that document or by the use of 'MEL' to signify this. Where accounting adjustments were made as a result of the purchase price allocation exercise in 2019, and which impact the results, these are also noted.

The audited consolidated financial statements present comparative information on the Group on a statutory basis, that is on the Group headed by Motion JVco Limited, for the 28 week period from incorporation on 18 June 2019 to the reporting date of 28 December 2019.

Underlying results and exceptional items

In order to present the underlying performance of the business more accurately, the impacts of certain activities are reported within exceptional items. More details on exceptional items can be found on page 13. Unless otherwise stated, the commentary below refers to underlying results, that is, before the impact of exceptional items. The impact of COVID-19 on our trading has all been reflected within our underlying results.

Alternative performance measures

On page 16 we set out in more detail explanations of how we adopt certain alternative performance measures to help present our trading performance in the most helpful and meaningful way.

FINANCIAL AND OPERATING REVIEW

SWIFT AND DECISIVE ACTION

Performance summary

During March substantially all of our attractions either closed or did not open for the 2020 trading season, which caused a severe decline in revenues compared to 2019. In the second half of Q2, attractions reopened where possible and by the end of September, nearly 90% of our attractions, 19 of 21 hotels and five out of six holiday villages were open. Unfortunately, a small number of our most significant locations had to remain closed for the majority of the year and some that had opened were forced to close again.

The performance of individual attractions has varied significantly depending on a number of factors, including the nature of ongoing local restrictions and their impact on both consumer demand and attraction capacity. In general, where an attraction typically sources its visitors from local domestic markets, and the perception of the risk of infection has been low, attendance has been encouraging, with demand exceeding capacity in some attractions at points in peak season.

Conversely, attractions with a higher proportion of tourist visitation have seen a greater impact on demand, particularly where those attractions normally have a significant element of international tourist visitation. This has affected both Midway city centre clusters and resorts in more tourist-driven markets.

Overall, revenues for the year reduced by £1,111 million from £1,740 million (MEL 2019) to £629 million. Visitation and revenues both benefited to some extent from the temporary reduction in VAT rates in the UK and Germany. Cost of sales also fell because of the fall in revenue.

Since the global COVID-19 pandemic began, we have implemented a number of operating cost and cash control measures at various stages throughout the crisis. These included initially delaying the hiring of seasonal staff; implementing temporary voluntary salary reductions; reducing marketing and advertisement spend; and reducing other variable costs wherever possible. Where available, we accessed government schemes to support employees placed on furlough.

We have also taken steps to adjust how we operate in the future and reduce our ongoing fixed cost base in line with our reduced revenues. The cost base at our attractions has historically been relatively fixed, with increases and decreases in revenue normally flowing through to the operating result. Our actions this year have created a more flexible cost base with a higher proportion of costs that flex with visitor volumes.

These cost reduction activities augmented projects that were already underway to improve our operating efficiency against the backdrop of ongoing, significant cost pressures. We have continued to rationalise a number of our central functions and invest in our Shared Service Centre in Basingstoke, UK, changing the way finance supports the business, underpinned by our new cloud-based finance system.

Operating Group margins are also affected by the source and mix of revenue in the existing estate and the dilutive effect of new attractions and accommodation, which typically have lower margins than the existing estate and incur costs in the pre-opening period.

Staff expenses reduced as savings initiatives were implemented to respond to reduced trading. The reported figure is stated net of government support in respect of furloughed staff in qualifying jurisdictions. Marketing expenses reduced as marketing activities were scaled back.

Other operating expenses reduced, reflecting lower spend on repairs and maintenance, where savings could be made in a period of lower than normal ride usage while still ensuring that high standards of guest and ride safety were maintained. Other costs such as performance-based rental payments, rates and utilities were also lower than in 2019.

As set out in note 3.1 of the financial statements, the value of goods for resale was 'stepped-up' at the time of the Merlin acquisition to a value that took account of the estimated level of future proceeds, less incremental costs to sell the inventory. The impact of this is to reduce the profitability in results reported within the Motion JVco consolidation as compared to within MEL. This step-up totalled £36 million, of which £9 million unwound in 2019, with the balance of £27 million accounted for in 2020.

There are no other adjustments, costs or income that affect the comparability of segment EBITDA.

Within our central functions, as in the Operating Groups, we reduced the level of underlying ongoing expenditure. However, lower revenues in respect of consultancy agreement contracts, the write off of certain project costs as a result of COVID-19, and other one-off expenses, meant that net central costs of £55 million were £13 million higher than in 2019 for MEL.

Foreign exchange

Merlin is exposed to fluctuations in foreign currency exchange rates on transactions and the translation of our non Sterling earnings. Retranslating 2020 performance at 2019 rates would result in a £9 million decrease in revenue. We set this out in more detail by major currency on page 101.

Operating loss

Underlying depreciation and amortisation charges of £269 million represent a full year charge as compared to £42 million on a reported basis in 2019.

Exceptional items relating to operating activities totalled £17 million (2019: £61 million as reported). Together with a further £352 million of impairment related charges (2019: £nil as reported), these resulted in a total operating loss of £740 million (2019: loss as reported of £111 million).

More details on exceptional items can be found on page 13.

Loss before tax

As a result of the factors noted above, underlying loss before tax was £593 million (2019: loss of £80 million as reported) while the total loss before tax was £962 million (2019: loss of £96 million as reported).

FINANCIAL AND OPERATING REVIEW

SWIFT AND DECISIVE ACTION

Midway Attractions

	2020	MEL 2020	2019	MEL 2019
Visitors (m)	12.7	12.7	4.4	40.2
Revenue (£m)	228	228	80	674
Underlying EBITDA (£m)	(17)	(8)	11	240
Underlying operating (loss)/profit (£m)	(146)	(120)	(9)	137

Substantially all of the attractions in the Midway Attractions Operating Group closed before the end of March as the COVID-19 pandemic developed across the world. Attractions gradually reopened following the local relaxation of restrictions. Midway attractions are generally indoors and therefore their ability to reopen, and the restrictions imposed once open, have varied significantly depending on the differing local regulations. Towards the end of the year restrictions were reimposed in some locations, particularly in the UK and continental Europe.

Midway Attractions contains a mix of brands and a wide geographic spread, and therefore the impact of the pandemic has varied significantly across the estate. The largest Midway attraction clusters are typically located in international gateway cities, which have seen a significant decline in international tourist visitation.

However, attraction brands that are primarily focused on resident markets (as is the case for many local SEA LIFE Centres for example) have performed significantly better.

To offset the impact of lower revenues we made operating costs savings where possible, particularly in staffing costs and marketing expenses. While for most of the year, the proportion of closed attractions meant EBITDA remained negative, in Q3 more attractions could open. In that period we saw more positive volumes, which, combined with the operational changes in our attractions, helped generate EBITDA of £7 million despite lower revenues compared to previous years.

LEGOLAND Parks

	2020	MEL 2020	2019	MEL 2019
Visitors (m)	5.0	5.0	1.6	15.7
Revenue (£m)	228	228	54	669
Underlying EBITDA (£m)	(30)	(21)	5	243
Underlying operating (loss)/profit (£m)	(95)	(85)	(5)	183

Merlin's two LEGOLAND parks in the US, and LEGOLAND Japan, are normally open all year round. Of these, the parks in Florida and California closed in mid-March. LEGOLAND Florida reopened at the start of June, while LEGOLAND California has remained closed. LEGOLAND Japan has been able to largely remain open. Both LEGOLAND Florida and Japan have seen demand impacted by local perceptions of COVID-19 transmission rates.

Our three seasonal European parks normally trade from the spring onwards but were closed in March, thereby missing the Easter holiday trading period and certain May national holidays. The attractions in Germany and Denmark reopened in late May and early June respectively. LEGOLAND Windsor reopened in early July. Overall, the European resorts saw a steady increase in consumer demand following reopening and enjoyed encouraging levels of visitation over the peak summer season.

All resorts have lost a significant portion of their trading periods, especially LEGOLAND California. The resorts that have reopened have been operating with reduced capacities because of local regulations and social distancing restrictions. These factors, combined with lower overall demand, have resulted in very significantly lower revenues than would be typically expected.

The Operating Group has made operating costs savings where possible, particularly in staffing costs and marketing expenses. These mitigated the impact of the lower revenues. Underlying EBITDA was negative for the year as a whole, albeit the improved visitation over the summer period together with operational changes in our attractions helped generate EBITDA of £22 million in Q3.

Resort Theme Parks

	2020	MEL 2020	2019	MEL 2019
Visitors (m)	4.4	4.4	0.3	11.1
Revenue (£m)	169	169	17	388
Underlying EBITDA (£m)	-	8	(13)	128
Underlying operating (loss)/profit (£m)	(62)	(46)	(23)	76

The main trading period for the Resort Theme Parks attractions, all of which are located in Europe, normally starts during the early spring. As a result of the developing COVID-19 pandemic the resorts either closed in March or did not open as planned. They therefore missed the Easter holiday trading period and certain May national holidays. The two parks in Germany and Italy reopened in late May and mid-June respectively, while the UK parks remained closed until early July.

Following reopening, the resorts saw an increasing level of consumer demand into peak season, particularly in the UK. Several of the UK resorts traded close to their new (reduced) capacities on multiple days over peak season and benefited from higher admissions revenue per guest

All attractions operated with significantly reduced capacities because of local regulations and social distancing restrictions. These restrictions, combined with lower overall demand, particularly where exposed to international tourism, and the limited operating season, have suppressed trading. This has resulted in significantly lower revenues than would be typically expected.

The Operating Group has made operating costs savings where possible, particularly in staffing costs and marketing expenses. These, together with operational changes in our attractions, mitigated the impact of the lower revenues. Resort Theme Parks delivered a positive EBITDA in Q3 of £50 million.

FINANCIAL AND OPERATING REVIEW

SWIFT AND DECISIVE ACTION

Financing and tax

Finance costs

Net finance costs of £222 million were incurred in 2020 (2019: £30 million).

2020 reflects a full year of interest charges. In comparison, such costs were only incurred for less than two months in 2019 once the external debt arranged to finance the acquisition of the MEL Group was drawn down.

The 2020 charge also reflects interest on €500 million of senior notes issued in April 2020 and the use of other debt facilities during the year as the Group responded to the COVID-19 pandemic.

Taxation

The total tax credit of £151 million represents an effective tax rate of 15.7% of loss before tax.

The difference between the reported ETR of 15.7% and the UK standard tax rate of 19.0% is largely due to the exceptional impairment of consolidated goodwill. Excluding exceptional items, the underlying ETR is 20.9% (2019: 14.6%). The difference between the underlying ETR and the UK standard rate is attributable to a number of factors including the group's geographic mix of profits and the benefit derived from the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the USA, offset by the non-recognition of tax losses and the revaluation of deferred tax liabilities due to the change in the UK tax rate.

The Group has benefited from certain reliefs available in the CARES Act in the US. This allows operating losses generated in 2020 to be carried back five years. As the US corporate tax rate was higher in the earlier years the Group has obtained a permanent benefit from the carry back.

Significant factors impacting the Group's future ETR include the Group's geographic mix of profits and changes to local or international tax laws.

The impact of the European Commission's finding relating to the UK's Controlled Foreign Company rules is further detailed in note 6.4.

The Group has a tax policy that sets out our approach in the areas of governance, risk management, tax planning and how we deal with tax authorities. This is available on the Merlin website.

Further detail on taxation is provided in note 2.4 to the financial statements.

Exceptional items

	2020 £m	2019 £m
Underlying loss for the period	(469)	(69)
<i>Exceptional items:</i>		
Within operating expenses	(17)	(61)
Within depreciation, amortisation, and impairment	(352)	-
Within finance income and costs	-	45
Income tax credit on exceptional items above	27	2
Loss for the period	(811)	(83)

To present the underlying performance of the business more accurately, the impact of certain activities is reported within exceptional items as set out below.

Exceptional items reported within operating expenses totalled £17 million before tax credits (2019: £61 million). This reflects pre-tax costs primarily associated with restructuring activities as we take steps to reduce our ongoing fixed cost base.

In 2019, within operating expenses, exceptional net costs of £61 million related primarily to transaction related costs of £58 million in respect of UK stamp duty, advisory fees and other costs and these were expensed in the period.

Exceptional items reported within depreciation, amortisation and impairment totalled £352 million before tax credits (2019: £nil). These impairment charges reflect the impact of COVID-19 on short term trading which is therefore taken into account in the discounted cash flows that underpin our value in use calculations. The charges relate to goodwill (£260 million, in respect of the LEGOLAND Parks Operating Group), property, plant, and equipment (£78 million), and right-of-use assets (£14 million).

In particular, these impairment charges include consideration of LEGOLAND New York where the opening has been delayed and where we are expecting shorter term headwinds, limiting our ability to launch the attraction and build momentum in an environment where social distancing may well be in operation and an uncertain economic environment will prevail. We remain confident in the longer term future of this third LEGOLAND park in North America, that will add to the already successful parks in California and Florida.

Impairment charges in respect of certain of the Group's Midway attractions arise from a review of market and economic conditions at those locations, also reflecting the impact of COVID-19.

Within finance income, in 2019, £45 million of net gains primarily related to foreign exchange movements resulting from foreign exchange exposures on certain intra-Group borrowings entered into as a result of the transaction, until these exposures could be hedged.

Further details can be found in note 2.2 of the financial statements.

FINANCIAL AND OPERATING REVIEW

SWIFT AND DECISIVE ACTION

Cash flow

	2020 £m	2019 £m
Underlying EBITDA	(102)	(8)
Exceptional items	(17)	(61)
Working capital and other movements	65	(3)
Tax paid	(16)	(19)
Net cash outflow from operating activities	(70)	(91)
Capital expenditure – existing estate	(83)	(29)
Capital expenditure – new business development (NBD)	(223)	(50)
Acquisition of subsidiaries, net of cash acquired	-	(4,552)
Interest paid, net of interest received and settlement of interest rate swaps	(187)	(13)
Other	1	-
Net cash outflow before changes in share capital and borrowings	(562)	(4,735)
Proceeds from issue of share capital	306	2,679
Net changes in borrowings, including shareholder loans	404	2,240
Capital repayment of leases	(26)	(15)
Net cash inflow for the period	122	169

Operating cash flow

Despite the activities referred to previously as we sought to maximise our available liquidity, net cash flow from operating activities for the period was negative £70 million (2019: negative £91 million as reported).

Operating free cash flow (being underlying EBITDA less existing estate capital expenditure) was negative £185 million in 2020.

Investing activities

A total of £306 million was incurred on capital expenditure in 2020.

New business development (NBD) investment of £223 million represented £175 million on the longer term investments of developing new LEGOLAND parks, substantially all relating to LEGOLAND New York and LEGOLAND Korea. A further £23 million related to new accommodation development across our theme park estate, and £25 million was in respect of new Midway attractions.

NBD capital expenditure investment is slightly higher in 2020 than in 2019 (MEL 2019: £216 million), primarily in respect of costs incurred developing the new LEGOLAND parks. It is, however, lower than planned. This is a result of delays to new Midway sites originally planned for 2020 and 2021 openings, and our decision to reschedule the LEGOLAND New York construction programme and delay the Grand Opening to 2021. The construction of LEGOLAND Korea has continued through the period.

Existing estate capital expenditure of £83 million for the period was significantly lower than in 2019, (MEL 2019: £163 million) reflecting site closures and the volume of trading.

Financing activities

In 2019 certain financing activities were undertaken to enable the acquisition of the Merlin Group in November of that year. A total of £5,665 million was raised in the following way:

- £2,679 million in the form of ordinary and preference shares
- £156 million in the form of shareholder loan notes
- £2,830 million of senior debt

This was used to acquire 100% of the shares of Merlin Entertainments plc in cash for £4,717 million (see note 3.1) and to repay £640 million of the acquired debt. On acquisition, the Merlin Group included cash and cash equivalents of £165 million and accordingly the net outflow was £4,552 million.

In Q1 2020 the Group received £133 million (\$173 million) under a delayed draw down term loan facility and in Q2 completed the issue of €500 million of 7.0% senior secured notes due 2025. The receipt of the €500 million enabled the repayment of £370 million revolving credit facility (RCF) drawings that had been made in Q1 in response to the COVID-19 pandemic. The RCF is undrawn at the end of 2020.

Interest payments therefore reflect a full year of interest charges. In comparison, such costs were only incurred for two months in 2019 once the external debt arranged to finance the acquisition of the MEL Group was drawn.

The 2020 payments also reflect the further draw down on debt facilities in the period and charges on €500 million of senior notes issued in the period as noted above.

FINANCIAL AND OPERATING REVIEW

SWIFT AND DECISIVE ACTION

Net assets

	2020 £m	2019 £m
Property, plant and equipment	2,512	2,430
Right-of-use assets	1,414	1,446
Brands	1,315	1,316
Goodwill and other intangible assets	2,220	2,485
Investments	19	63
Working capital	(337)	(250)
Net external debt	(3,356)	(2,868)
Shareholder loans	(15)	(151)
Lease liabilities	(1,364)	(1,321)
Corporate and deferred tax	(295)	(468)
Employee benefits	(11)	(7)
Other assets and liabilities	(110)	(109)
Net assets	1,992	2,566

Property, plant, and equipment increased by £82 million, primarily reflecting the capital additions referred to previously, offset by depreciation and impairment charges, together with the retranslation of those assets at different foreign exchange rates.

Goodwill and other intangible assets reduced from £2,485 million to £2,220 million. This primarily relates to the £260 million impairment of goodwill recognised at the time of the acquisition in November 2019 in respect of the LEGOLAND Parks Operating Group. As noted above, impairment charges reflect the impact of COVID-19 on short term trading which is therefore taken into account in the discounted cash flows that underpin our value in use calculations.

The reduction in investments primarily relates to a negative adjustment to the Group's investment in Big Bus Tours Group Holdings Limited, which was reflected in other comprehensive income (see note 6.1).

Further analysis of the working capital movements of £87 million is provided in note 4.4 to the financial statements.

Financing and capital structure

The key terms of the Group's borrowing facilities are summarised as follows:

Senior secured debt

- €1,460 million and \$1,372 million drawn facilities to mature in November 2026 entered into by the Company's subsidiary Motion Finco S.à r.l. The margins on these facilities are dependent on the Group's adjusted leverage ratio and at 26 December 2020 were at a margin of 3.0% (2019: 3.0%) for EUR debt and 3.25% (2019: 3.25%) for USD debt over the floating interest rates when drawn. The relevant floating interest rate is USD LIBOR, which was 0.22% at 26 December 2020 (1.90% at 28 December 2019). No floating rate is added to the EUR debt while EURIBOR is negative.
- \$400 million 5.75% senior notes due 2026 entered into by the Company's subsidiary Merlin Entertainments Limited. These were issued prior to the acquisition and accordingly formed part of the liabilities acquired by the Group at the time of the Merlin acquisition (see note 3.1).
- €500 million of 7.0% senior secured notes due 2025 entered into by the Company's subsidiary Motion Finco S.à r.l.
- A £400 million revolving credit facility to mature in May 2026.

Other senior debt

- \$410 million 6.625% senior notes due 2027 and €370 million 4.5% senior notes due 2027 entered into by the Company's subsidiary Motion Bondco DAC.

A reconciliation of net debt is set out in the financial statements in note 5.1.

Covenants

A financial covenant existed from 30 September 2020 but is only required when the revolving credit facility is drawn by 40% or more (net of cash). The covenant requires the Group to maintain adjusted consolidated senior secured leverage below 10x. As the Group had £nil drawn from the facility at 26 December 2020, performance against the covenant is not required.

The Group is also required to comply with certain non-financial covenants in these bank facilities and notes, and these requirements were satisfied throughout the period.

Financial risk management

Note 5.3 to the financial statements provides information in the following areas:

- Liquidity risk – how the Group monitors cash requirements and actively manages surplus cash, together with details of the Group's contractual maturities.
- Interest rate risk – how the Group manages interest rate exposure through a combination of fixed rate debt and interest rate swaps.
- Foreign currency risk – how the Group manages foreign exchange transaction and translation exposures together with details on the carrying value of financial assets and liabilities in foreign currencies.
- Credit risk – how the Group manages risks of customers or counterparties to financial instruments failing to meet their obligations.

The Group's risk assessments have identified liquidity/cash flow risk and foreign exchange translation risk as two of the Group's principal risks. Details of these and whether we believe they are increasing, decreasing, or stable, are set out on page 22.

FINANCIAL AND OPERATING REVIEW

SWIFT AND DECISIVE ACTION

Summary

2020 has been an incredibly challenging year. We have responded to the COVID-19 pandemic by taking a number of swift and decisive actions to adjust how we operate in a challenging and uncertain environment, maintain liquidity, and continue to invest in projects that we believe will support future growth.

Alistair Windybank

Chief Financial Officer

15 April 2021

How we report our results

Financial KPIs and Alternative Performance Measures (APMs) – we adopt certain APMs that in our view help present our trading performance in the most helpful and meaningful way, and that we use consistently each year. These can be summarised as follows:

- We refer to EBITDA as it is a profit measure we use internally to measure the performance of our attractions. It is the KPI that we feel most appropriately captures the ongoing ability of our attractions to generate operating cash flows. Reflecting IFRS 16, this measure does not include the cost of meeting the obligations under our leases, with the exception of performance-based rentals which continue to be reported within EBITDA.
- We refer to operating free cash flow, which is underlying EBITDA less existing estate capital expenditure and which is then available to contribute to capital reinvestment to support further growth, meet the obligations under our leases, service the Group's debt facilities, settle our tax obligations and provide a return to our shareholders. We therefore also refer to operating free cash flow conversion, which calculates operating free cash flow as a percentage of underlying EBITDA, thereby providing insight as to our cash conversion performance.
- We refer to 'underlying' results, which remove the impact of any exceptional items and provide a more direct comparison of trading performance. Details of exceptional items are provided in note 2.2 to the financial statements.

Period under review – in most years we report on a '52 week' period. In certain years an additional week is included to ensure that the reporting date stays in line with the end of December.

Reference to financial statements – further information regarding the Group's segmental analysis; geographical revenues and assets; and certain operating costs are provided in note 2.1 to the financial statements on pages 51 to 53. Those areas requiring significant judgement in the preparation of the financial statements are summarised on page 49.

PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Internal control and risk management

Merlin maintains effective internal control and risk management systems, with the Board sub-committees and executive management keeping them under regular review. These activities are supported by 'The Merlin Way', our corporate values, which we believe should drive good behaviours and actions by all employees.

In 2020, the changing patterns of business activity, and availability of resources, as a result of governmental COVID restrictions, meant it was impractical to always operate these internal control and risk management processes in the normal way. Significant investment was made in ensuring that additional health and safety protocols and controls were put in place at all attractions that remained open to keep all our staff and guests COVID safe; to protect corporate resources; and to remain agile during the various lockdown occurrences.

Where required, we flexed our operational and financial control frameworks to maintain adequate control effectiveness despite the restrictions in place. The Audit Committee and Health, Safety and Security Committee kept the effectiveness of these revised frameworks under regular review.

Should governmental responses to the impact of the virus in the coming months continue to affect the ability of our attractions to operate normally, the Board and the sub-committees will consider the resulting risks and the required responses to ensure that internal control and risk management systems remain effective.

Internal control framework

The creation of an effective internal control framework helps ensure:

- proper financial records are maintained;
- the Group's assets are safeguarded;
- compliance with laws, regulations, policies and procedures including those relating to health and safety matters; and
- effective and efficient operation of business processes.

Merlin's internal control framework is designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The key elements of the internal control framework are described below:

- **Management structure** – clearly defined reporting lines, accountabilities, and authority levels.
- **Strategic planning, risk management and business performance monitoring** – reviewed by the Board annually, with our pipeline for the delivery of new attractions reviewed regularly to:
 - (i) assess whether new compelling experiences and attractions in development are progressing according to schedule.
 - (ii) identify new ideas and assess fit with our brand portfolio; and
 - (iii) assess the expected commercial returns.
 Business objectives and performance measures are set annually together with budgets and forecasts. Regular business performance reviews are conducted at both Operating Group and individual attraction level.
- **Policies and procedures** – a portfolio of policies and procedures is in place for all areas of the business. The appropriateness and application of these is continuously monitored to ensure they are proportionate to the risk and complied with. Assurance comes from several sources that include HSS, financial and operational audit activities and self-certification.

Our key control activities include:

- **Operational** – there are a range of control measures and performance indicators in place to ensure the effective and efficient operation of our attractions and to give our guests safe and memorable visits.
- **Health, safety and security** – all our sites operate using a well-established Safety Management System designed to ensure that they operate in compliance with relevant regulatory and legislative requirements. Regular HSS internal audits are undertaken to confirm this is the case, ensuring that any safety and security matters are understood and dealt with promptly.
- **Information technology** – the Group has a wide range of IT technical, security, and disaster recovery controls to ensure that it has a stable infrastructure platform from which to operate.
- **Financial** – our controls are designed to prevent and detect financial misstatement or fraud and operate at three levels. Oversight controls are typically performed by senior managers at Group and business unit level. Month end and year end procedures are performed as part of our regular financial reporting. Transactional level controls operate on a day-to-day basis. To specifically address potential fraud risks at a transactional level, a group of profit protection professionals are employed to support management in addressing these risks at an attraction level.
- **Business continuity planning** – disaster recovery plans and crisis management protocols are in place to allow attractions to reinstate performance in the event of adverse events.

Risk management framework

The risk management framework sets out responsibilities together with the oversight, monitoring, reporting and management processes that support their fulfilment. The framework looks at both 'top down' and 'bottom up' approaches to risk management whereby the Board retains overall responsibility for risk management, while sites are responsible for identifying, assessing and mitigating operational risks.

Risk oversight and monitoring is the responsibility of the following Committees:

- **Health, Safety and Security (HSS) Committee** – oversight and guidance on management of HSS risks. Responsible for ensuring compliance with legislation or industry standards in safeguarding guests, employees, visitors, and contractors.
- **Audit Committee** – oversight and guidance on financial process risk. Responsible for assessing the effectiveness of the Group's overall approach to risk management and internal control.
- **Commercial and Strategic Risk Management Committee** – oversight and guidance on management of commercial and strategic risk. Responsible for the treatment of animals in our care.

Each Committee reviews on a regular basis the principal risks and considers whether material changes in the external landscape or recent trading trends require alternative approaches to monitoring and managing risk. Committee members regularly receive deep dive updates on topics related to significant risks as well as regular reporting from internal and external assurance providers.

PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Risk appetite

The Group's risk appetite falls into two distinct categories:

- **Compliance risk** – the requirement to comply with legislative or regulatory requirements in all territories where the Group operates. It includes, but is not limited to, ride safety, accounting practices, fraud and bribery, as well as ensuring compliance with the Group's values and ethical principles. In these areas we are risk averse and do not countenance any breaches in compliance obligations.
- **Commercial risk** – commercial risks are taken to maximise profitable growth and sustainable returns, without compromising the health, safety and security of guests, employees, contractors, animals or other visitors. They must be aligned with the Group's policies on sustainability and the environment. The Group manages these commercial risks through an appropriate analysis of threats and opportunities together with structured review processes, independent expert opinions and decision making authority levels. Factors such as the scale of possible commercial upside, the potential market size, the quantum of downside risk and timescales involved may all be relevant to commercial risk decisions.

Quantitative and qualitative measures ensure effective governance of the Group's risk appetite. Quantitative measures include defined financial and non-financial targets such as EBITDA, operating profit, and customer satisfaction scores. Qualitative measures consider items such as reputational impact and compliance with laws and regulations.

Brexit

While we are headquartered in the UK, many of our trading activities are in other countries and Merlin's business model does not require a significant level of cross border trading. As such, our ability to provide services to our customers in the countries in which we operate, inside or outside the EU, remains largely unaffected by Brexit.

Ahead of the conclusion of the Brexit negotiations, we acted to minimise risks in the areas that could affect the Group's operations. The actions taken looked to mitigate risks relating to:

- **Structural issues** requiring bilateral or multilateral governmental agreement on taxation, trade tariffs and restrictions on workforce migration of potential employees; and
- **Transitory issues** arising from administrative, process or market changes, which will unwind in the short term (for example delays in the movement, or restrictions on the actual availability, of goods and products).

We continue to keep the consequences of the UK exit from the EU under review in relation to the social and economic impacts it may have on our guests travelling to the countries in which we operate and will act to address significant future risks if they emerge.

Effectiveness of risk management and internal control systems

Based on its review of risk management systems, both throughout the year and annually, the Board is satisfied that the risk management and internal control systems that were in place during 2020 were effective and confirms that:

- there is an ongoing process for identifying, assessing, managing and monitoring the Group's principal risks;
- management's assessment of the principal risks is appropriate and those risks that have the potential to impact liquidity have been considered;
- the principal risks and internal control processes have been in place and considered by management and the Board throughout the year and up to the date of approval of the Annual Report and Accounts; and
- no significant failings or weaknesses in internal control processes have been identified.

Plans for 2021

In 2021 we plan to simplify the risk management processes with focus applied to the most significant issues. We will continue the existing focus on standardising and automating transactional activities, to improve the consistency of business processes and strengthen the internal control framework.

PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Risk factors**COVID-19 impacts**

Merlin has adapted its operating model to help protect guests and staff whilst at the same time re-shaping the overall customer experience through revised operating procedures and the use of personal protective equipment (PPE). Where roles permitted, we supported our staff in working remotely so they could perform their roles in a safe, effective, and efficient way.

COVID-19 has had a significant impact on all location based entertainment businesses. We responded quickly to protect the business as the pandemic unfolded by ensuring there was enough liquidity and obtaining all available government support in the countries in which we operate. Global vaccination programmes offer cause for optimism but we continue to be watchful and agile in our approach, reflecting the evolving nature of the virus and the variety of possible responses by authorities in the event of further outbreaks.

Specific COVID-related risk factors and Merlin's response are set out below. The assessment of each continuing principal risk is set out on pages 20 to 22. After careful consideration, the Board concluded that these ongoing principal risk categories would be retained as they accurately describe the risks that could impact the longer term outlook for the business.

COVID-19 risk factor	Merlin response
1. Without appropriate safety protocols and adherence to social distancing guidelines, there is a risk of COVID-19 transmission at our attractions.	<ul style="list-style-type: none"> The implementation of strong health and safety protocols to ensure a 'COVID-secure' environment for guests and staff, with active management and monitoring by dedicated teams to encourage guest adherence. Ensuring sufficient PPE was available and used appropriately.
2. The COVID-19 pandemic has significantly impacted trading and for part of the year required the closure of substantially all our attractions. This caused reduced or negative operating cash flows, resulting in lower liquidity.	<ul style="list-style-type: none"> The geographic spread of our attractions provided an element of mitigation. Early and decisive action to minimise non-essential expenditure, negotiate payment holidays and deferrals, obtain government support and delay or cancel capital projects has supported cash flow and maximized available liquidity during the periods of mandated closure. We have made significant changes to how we operate our attractions and the business more broadly to reduce both fixed and variable costs. These changes have maximised the financial contribution made where attractions have been permitted to open, in an environment of social distancing restrictions and reduced demand.
3. Operating visitor attractions under social distancing and COVID-related restrictions could negatively impact the guest experience.	<ul style="list-style-type: none"> Attraction staff worked tirelessly to meet exacting health, safety and security standards and to help guests understand how to safely enjoy their visit whilst reminding them of their role in ensuring the overall safety of all guests and staff.
4. Many office based employees were asked to work from home, increasing demands on security for IT systems and data.	<ul style="list-style-type: none"> Acceleration in roll out of user applications with greater security features, whilst at the same time infrastructure changes were made to help manage cyber security risks.




PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Principal risks






Management has identified Merlin's principal risks as set out below. The gross risk trend reflects the exposure before mitigation and is used to compare to the previous year as to whether significant risks are stable, increasing or decreasing and take no account of the impact of COVID-19 on the underlying risk.

 Increasing risk
  Decreasing risk
  Stable

Risk	Description	How risks are managed
1. Safety 	Serious incidents leading to guests, staff members or contractors being harmed or becoming ill because of: <ul style="list-style-type: none"> a failure to follow health and safety management systems. inadequate maintenance and management of buildings, infrastructure and vegetation; or substandard build quality, asset degradation, fire, flood, storm or utility failure. 	<ul style="list-style-type: none"> Regular performance reviews by Board Committee with a specific mandate for this area. Ownership of HSS risks by line management. Competent operational and engineering staff monitor and inspect facilities in accordance with a planned programme, backed up by professional HSS teams. Annual risk register review and action planning processes. Regular internal and independent external auditing and review regimes. Contractor selection, approval and monitoring by in-house qualified project managers.
2. Security 	Reduction in guest confidence to visit the Group's attractions because of sabotage or a terrorist attack on a ride or attraction leading to a guest or staff member or animal in our care being harmed.	<ul style="list-style-type: none"> Detailed security protocols before individuals access an attraction (e.g. bag searches). Regular infrastructure reviews to reduce the opportunity for physical threats to guests, staff or animals. Extensive use of CCTV. Regularly tested major incident management plans. Current events vigilantly monitored to identify emerging risks. Co-operation with local and national security forces. Appropriate insurance cover. Board Committee established with specific mandate for this risk area.
3. Commercial impact of external threats to location based entertainment operations 	<ul style="list-style-type: none"> Personal health and security concerns that flow from terrorist activity, public health pandemics or climate change events, resulting in falling visitation to a location in which the Group operates, with displacement of both international and domestic tourists. In extremis, such events may lead to governmental or other regulatory instructions to close our attractions, including over multiple geographies. Exchange rate volatility can have a positive or adverse impact on inbound tourism. If exchange rates work against a country in which the Group generates significant revenue, this can adversely impact visitation. 	<ul style="list-style-type: none"> Increased geographical hedging as a result of further global diversification. Ability to reduce variable expenditure, for example in staffing, property and marketing costs. Ability to defer non-essential capital expenditure. Crisis management procedures for each attraction that set out the appropriate response. Ability to direct marketing and promotional activity towards domestic or international audiences depending on tourism trends. Ability to promote access to a wide portfolio of attractions using annual pass or cluster ticketing.





PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Risk	Description	How risks are managed
4. Innovation, brand development and customer satisfaction 	Our growth potential could be impacted if guests: <ul style="list-style-type: none"> consider our offerings are outdated, no longer relevant or enjoyable; or provide negative social media comments that adversely influence the likelihood of a customer to visit an attraction. 	<ul style="list-style-type: none"> Customer feedback collected at every location and analysed against challenging satisfaction targets. Actions then taken accordingly. Ongoing investment in our attractions to continually refresh the customer experience. Engagement with the public and on social media to take any requisite action.
5. People availability and expertise 	The challenge of attracting and retaining appropriately experienced and well-motivated customer service orientated staff, especially in locations with significant upwards wage pressures. This could impact: <ul style="list-style-type: none"> guest satisfaction; or the successful delivery of planned future expansion. 	<ul style="list-style-type: none"> Driving greater productivity to ensure more motivated, better rewarded employees. Personal development plans across the business to encourage long term employment stability. Proactively managed succession planning processes embedded across the Group. Annual employee survey to monitor employee engagement and identify opportunities to develop HR policies and processes.
6. Competition and Intellectual Property (IP) 	<ul style="list-style-type: none"> Competition – for leisure time; from new or existing providers of location based entertainment; and for IP around which compelling propositions are created. Withdrawal of permission to use third party IP content where contractual obligations are not met or partner relationships are not managed effectively. 	<ul style="list-style-type: none"> Diversification of the portfolio. Ongoing investment to ensure continued appeal to visitors. Competitor research and monitoring. Dedicated in-house creative team to deliver new and innovative compelling propositions and IP. Proactive management of IP partnerships.
7. Availability and delivery of new sites and attractions 	The ability of the Group to grow in line with strategic objectives could be inhibited by the lack of: <ul style="list-style-type: none"> economically viable sites to locate Midway attractions and LEGOLAND parks; and timely approval of planning consent required for building new rides, attractions and accommodation. 	<ul style="list-style-type: none"> Experienced site search and business development teams, working several years in advance to maintain a strong pipeline of opportunities. Sites regularly update development masterplans and work closely on fostering links with local communities and planning authorities. Dedicated resources used to support the Group's roll out strategy.
8. Animal welfare 	Incidents or staff behaviours leading to animals in our care being harmed as a result of: <ul style="list-style-type: none"> a failure to follow prescribed welfare protocols; or inadequate maintenance and management of buildings, infrastructure and vegetation. 	<ul style="list-style-type: none"> External zoo licence audits. An internal ethics committee and the SEA LIFE Conservation, Welfare and Engagement team monitor the treatment of animals. A comprehensive range of policies, standards, procedures and guidelines. Training programmes for all staff who interact with animals. Planned preventative maintenance programmes to ensure buildings, infrastructure and vegetation remain suitable for displaying the animals in our care.

PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Risk	Description	How risks are managed
9. IT robustness, technological developments and cyber security 	<p>The Group operates various IT systems and applications, the obsolescence or failure of which could impede trading or the ability to operate an attraction.</p> <p>Without the technical developments necessary to meet consumer or business expectations, the Group may fail to deliver the growth required by the business strategy.</p> <p>Failure to put in place adequate preventative measures, if attacked, could lead to data loss or inability to use the IT systems for a prolonged period or loss of personal data resulting in a GDPR compliance investigation.</p>	<ul style="list-style-type: none"> Strategic focus to ensure the long term stability of operating systems and data security, whilst keeping pace with changing consumer IT expectations. Increasing resilience and stability of IT infrastructure and security through an expanded use of secured hosting partners and penetration testing regimes. Further security measures to mitigate the increasing threat of cyber security risk. A number of data protection policies are in place to protect the privacy rights of individuals in accordance with relevant data protection legislation. Independent assessment of compliance arrangements.
10. Anti-bribery and corruption 	<p>While Merlin's business model is lower risk as the majority of transactions are of low value and typically from individual customers, a number of the territories in which Merlin is operating or considering entering have a greater historic propensity for incidents of bribery and corruption.</p> <p>Any such incident could lead to criminal or civil prosecution, fines and cause reputational damage to the Group.</p>	<ul style="list-style-type: none"> A well-embedded corporate culture in which fraud and bribery at any level are not tolerated. Global fraud and bribery training programmes and a fraud policy sign-off for all staff. Effective financial and contractual controls with regard to procurement activities. Internal audit monitors purchasing processes on a rotational basis. A separate profit protection team monitors for theft or other criminal activity across the Group and ensures best practice for protection is shared between sites. A whistleblowing policy is in place together with an independently operated employee hotline.
11. Liquidity/cash flow risk 	<p>A lack of liquidity could inhibit the ability of the Group to grow in line with the strategic objectives if:</p> <ul style="list-style-type: none"> insufficient cash is generated during peak trading periods to cover fixed costs, interest and tax payments and capital investments (including strategic acquisitions, the roll out of Midway attractions, the development of new LEGOLAND parks and new accommodation offerings); and changes in the global credit market impact the Group's long term ability to meet current growth targets. <p>In extremis, adverse events may lead to a requirement to seek extra sources of liquidity.</p>	<ul style="list-style-type: none"> A committed £400 million multi-currency revolving credit facility assists with liquidity and seasonal cash flow requirements. Review of weekly cash flow forecasts covering a period of 12 weeks assists planning for short term liquidity. Strategic plans cover at least four future years and are reviewed regularly to ensure sufficient financial headroom exists or whether it needs to be created in the future. We also monitor the impact of the plans on the covenant tests set out in the Group's banking facilities. Merlin maintains strong relationships with a number of lenders and keeps the debt markets under review in order to ensure that funding can be obtained at the right time and at the right price to ensure the availability of funds to meet strategic growth plans.
12. Foreign exchange translation risk 	<p>Merlin generates its main profits in Sterling, Euros and US Dollars and has debt in Euros and US Dollars.</p> <p>Merlin reports its results in Sterling and is therefore subject to translation risk from exchange rate fluctuations when reporting its consolidated results.</p>	<ul style="list-style-type: none"> The Group presents constant currency figures where appropriate to show underlying results excluding the impact of translation differences. Treasury policies in place and reviewed annually with regular reviews of currency exposures. Broad match of borrowings in the currencies of underlying profits. Currency exposures hedged where appropriate.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

Our approach

Merlin's commitment and strong social conscience drives our approach to business responsibility and 'being a force for good'. This is reflected in how we treat, and care about, our visitors, our people, our suppliers, our planet, the animals we look after and the communities in which we operate. We have robust governance standards and practices that extend throughout the business.

We set out our approach below, including in respect of the five specific areas required under the non-financial reporting requirements set out in the Companies Act. Further information can also be found on Merlin's website and the websites of our partner charities.

Employees

Employee engagement

We are proud of our global team of employees who are the driving force behind our purpose – delivering memorable experiences for our guests. Now more than ever, employee engagement continues to be one of the key elements of our business model.

'The Merlin Way' is the set of values which embody everything we do, and which provide the basis for our goals and objectives. We advocate 'The Merlin Way' through many of our global engagement activities such as our STAR peer-to-peer recognition programme and via our staff wellbeing programme, with a focus during the COVID-19 pandemic on mental health and the available resources and support for our global teams. In 2020 we continued with 'Your Voice Counts' (YVC) forums at our attractions and central locations, albeit remotely for the majority of the year, to discuss matters which affect employees' immediate working environments and to agree changes.

With the necessary changes in working practices over 2020 we have reviewed the ways in which we communicate with our employees and how they feed back to us. The latest attraction news, company updates from the Executive Committee and key business information was made more easily accessible via the relaunched 'MyMerlin' intranet. We also launched a fortnightly company digital newsletter 'The Wizard's News', emailed to our employees and available via SharePoint and on mobile via the SharePoint app. These two new platforms provide access to engaging digital content including the latest reassuring health and safety information, video updates from senior leaders, podcasts and celebratory content from our attractions as they support local food banks and testing initiatives, to help ensure our global teams continue to feel engaged and connected with the business.

In 2020, as a result of COVID-19 related closures, many of our staff were on furlough and therefore we did not run our annual employee engagement survey. In 2021 we look forward to updated engagement and feedback tools being launched. We intend to relaunch the employee survey through a digital platform allowing instant feedback, personalisation and proactive points of action for each individual.

Recruitment, training and development

Merlin runs a range of training and development activity across all parts of the business. This ranges from induction training and role specific learning (for example in health and safety, and animal welfare), through a range of management and leadership programmes, and on to executive leadership development. Our Merlin Careers website shows available roles across the business globally as well as providing information on the apprenticeships we offer in areas such as hospitality, engineering, management, and marketing. In 2020 we responded to the COVID-19 pandemic by creating even more online content and self-led learning modules so that our teams could continue to access learning opportunities remotely and whilst on furlough.

Diversity and inclusivity

We are proud of the inclusive environment we create for all the people who work at Merlin and focus significant effort in driving a culture of accountability and fairness. It's part of who we are, and we adopt several approaches to attract and retain a diverse talent base, representative of the communities in which we operate.

In 2020 we undertook a detailed diversity and inclusion survey. From the results we have identified three key focus areas for 2021: gender equality, ethnic diversity and 'inclusion for all'. We have established four regional taskforces lead by business leaders and each sponsored by an Executive Committee member. Each taskforce is responsible for developing a regional plan to support our global diversity and inclusion goals.

We make no differentiation between able bodied persons and persons with disability in terms of recruitment, training, and career progression, and will make every effort to continue the employment and training of those persons who become disabled while employed by the Group.

At December 2020, two of our seven Directors were female, and one of our eight Executive Committee members was female. Of our senior management positions (being attraction General Managers up to and including the Executive Committee) 134 (38%) are female and 217 (62%) are male. This is consistent with 2019. The percentage of female permanent employees is 50% (2019: 51%) totalling 4,010 (2019: 4,815). The overall number has reduced as a result of changes made to our organisational structures in attractions and support functions, primarily in response to the COVID-19 pandemic but the even split of male versus female employees has been maintained.

We are actively encouraging and promoting more females into senior roles. Where possible, we encourage greater female participation in occupations such as engineering where there are proportionally fewer female employees, and host a number of initiatives to educate and inspire career progression within Merlin among female staff.

Gender pay gap

Merlin continues to produce a gender pay gap report for UK employees under the UK gender pay gap reporting rules which identify differences in pay between men and women.

For the latest available reporting period to 5 April 2020, Merlin's mean gender pay gap (calculated as the difference between the average hourly pay of men and women as a percentage of the average hourly pay of men) was 4.7% (2019: 12.9%). The median gender pay gap (the difference between the hourly pay of an employee in the middle of the range of male wages and an employee in the middle of the range of female wages), was 3.5% (2019: 2.4%). The figures differed from the prior year due to the majority of our employees being on furlough at reduced pay at the reporting date and therefore considered non-relevant full pay employees for the purpose of the pay calculations. The key reasons behind our gender pay gap continue to be lower numbers of female representation in senior, higher paid roles; relatively large populations of employees in traditionally male-dominated roles (for example, engineering staff and electricians); and a large proportion of females taking up roles with greater flexibility in working hours.

Risk management

For details of how we manage the risks of people availability and their expertise, see page 21.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

Health, safety and security

Merlin is dedicated to delivering best in class health, safety and security (HSS) standards that are clearly understood and implemented across the Group and ensure the safety and wellbeing of our guests, employees and contractors. To support this mission, Merlin sets out its core HSS strategic initiatives and how these must direct and focus all efforts in a manner that is both systematic and progressive. To help communicate these to our key internal and external stakeholders, Merlin publishes an informative brochure called 'Protecting the Magic – a Guide to Health, Safety and Security at Merlin Entertainments'. This document is available via our corporate website and our dedicated HSS 'Protectingthemagic.com' website. Additional HSS news items and features are also published throughout the year on Merlin's 'Backstage' website.

COVID-19

In 2020 the world was significantly impacted by the emergence and rapid spread of the COVID-19 pandemic. No country, or aspect of society within, was left untouched by the devastating health and economic effects of this new coronavirus. National governments and business leaders alike have had to battle the full consequences of this disease and take decisive action to safeguard public health and corporate operations. The global service sector in particular, including hospitality and leisure businesses, have been severely impacted by the pandemic and the associated response policies from governments, most notably their imposition of societal and economic restrictions.

From an early stage, Merlin responded proactively and comprehensively to this new threat, in order to protect both guest and employee safety. We have developed and implemented robust COVID-19 safety protocols and procedures, which have been enacted through comprehensive training and communications. Regular and positive liaisons with health authorities, enforcement authorities and sector associations have helped to ensure we remain fully connected and able to share, or learn about, best practice safety standards.

In numerous territories we have helped government agencies to develop sector specific COVID-19 guidance. We are therefore proud of the fact that we safely welcomed over 22 million guests to our attractions in 2020 - to the best of our knowledge no on-site COVID-19 transmission cases were reported for any guests that visited.

Strategic HSS initiatives

The following strategic initiatives form the cornerstones to Merlin's *Protecting the Magic* programme:

- **Leadership and engagement** – requiring our leaders to exhibit visible, proactive and unwavering leadership towards HSS, supported by our people who are fully engaged with this shared responsibility. An example is 'safety leadership walks' which are on-site walks, both in visitor areas and 'back of house', by senior leaders in the business where dedicated time is spent talking with staff about HSS matters and understanding what more can be done.
 - **Competency and culture** – fostering a positive and proactive safety culture, with competent and talented people focused on the effective management of HSS risks. Rigorous training and instruction are fundamental to Merlin's approach to HSS across the business, with mandatory new starter training for all employees and safety leadership training for managers.
 - **Assessment and control of risk** – identifying, understanding and controlling HSS risks effectively. For example, in fire safety, fire engineering surveys of our hotels have helped ensure that we continue to uphold the highest physical and procedural controls at all of our hotels. With regard to food safety we adopt the best practice system of Hazard Analysis and Critical Control Points (HACCP). We ensure traceability and assurance over food produce sources and support our guests in their choice of products based on their specific dietary and allergy requirements.
 - **Standards and procedures** – developing and rigorously implementing clear and suitable standards and procedures for safe design, construction, maintenance and operation of assets and equipment.
 - **Assets and equipment** – managing our assets and equipment to ensure they are fit for purpose throughout their life-cycle and that no unacceptable or uncontrolled HSS risk is created. Maintenance systems and procedures comprise daily, weekly, monthly and annual maintenance programmes across Merlin's rides, buildings, facilities and estates.
 - **Monitoring and assurance** – assessing and critically reviewing our performance, in a balanced and objective manner, to understand, improve and sustain our HSS performance. HSS performance, including near-miss and incident reporting, is regularly reviewed by each attraction, each Operating Group's senior leadership team and the HSS Committee, with best practice learning shared throughout the HSS management community. All attractions undergo three types of routine health and safety reviews (annual self-audits, independent internal audits and periodic independent external audits), in addition to pre-opening assessments and tactical ad-hoc audits. A comprehensive food safety audit programme is also undertaken by third party specialists.
- This process includes the use of two types of performance metric, being:
- (i) **Leading indicators** – which monitor the activities we undertake as part of our HSS governance and monitoring processes. Our approach includes arrangements by attractions for near-miss/unsafe condition reporting, trend analysis and corrective action management. Due to the impact of cross-border travel restrictions brought on by the COVID-19 pandemic, as well as extensive attraction temporary closures, on-site food safety audits were not able to take place in 2020. Furthermore, because no employee survey took place in the year, the safety culture reporting normally incorporated in that process was not captured.
 - (ii) **Lagging indicators** – which capture incident rates for both guests and employees.
- Please see overleaf for the results of our monitoring and assurance activities. The 2019 reporting covers a full year for the Merlin Group, to provide a more meaningful comparison.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

Leading indicators	2020	2019
Safety Inspection Certificates – Rides ⁽¹⁾	100%	100%
Safe Operating Procedures – Rides ⁽²⁾	100%	100%
Food Safety Audits ⁽³⁾	N/A	89%
Safety Culture Survey Results ⁽⁴⁾	N/A	93%
HSS Committee Meetings ⁽⁵⁾	100%	100%
Lagging indicators		
Medical Treatment Case Rate (Guests) ⁽⁶⁾	0.02	0.02
Medical Treatment Case Rate (Employees) ⁽⁶⁾	0.04	0.06

- (1) Safety Inspection Certificates are issued annually by independent ride examiners following the thorough inspection and testing of every theme park ride in Merlin. This % score indicates the percentage of rides that have a valid annual Safety Inspection Certificate issued, or a formal extension granted to such annual Inspection Certificate due to the impact of cross-border travel restrictions brought on by the COVID-19 pandemic.
- (2) Each theme park ride in operation in Merlin must have Safe Operating Procedures in place covering the ongoing use of the ride. These procedures must state what the necessary risk controls are for each ride. This % score indicates the percentage of rides that have Safe Operating Procedures in place.
- (3) Merlin commissions an independent specialist to audit attractions for compliance with its Food Safety Manual. This % score represents the average compliance score. Where opportunities for improvement to local practices are identified, these are discussed with local management and plans implemented to address them.
- (4) Merlin's annual 'The Wizard Wants to Know' employee survey features a series of questions relating to health and safety and this % score represents the overall safety engagement score.
- (5) Through the HSS Committee the Board provides strategic direction and performance scrutiny of HSS matters within the business. Additionally, each Operating Group has its own HSS Steering Committee. These forums are intended to meet quarterly and this % score indicates compliance with this expectation.
- (6) A Medical Treatment Case (MTC) is defined as an injury which requires external medical treatment (i.e. ambulance attendance to the site or hospital visit directly from the site). The rates referenced are the number of MTCs relative to either 10,000 guest visitations or 10,000 employee hours worked.

Environmental matters

We recognise that our operations impact upon the environment and that effective management, in line with our strategic business goals, is essential for sustainable business success. We are committed to minimising the potentially harmful effects of such activity.

The Executive Committee is responsible for setting strategy, policy, principles, and guidance with ultimate responsibility for our sustainability strategy resting with the Chief Executive Officer, ensuring that strategic policy is implemented and that our sites' sustainability objectives align to our corporate sustainability objectives. We participate in the UK Energy Savings Opportunity Scheme and other applicable environmental regulations globally. Specific budgets are made available each year to test and implement environmentally focused initiatives.

Each attraction has a sustainability champion or manager who is responsible for the delivery of our sustainability objectives at a local level. More details can be found on the policies and reports section of our website where our environmental policy is published.

Climate change

The Group has identified the following issues related to climate change, which are set out below together with Merlin's approach in the relevant area.

- Energy use – the risk that using fossil fuel energy contributes to climate change. Merlin is investing in on-site zero to low carbon technologies such as solar photovoltaic.
- Energy price – the risk of fluctuation in the global energy price. Merlin is investing in energy efficient systems like LED lighting to reduce the amount of energy we use.
- Weather – the risk of distortion in weather patterns. Merlin operates a balance of outdoor theme park resorts and Midway attractions which are generally indoors.
- Waste, recycling, and the use of landfill – Merlin is diverting waste from landfill where possible through recycling and generating energy from waste. For example, our four largest UK theme parks recycle and recover all their waste for energy generation.

Commitment to plastics reduction

Merlin is committed to being an environmentally responsible business and has been a long term advocate for reducing plastic pollution. We have already made great strides in our retail stores by removing unnecessary packaging and plastic on all our branded merchandise. Additionally, in our SEA LIFE attractions we have switched 75% of plastic contained within our retail products to a type that is recyclable, and we banned all plastic straws and retail plastic bags by the end of 2018. Other initiatives already undertaken include the removal of plastic water bottles from all our offices, replacing them with water coolers or similar refreshment devices.

We promote marine conservation through our SEA LIFE brand, educating guests on the dangers of plastic pollution in our oceans and actively contributing to raising of awareness through our partner charity, the SEA LIFE Trust. Merlin's 46 SEA LIFE Centres across the world have joined forces with over 200 other aquariums, oceanographic museums and zoos to form a global coalition all pledging to raise public awareness about plastic pollution with the #BeatPlasticsPollution campaign.

We will continue to work with our global supply chain to remove unnecessary plastic packaging from our shops; we will provide opportunities for all our staff and guests to become involved at our attractions as well as helping them consider behaviour change in their everyday lives, and; we will support the SEA LIFE Trust in campaigning for greater protection over our marine environment and its creatures.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

Streamlined energy and carbon reporting

We set out in the table below our report on Merlin's carbon dioxide emissions and energy usage. We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the Greenhouse Gas Protocol – Corporate Standard and have used emissions factors from IEA CO₂ Emissions from Fuel Combustion 2020 edition for electricity by countries and the 2020 UK Government's Conversion Factors for other carbon activities.

Our carbon reporting period for 2020 is from September 2019 to August 2020. In 2020 our reported carbon intensity ratio that measures the usage of CO₂ equivalent (CO₂e) as compared to revenue increased significantly; there is a significant element of our energy usage that does not flex with visitor volumes and in our SEA LIFE Centres for example, life support systems for the animals in our care continue to run regardless of whether the attraction is open.

In the period covered by the report, Merlin launched a series of energy efficiency initiatives. However, due to the disruption caused by COVID-19, we were only able to complete ventilator and air conditioning optimisation projects at LEGOLAND Japan and LEGOLAND Billund which are expected to save 339,000 kWh annually, and the installation of solar arrays at Chessington World of Adventures expected to generate approximately 44,000 kWh each year.

In this period, we purchased 46,313 MWh of renewable energy attributes through our energy procurement contract. The attributes are backed by Renewable Energy Guarantees of Origin (REGOs).

	2020		2019	
	UK	Global (excluding UK)	UK	Global (excluding UK)
Energy consumption used to calculate emissions (MWh)	84,707	217,316	118,266	251,142
Emissions from combustion of natural gas, oil and LPG in tCO ₂ e (Scope 1)	4,627	6,125	6,936	7,827
Emissions from combustion of fuel for transport purposes in tCO ₂ e (Scope 1)	423	945	480	1,157
Emissions from use of CO ₂ for food and beverage purposes in tCO ₂ e (Scope 1)	17	38	28	77
Refrigerant emissions from refrigeration systems in tCO ₂ e (Scope 1)	748	3,290	716	3,434
Emissions from purchased electricity and district heating (Scope 2, location-based)	12,837	70,771	18,778	83,144
Emissions after applying purchased green emissions in tCO ₂ e (Scope 2, market-based)	1,168	70,771	4,041	83,144
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel in tCO ₂ e (Scope 3)	11	Not reported	Not reported	Not reported
Total gross in tCO₂e	6,994	81,169	12,201	95,639
Group total in tCO₂e	88,163		107,840	
Group revenue (£m)	629		1,740	
Intensity ratio: Group gross in tCO₂e £1 million revenue	140		62	

Table notes:

- Scope 1 refers to direct emissions (natural gas, LPG, heating oil, refrigerants, diesel, petrol).
- Scope 2 refers to indirect emissions (purchased electricity, purchased heat and steam).
- Scope 2 market based include REGOs for our UK operations.
- We recalculated and republished our 2019 base year due to a change in our reporting period from December 2018 - November 2019 to September 2018 - August 2019.
- The 2019 base year reporting covers a full year for the Merlin Group, to provide a more meaningful comparison.
- Our annual carbon reduction target is measured based on market-based emissions.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

Social matters

Our strong social conscience informs how the Group operates, including with regard to both the people and creatures connected to our business. This is exemplified by areas such as our ethical animal husbandry activities, our work with children faced with the challenges of serious illness, disability and adversity, and how we approach visitor accessibility.

Animal conservation and welfare

We operate to world class welfare standards through our animal care network and support the work of our pioneering marine conservation charity partner, the SEA LIFE Trust, in its mission to protect marine life and habitats across the world. Our global SEA LIFE teams continue to deliver world class animal welfare throughout our animal care network, as well as developing new and exciting guest experiences which will inspire future generations to care for our oceans and all marine life.

Whilst the doors of our attractions may have been closed for much of 2020 this did not prevent our world class conservation and welfare activities continuing. Teams across our welfare sites worked through various lockdowns to ensure high standards of care were maintained and continued to drive engagement with our guests. Hundreds of social-media films and live feeds reached millions across the globe including live Q&A's, feeding times and a range of educational home-schooling activities.

Merlin's strong welfare and conservation work also continued throughout 2020, with over 70 grey and harbour seals rescued across the SEA LIFE and SEA LIFE Trust seal rescue facilities in northern Europe and the UK, and over 50 turtles and one Australian sand tiger shark rescued in Australia. The team at SEA LIFE Sydney Aquarium also launched the world's first Seahorse Hotel, part of an important breeding and recovery project in collaboration with the NSW Department of Primary Industries (DPI) Fisheries and the University of Technology Sydney.

A real 'world first' was also seen in August 2020 when the SEA LIFE Trust and Merlin's long held vision came to life as beluga whales Little White and Little Grey moved into their new home in Klettsvik Bay, Iceland; site to the world's first Beluga Whale Sanctuary. We were delighted to have a documentary crew following this monumental moment and the documentary, fronted by UK celebrity John Bishop, aired on ITV in the UK in October 2020. It will be aired in other countries across the world in 2021. In early 2021 John and Melanie Bishop became the Trust's first ever patrons.

We support additional animal welfare initiatives that are not connected to the marine environment. Chessington World of Adventures Resort in the UK and WILD LIFE Sydney Zoo in Australia both maintained their long-standing commitment to animal breeding or managed species programmes.

For details of how we manage the risks regarding animal welfare, see page 21.

Merlin's Magic Wand

Our dedicated children's charity partner, Merlin's Magic Wand (MMW), is now in its 13th year of operation. Although various challenges were presented as a result of the global pandemic in 2020, the charity was still able to deliver 21,560 Magical Days Out tickets to children and their families, who are facing challenges of serious illness, disability and adversity. We also completed the 50th Merlin's Magic Spaces project, ready for launch in 2021, in Goshen, New York, near to the new LEGOLAND New York resort. The charity also worked with our attraction teams to reach over 5,300 children virtually through the Magic on Tour programme.

In 2021, the charity aims to deliver on the remaining Magical Days Out visits, Magic Spaces project commitments, and virtual Magic on Tour offerings that it committed to in 2020, as well as 'building back better' so that more of our beneficiaries and charity partners can look forward to a year full of magic in 2021.

Accessibility

We remain focused on ensuring guests with disabilities can access the magic of Merlin, including making necessary reasonable adjustments to our facilities for guests with different requirements. We understand our obligations and we care about continuously improving accessibility. In 2020 we were proud to 'light up purple' on 3 December at our attractions across the world to celebrate International Day of Persons with Disabilities, and Heide Park Resort were delighted to be the first theme park in Germany to open a Changing Places facility.

We also kept our disabled guests in mind as we adapted to navigate the requirements for social distancing and face coverings, ensuring guidance was established to continue to provide suitable adjustments.

To support the ongoing commitment to accessibility and to drive systematic improvements across our business we have established a steering group led by an Executive Committee member and continue to work alongside experts in the field including the UK's 'Business Disability Forum' and 'Valuable500' to inform developments.

Other areas

Anti-corruption and anti-bribery matters

Merlin's approach regarding the management of anti-bribery and corruption risks is set out on page 22. Merlin has a zero tolerance approach in this area, with regular reports on whistleblowing being provided to the Audit Committee.

Ethical sourcing

We have a responsibility to the workers in our supply chain and seek to ensure our products are made in an appropriate environment and the products we source are produced in accordance with international laws and legislation. More details on this area are available on our website.

Human rights

Merlin has implemented a Human Rights Policy, guided by the International Labour Organisation Declaration on Fundamental Principles and Rights at Work together with the OECD Guidelines for Multinational Enterprises.

Further details and Merlin's Modern Slavery and Human Trafficking Statement can be found on Merlin's website.

GOVERNANCE

CORPORATE
GOVERNANCE**Overview**

The Board continues to believe that effective corporate governance is the foundation of a well-run company and is committed to maintaining the highest standards of governance throughout the Group. The Board recognises that a strong governance framework is fundamental to the execution of Merlin's strategic objectives, underpinned by a clear purpose and well understood culture and values. Merlin's overriding purpose is to create truly memorable experiences for visitors and long term value for our investors. Our corporate governance framework has been designed to safeguard these. The Board is committed to ensuring that the procedures, policies and practices of the business continue to be effective.

As noted on page 7 the investor consortium work together under a shareholder investor agreement in accordance with the principles set out at the time of the transaction.

2020 priorities

During 2020 the main areas of focus for the Board was to oversee Merlin's response to the COVID-19 pandemic. This required constant dialogue between Board members and with executive management, together with an increase in the frequency of Board meetings from the eight required by the shareholder investor agreement to holding fortnightly meetings throughout the summer period.

When the pandemic started to take hold and attractions were closed, these discussions focused on ensuring the Group had sufficient liquidity, including the raising of new debt in the form of new senior notes, and reviewing the Company's actions to manage costs and liquidity. The Board oversaw the reopening of attractions following lockdown periods, including new protocols that ensured the safety of guests and staff. They approved restructuring programmes that re-engineered how the business operates in an environment of social distancing, and projects to reduce the ongoing fixed cost base of the business. They monitored the trading performance of attractions and towards the end of the year the Board reviewed and approved the Company's medium term strategic plan. This included considering the wider macro risks as to how the Company anticipates further recovery from the COVID-19 pandemic, for example from the risk of future virus variants or the impact of potentially slower vaccine roll outs.

Corporate governance framework

Merlin Entertainments plc applied the provisions of the UK Corporate Governance Code up to the date of delisting from the London Stock Exchange in late 2019. Following that delisting and the acquisition of the Merlin Group, the Board concluded the appropriate approach to corporate governance should be to adopt the Wates Corporate Governance Principles for Large Private Companies, which in many respects follow similar principles to the Code. Merlin's approach to and standard of governance therefore remains essentially unchanged.

During 2021, the Board will continue to maintain the strong corporate governance environment with particular focus around stakeholder engagement, diversity and inclusion, and remuneration. The Wates Principles and details of how the Group approaches them are set out below.

Principle One – Purpose and Leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

Since 1999, Merlin's strategy has been to create a high growth, high return family entertainment company. The business is based on strong brands and a global portfolio which is naturally balanced against the impact of external factors. This strategy is aligned with our purpose of delivering memorable experiences to our millions of visitors and our vision of being the global leader in location based entertainment.

The Board continues to review and challenge Merlin's strategy, performance, responsibility, and accountability so that every decision made is of the highest quality, and in line with the Company's culture, as set out in 'The Merlin Way' values which are embedded throughout the business from day-to-day management to Board reviews. The business model and the growth drivers of the Group are outlined in pages 6 to 9.

Whilst the Board holds overall responsibility for developing and promoting the purpose of the Group, the Executive Committee ensure that the values, strategy and culture continue to be distilled down into every aspect of the Group on their behalf. The Board's Audit Committee reviews the effectiveness of our whistleblowing and fraud policies.

Principle Two – Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having enough capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

The Board of Directors of the Company are appointed in accordance with the shareholder investment agreement. This sets out that the Board should include shareholder representatives, an independent Chairman (who was appointed on 7 April 2020), the Chief Executive Officer and the Chief Financial Officer.

Each investor has nominated suitably qualified representatives to sit on the Board. The Directors possess a wide range of skills, backgrounds, experience, and knowledge across a broad range of businesses. The composition of the Board is considered appropriate for the size and complexity of the Company. The Board has established an Audit Committee and Health, Safety and Security Committee that have both been in operation throughout the year. Due consideration has been given in appointing the Chair of each Committee, with the Audit Committee being chaired by an individual with recent and relevant financial experience and the Health, Safety and Security Committee being chaired by an independent health and safety expert. In 2021 the Remuneration Committee has been established. The responsibilities of the Board and these Committees are outlined on page 29 to 30.

The Board and Executive Committee together comprise 12 men and three women. Details of the gender mix of the Group and its senior management are set out on page 23, together with details of our actions in the area of diversity and inclusivity.

Details of the Board members can be found on page 31.

GOVERNANCE

CORPORATE
GOVERNANCE**Principle Three – Directors Responsibilities**

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

The Board is responsible for directing the affairs of the Company to best promote the success of the Company for the benefit of shareholders and with consideration of its stakeholders. This is done in a way which is consistent with its ethical, legal, and regulatory responsibilities and the Company's constitution.

Following the Merlin acquisition in late 2019, the shareholder investment agreement and respective terms of reference of the Board and its Committees were formally approved during the year. These give clear guidance on matters which require Board or Committee approval. The Board meet at least eight times a year, either in-person or by video conference calls, although the frequency was much higher in 2020 in response to the COVID-19 pandemic. The Board are provided with appropriate board packs in advance of the meetings, including trading updates, financial performance, employee engagement and welfare, and management of key business risks. When making decisions, only the shareholder representatives have voting rights.

The Board delegates authority for the day-to-day management of the Company to the Executive Committee which meets at least eight times each year. Details of each Committee can be found on pages 29 to 30.

Principle Four – Opportunity and Risk

A board should promote the long term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks

Oversight of risk management is performed on an ongoing basis through the Board's interaction with management and by risk being a regular item on Board agendas. As set out below, two Board Committees have specific responsibilities in the key areas of health, safety and security and wider risk management and internal controls activities. Commercial risks are considered by Committees chaired by executive management and are reported back to the Board.

The Board retains overall responsibility for risk management and approves the risk management framework which sets out the responsibilities, oversight, monitoring, reporting and management processes. Further details regarding the approach to risk management are set out on pages 17 to 22.

Long term strategic opportunities are highlighted through the Group's strategic planning processes that the Board oversees. Dedicated strategy review sessions that were performed in previous years did not take place during 2020 as the Board oversaw the Group's response to the COVID-19 pandemic, but are planned for 2021. Other opportunities are brought to the attention of the Board when they arise.

Principle Five – Remuneration

A board should promote executive remuneration structures aligned to the long term sustainable success of a company, considering pay and conditions elsewhere in the company

Remuneration matters during the year were considered directly by the Board, pending the creation of the Remuneration Committee at the start of 2021. All future matters relating to remuneration will be considered by that body and recommended to the Board for approval, in line with the Committee's terms of reference that are set out below.

Principle Six – Stakeholder Relationships and Engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions

The Board are aware of the importance of fostering effective stakeholder relationships to enable the long term success of the Group. Details of how Merlin engages with stakeholders, including employees, is provided in the Section 172 statement below. The Group's business model also focuses on our interactions with customers, employees and investors; more information can be found on page 7.

Board and Committee responsibilities**The Board**

The responsibilities of the Board are detailed below;

- overseeing strategy, management and approval of major policies
- determining the capital structure
- maintaining the system of internal controls and risk management
- approval of the annual capital expenditure budget, major capital projects and strategic transactions
- effective engagement with shareholders and other stakeholders
- reviewing recommendations from Committees including:
 - Board membership
 - Board and senior management remuneration
 - succession planning
 - diversity
 - financial reports

Board Committees

The following Board Committees have been in operation during the year and unless otherwise stated, remain.

Health, Safety and Security Committee

This Committee ensures that health, safety and security (HSS) matters are managed effectively and proactively throughout the Group, by overseeing our policies and procedures for HSS, monitoring our processes for identifying and managing risks and monitoring the skills, effectiveness and levels of resource within our HSS teams.

The Committee membership comprises an independent chair and representatives from each member of the investor consortium. Meetings are also attended by the Group CEO and CFO, together with the Group Safety, Engineering and Security Director, the Chief Operating Officer of the Midway Attractions Operating Group and the Managing Director of the Resort Theme Parks Operating Group.

Audit Committee

This Committee assists the Board in discharging its responsibilities regarding financial reporting by monitoring the integrity of our financial statements including considering whether the financial statements are 'fair, balanced and understandable'. It assists the Board in relation to external and internal audits, including monitoring and reviewing the effectiveness of the internal audit function and overseeing the performance and independence of external auditors. It also assists the Board in matters of risk management and internal controls, including monitoring and reviewing the effectiveness of our whistleblowing and fraud policies and our internal control and risk management.

The Committee membership comprises representatives from two members of the investor consortium, one of which is a Board member.

GOVERNANCE

CORPORATE
GOVERNANCE**Remuneration Committee**

The Remuneration Committee was created in early 2021 and the first meeting was held in March 2021.

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations on the policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level.

The Committee will consider all material elements of Merlin's remuneration policy, remuneration and incentives of Executive Directors and senior management with reference to independent remuneration research and professional advice and make recommendations on the framework for executive remuneration. The Committee will also be responsible for making recommendations for the grants of awards under any future share incentive plans.

The Remuneration Committee's membership comprises the independent Chairman and representatives of each of the consortium of investors.

Other Committees

In addition to the Board Committees, there are three non-Board Committees:

- **Executive Committee** – chaired by the Chief Executive Officer, this Committee is responsible for managing the Group's day-to-day operations and the development of strategic plans for consideration by the Board.

Two operational Committees have specific areas of responsibility as follows:

- **Commercial and Strategic Risk Management Committee** – maintains oversight and guidance on management of commercial and strategic risk.
- **Development Board** – appraises significant capital expenditure and development projects.

Section 172 statement

The Board have remained consistent in their approach to stakeholder engagement and acknowledging the need to maintain high standards of business conduct. During the decision-making process the Board continues to have regard for the impact of their decisions on the Company's stakeholders as required in section 172 of the Companies Act 2006, taking into account the likely consequences of any decision in the long term. As is normal for large companies, authority for day-to-day management in these areas is delegated to the Executive Committee, with the Board providing oversight. The Board takes their responsibility to understand the views of stakeholders seriously and strives to build productive business relationships with them. Merlin has engaged with stakeholders throughout the year and the Board will look to further the inclusion of stakeholders' interests within the Board decision-making processes.

Employees

In response to the COVID-19 pandemic, the Board considered how attraction and office closures would impact employees. Accessing government support packages meant that the Company was able to minimise the impact on employees. Throughout the year, lines of communication with our employees were maintained, ensuring that all employees, whether furloughed or working, were kept fully updated on the business operations on a regular basis. Additional occupational support was made available to all employees. Focus on employee welfare has always been a key consideration for the Board and in response to the pandemic the Board ensured that ahead of reopening the attractions, extensive training, using a variety of mediums, was given to all employees.

The Board receives regular HR updates at Board meetings. More details on employee engagement are set out on page 23.

Business partners

Merlin believes a collaborative approach with business partners enables the most mutually beneficial relationship, allowing us to engage on matters that affect both Merlin's and our business partners' key strategies.

Examples of such collaboration are set out below;

- Extensive discussions with the business partner of LEGOLAND Dubai to ensure the continued success of the operation of the park and the hotel that has been under construction in 2020.
- Consideration of ride suppliers as part of the new themed land at LEGOLAND Windsor. The final choice of supplier was made based on previous experience and ride supply at other LEGOLAND parks.
- Consideration was given to our long term relationships with multiple landlords where detailed negotiations took place.

Guests

We receive constant feedback from our guests through satisfaction surveys and social media. The results of these are monitored by management and reported back to the Board.

In 2020, consideration was given to how customers might feel about returning to our attractions once pandemic restrictions were lifted and the Board approved the management proposal for new propositions throughout the business to encourage customers back. Consumer studies were conducted to assess customer attitudes to our proposed health and safety regimes and the instructive responses helped to shape the implementation of appropriate measures to meet those expectations.

Following extensive consumer research which identified two potentially strong performing concepts, the Board approved the creation of a new land at LEGOLAND Windsor – 'LEGO MYTHICA'. Aimed at the core family market, further research with parents and children was conducted to refine the proposition before development commenced. Accessibility and sustainability were also considered as part of the project to ensure that improvement and maintenance of our accessibility standards were met.

Communities and the environment

Merlin's attractions operate responsibly at the heart of their communities, contributing to the local economy.

Merlin continues to support the work of our partner charities Merlin's Magic Wand, that provides children around the world with memorable experiences, and the SEA LIFE Trust, that works to protect the marine environment. More details are set out on page 27.

Merlin recognises that our operations impact upon the environment and we are committed to minimising the potentially harmful effects of our activities. We are committed to being an environmentally responsible business and have been a long term advocate for reducing plastic pollution. Further details are set out on pages 25 to 26.

Lenders

The Group maintains ongoing relationships with the institutions that provide financing facilities. More details on our financing arrangements and how these are structured are set out in the financial and operating review on pages 10 to 16.

In 2020, working together with the investor consortium, the Group raised €500 million in senior notes on the public markets to provide extra liquidity.

GOVERNANCE

CORPORATE
GOVERNANCE**Board membership**

The members of the Board during the year and at the date of this report are set out below.

The Directors currently serving are the independent Chairman and the members of the investor consortium, who also have the right to appoint observers to Board and Committee meetings. Each Director from the consortium of investors has one vote at the Board. The Group Chief Executive Officer and the Group Chief Financial Officer are executive roles and these positions do not have voting rights at Board meetings.

Roland Hernandez, Independent Chairman

Roland was appointed as a Director and independent Chairman on 7 April 2020. He is the Founding Principal and Chief Executive Officer of Hernandez Media Ventures, a privately held company engaged in the acquisition and management of media assets. He has served in this capacity since January 2001.

Before founding Hernandez Media Ventures, Roland served as Chairman of Telemundo Group, Inc., a Spanish-language television and entertainment company, from 1998 to 2000 and as President and Chief Executive Officer from 1995 to 2000. He serves as a member of the Boards of US Bancorp, Fox Corporation, MGM Resorts International, and Take-Two Interactive Software, Inc. He serves on the advisory board of Harvard Law School and previously served on the Board of Directors of Belmond Ltd, Sony Corporation, Walmart Inc, and Vail Resorts, Inc.

Roland received an A.B. in economics from Harvard College and a J.D. from Harvard Law School.

Søren Thorup Sørensen, KIRKBI Shareholder Representative

Søren was appointed as a Director on 26 June 2019, having also been a Non-executive Director of Merlin since 2013, prior to Merlin's IPO, representing KIRKBI. Søren has over 25 years' experience in finance and is currently the Chief Executive Officer of KIRKBI A/S and Director of various entities in the KIRKBI Group.

Søren is currently Chairman of the Board of Boston Holding A/S, Deputy Chairman of LEGO A/S and a Non-executive Director of ISS A/S, Landis+Gyr AG, Ole Kirk's Foundation, ATTA Foundation and Koldingvej 2, Billund A/S. Søren was formerly a Partner, Chief Financial Officer of A.P. Møller – Maersk Group and Managing Partner of KPMG Denmark.

Sidsel Marie Kristensen, KIRKBI Shareholder Representative

Sidsel was appointed as a Director on 4 November 2019. Sidsel has almost 20 years' experience as a lawyer. Sidsel joined KIRKBI A/S in 2016 and is currently Executive Vice President and General Counsel at KIRKBI A/S and Director of various entities in the KIRKBI Group.

Sidsel was formerly a Partner of the Danish law firm Bech-Bruun.

Jørgen Vig Knudstorp, KIRKBI Shareholder Representative

Jørgen was appointed as a Director on 26 June 2019, having previously been a Board observer while Merlin was listed. Jørgen has been a member of the LEGO A/S Board since 2017 and has previously served as Chairman from May 2017 to February 2020.

He is the Executive Chairman of LEGO Brand Group and Deputy Chairman of LEGO Foundation. Jørgen is also a member of the Board of Starbucks. Jørgen joined the LEGO Group in 2001, where he served as President and CEO from 2004 to 2016.

Joseph Baratta, Blackstone Shareholder Representative

Joseph was appointed as a Director on 4 November 2019. Joseph Baratta is Global Head of Private Equity at Blackstone and a member of the firm's Management Committee. He also serves on many of the firm's investment committees.

Mr Baratta joined Blackstone in 1998 and in 2001 he moved to London to help establish Blackstone's corporate private equity business in Europe. Since 2012, Mr Baratta has served as the firm's Global Head of Private Equity and is located in New York.

Mr Baratta has served on the Boards of many past Blackstone portfolio companies and currently serves as a member or observer on the Boards of First Eagle Investment Management, Refinitiv, and SESAC. He is also a member of the Board of Trustees of Georgetown University; is a trustee of the Tate Foundation; serves on the Board of Year Up, an organisation focused on youth employment; and serves on the Board of Trustees of Trinity School in New York City.

Before joining Blackstone, Mr Baratta was with Tinicum Incorporated and McCown De Leeuw & Company. Mr Baratta also worked at Morgan Stanley in its mergers and acquisitions department. Mr Baratta graduated magna cum laude from Georgetown University.

Peter Wallace, Blackstone Shareholder Representative

Peter was appointed as a Director on 26 June 2019. Mr Wallace is a Senior Managing Director and serves as co-head of U.S. Acquisitions for Blackstone's Private Equity Group. Mr Wallace leads Blackstone's private equity investments in the business services, leisure and consumer/retail sectors.

Since joining Blackstone in 1997, Mr Wallace has led or been involved in Blackstone's investments in Alight Solutions, AlliedBarton Security Services, Allied Waste, American Axle & Manufacturing, Centennial Communications, Centerplate (formerly Volume Services America), Michaels Stores, New Skies Satellites, Outerstuff, Ltd., Pinnacle Foods/Birds Eye Foods, PSAV, PSSI, SeaWorld Parks & Entertainment (formerly Busch Entertainment Corporation), Service King, Servpro, Sirius Satellite Radio, Tradesmen International, Universal Orlando, Vivint, Vivint Solar and The Weather Channel Companies. He currently serves on the Board of Directors of Alight Solutions, Merlin Entertainments, PSAV, PSSI Service King, Servpro, Tradesmen International, and Vivint. He is a trustee of Children's Aid Society, one of America's oldest and largest children's non-profit organisations. Mr Wallace received a BA from Harvard College, where he graduated magna cum laude.

Lori Hall-Kimm, CPPIB Shareholder Representative

Lori was appointed as a Director on 26 June 2019. Lori is a Managing Director in Direct Private Equity at CPPIB, and has been leading the Consumer Retail team since 2018. Lori initially joined CPP Investments in 2016 and was previously a Senior Principal leading Co-investments within the Secondaries and Co-Investments group.

Prior to CPPIB, Lori was a Director in Private Capital at Ontario Teachers' Pension Plan from 2005 to 2015, where she established their London office, and lead numerous European fund and co-investments from 2007 to 2015. Lori previously worked in the Consumer Retail Investment Banking team at Goldman Sachs. Lori currently serves on the Board of Nord Anglia Education, and was previously on the Board of 99 Cents Only Stores, Gruppo Coin, and Alexander Forbes Pty. Lori has a BBA from York University (Schulich School of Business) and an MBA from Columbia University.

GOVERNANCE

CORPORATE GOVERNANCE

Key executives

In addition to the Board members set out above, details of Merlin's key executives are set out below.

Nick Varney, Group Chief Executive Officer

Nick has 30 years' experience in the visitor attractions industry and was appointed Chief Executive Officer of Merlin Entertainments in 1999.

Nick started his career in FMCG marketing, first with Rowntree and then with Reckitt Colman. He went on to hold senior positions within The Tussauds Group (Pearson PLC), including Marketing Director of Alton Towers and Head of Group Marketing, before becoming Managing Director of Vardon Attractions and a main Board Director of Vardon plc. In 1999 Nick led the management buyout of Vardon Attractions to form Merlin Entertainments and, in 2005, initiated the process which led to its acquisition by Blackstone.

Nick is a Board member of UK Hospitality, the trade body representing the UK's hospitality and tourism industry with a membership of over 45,000 companies.

Alistair Windybank, Group Chief Financial Officer

Alistair was appointed Chief Financial Officer in November 2020, including responsibility for Merlin Group IT and Procurement.

Alistair joined Merlin in 2008 and has held various senior finance roles, including Head of Corporate Finance, Group Investor Relations Director, Senior Finance Director – Capital Projects and most recently, Deputy CFO.

Prior to Merlin, Alistair worked for Deloitte in Audit & Assurance.

GOVERNANCE

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 26 December 2020. Comparative figures relate to the period from the Company's incorporation on 18 June 2019 to 28 December 2019.

In order to make our Annual Report and Accounts more accessible, we have set out below where certain required disclosures can be found in other areas of this Annual Report.

Strategic Report

Non-financial reporting

Information regarding Merlin's approach to the five topics required by the Companies Act is set out in the Responsible Business section on pages 23 to 27.

Other information

Other information is set out as follows:

- Business review and future developments – see pages 1 to 27.
- Research and development – details about Merlin Magic Making are located on page 6.
- Directors – details are on page 31.
- Employees – details on how we communicate with employees are on page 23.
- Directors' responsibilities statement – see page 35.

Governance

Wates Principles

The Board has adopted the Wates Corporate Governance Principles for Large Private Companies. Details of the Wates Principles framework can be viewed on the website of the Financial Reporting Council (www.frc.org.uk).

Guidelines for Disclosure and Transparency in Private Equity

Each of the consortium members is a private equity or 'private equity-like' investor. Accordingly, this Annual Report and Accounts complies with the Guidelines for Disclosure and Transparency in Private Equity for UK companies in private equity ownership.

Other information

Other information is set out as follows:

- Corporate governance – see pages 28 to 32.
- Section 172 statement – see page 30.

Financial statements

The financial statements contain information in the following areas:

- Capitalised interest – see note 2.3.
- Financial instruments – see note 5.3.
- Financial risk management – see note 5.3.
- Related parties – see note 6.3.
- Subsidiaries and joint ventures – see note 6.7.

Directors' Report

The Directors' Report itself contains the sections detailed below.

Share capital and related matters

The Articles of Association do not contain any restrictions on the transfer of shares in the Company other than customary restrictions applicable where any amount is unpaid on a share (all the issued share capital of the Company as of the date of this Annual Report and Accounts is fully paid). Each ordinary share in the capital of the Company ranks equally in all respects. No shareholder holds shares carrying special rights relating to the control of the Company.

Amendment to the Company's Articles of Association

The Company's Articles of Association may only be amended by a special resolution of its shareholders passed at a general meeting of its shareholders.

Appointment and removal of Directors

The Company is governed by its Articles of Association and the Companies Act and related legislation, with regard to the appointment and replacement of Directors.

Power of Directors in respect of share capital

The Directors may exercise all the powers of the Company (including, subject to obtaining the required authority from the shareholders in general meeting, the power to authorise the issue of new shares and the purchase of the Company's shares).

Directors' indemnities and insurance

The Articles of Association of the Company permit it to indemnify the Directors of the Company or any Group company against liabilities arising from or in connection with the execution of their duties or powers to the extent permitted by law.

The Company has not given any specific indemnity in favour of the Directors during the year, but the Company has purchased Directors' and Officers' Liability Insurance, which provides cover for liabilities incurred by Directors in the performance of their duties or powers. No amount was paid under any Director's indemnity or the Directors' and Officers' Liability Insurance during the year other than the applicable insurance premiums.

GOVERNANCE

DIRECTORS' REPORT

Significant contracts

There were no contracts of significance during the year to which the Company, or any of its subsidiary undertakings, is a party and in which a Director is or was materially interested.

Branches outside the UK

Motion JVco Limited has no branches outside the UK.

Dividend

No dividends were paid during the year.

Going concern

The Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

In making this statement the Directors have satisfied themselves that based on its current base case projections, the Group has access to sufficient cash funds and borrowing facilities and can reasonably expect those facilities to be available to meet the Group's foreseeable cash requirements.

This assessment also takes into account an assessment of the impact of the COVID-19 pandemic, which results in a material uncertainty to going concern. For further details see note 1.1 to the financial statements.

Political donations

No political donations were made during the year.

Auditors

As recommended by the Audit Committee, a resolution for the re-appointment of KPMG LLP as auditors to the Company will be proposed. So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware. The Directors have taken all reasonable steps to ascertain any relevant audit information and ensure the auditors are aware of such information.

Approval of Annual Report

The Strategic Report, Corporate Governance Report and the Directors' Report were approved by the Board on 15 April 2021.

For and on behalf of the Board

Søren Thorup Sørensen**Director****15 April 2021**

Motion JVco Limited
Registered number 12057312

GOVERNANCE

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 'Reduced Disclosure Framework'.

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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

To the Members of Motion JVco Limited

1 Our opinion is unmodified

We have audited the financial statements of Motion JVco Limited (the Company) for the 52 weeks ended 26 December 2020 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, and the related notes, including the accounting policies in note 1.1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 26 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Material uncertainty related to going concern

We draw attention to note 1.1 to the financial statements which indicates that the challenges posed by the COVID-19 pandemic mean that the Group's and the parent Company's ability to continue as a going concern in a severe but plausible downside scenario may be dependent on cash injections from the consortium of investors and/or the extension of further bank facilities. These events and conditions, along with the other matters explained in note 1.1, constitute a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The risk: disclosure quality

The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company.

That judgement is based on an evaluation of the inherent risks to the Group's and parent Company's business model and how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

There is little judgement involved in the Directors' conclusion that risks and circumstances described in note 1.1 to the financial statements represent a material uncertainty over the ability of the Group and parent Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements.

However, clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

Our response:

Our procedures included:

Assessing transparency: assessing the completeness and accuracy of the matters covered in the going concern disclosure by;

- Evaluating the processes and models used by management in its assessment;
- Evaluating whether the assumptions are realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit;
- Evaluating management's assessment of the entity's compliance with debt covenants; and
- Assessing the reasonableness of management's budgets/forecasts including comparisons to past performance and the evaluation of downside sensitivities.

Our results

We found the going concern disclosure in note 1.1 with a material uncertainty to be appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Members of Motion JVco Limited

3 Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in decreasing order of significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings (our results) from those procedures in order that the Group's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Carrying value of goodwill</p> <p>£2,179 million (2019: £2,449 million)</p> <p>Refer to page 66 (accounting policy) and pages 66 to 68 (financial disclosures)</p> <p>Risk vs. 2019: <i>new</i></p>	<p>Forecast based valuation:</p> <p>The 2019 acquisition of Merlin Entertainments Limited gave rise to significant goodwill balances. Subjectivity over recoverable amounts has increased since we signed the prior year financial statements given the impact of the COVID-19 pandemic on the estimate of forecast cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the forecast future cash flows used in calculating the value in use of each Operating Group have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 4.3) disclose the sensitivities estimated by the Group.</p>	<p>Our procedures included:</p> <p>Historical comparisons:</p> <ul style="list-style-type: none"> assessing five years' historical accuracy of the Group's forecasting and building comparable variations in forecasting accuracy into our own models that were used to re-perform the valuation; evaluating expected changes in site-level cash flows (from activities such as new promotions, customer experience improvements and trends from previous post-lockdown openings) and the planned cost base, in light of the past results of similar activities carried out by the Group as well as recovery of the sites post-closure; <p>Sensitivity analysis: assessing the reasonableness of management's sensitivity analysis, including calculating the impact of changes in key assumptions, performing breakeven analysis of the forecast cash flows, and modelling the cash flows of a base case scenario;</p> <p>Comparing valuations: comparing the sum of the discounted cash flows across the Group to an adjusted expected purchase price of the Group, driven by the previous acquisition price of the Group adjusted for changes in market value of industry competitors; and</p> <p>Assessing transparency: assessing whether the Group's sensitivity disclosures regarding the impairment testing adequately reflect the risks inherent in the valuation of goodwill.</p> <p>Our results</p> <p>We found the resulting estimate of the recoverable amount of goodwill to be acceptable.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Motion JVco Limited

	The risk	Our response
<p>Visitor and accommodation revenue recognition</p> <p>£593 million (2019: £140 million) Deferred income £189 million (2019: £183 million)</p> <p>Refer to page 52 (accounting policy) and pages 51 to 52 (financial disclosures).</p> <p>Risk vs 2019: <i>stable</i></p>	<p>Processing error: Merlin's revenues come from a number of different channels, locations and systems, sometimes featuring manual processes to match past purchases to redemptions or to transfer data to the finance systems.</p> <p>The low value of individual transactions means individual errors would be insignificant, however the high volume of transactions mean systemic failure could lead to difficulty in detecting errors that, in aggregate, may have a material impact.</p>	<p>Our procedures included:</p> <p>Control design and operation: testing the design, implementation and operating effectiveness of manual controls supporting revenue recognition, including reconciliations of till records to cash banked and to revenue journal entries in the accounting records;</p> <p>IT controls: at certain sites, where we anticipated being able to rely on such systems, testing of the general IT control environment of the systems used to record revenue and evaluating controls over the revenue process including their operating effectiveness;</p> <p>Expectation vs outcome: forming an expectation for revenue by analysing total cash received per bank statements as adjusted for non-revenue transactions, sales taxes collected and balance sheet movements and comparing this expectation to revenue recognised; and</p> <p>Tests of detail:</p> <ul style="list-style-type: none"> • agreeing a sample of revenue transactions to bank statements or other supporting documentation. • testing deferred revenue balances through agreement to ticketing system records and re-performing specific manual calculations. The extent of this testing reflected the outcome of our controls testing at each location. <p>Our results We found the revenue amounts recognised to be acceptable.</p>
<p>Recoverability of the parent Company's investment in Group undertakings</p> <p>Investments in subsidiaries £2,835 million (2019: £2,835 million),</p> <p>Refer to pages 94 to 96 (accounting policy and financial disclosures).</p> <p>Risk vs 2019: <i>stable</i></p>	<p>Low risk, high value: The carrying amount of the parent Company's investment in its subsidiary represents 95% (2019: 100%) of the parent Company's total assets. The recoverability does not lead to a high risk of significant misstatement, nor is it subject to significant judgement. However, due to its materiality in the context of the parent Company financial statements, this is considered to be the area that has had the greatest effect on our overall parent Company audit.</p>	<p>We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described:</p> <p>Comparing valuations: for the investment where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on the sum of the discounted cash-flows of the Group.</p> <p>Assessing component audits: assessing the work performed by the component team on those components and considering the results of that work on those components' profits and net assets.</p> <p>Our results We found the Group's assessment of the recoverability of the investment in its subsidiary to be acceptable.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Motion JVco Limited

4 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £10,400,000 (2019: £14,000,000), determined with reference to a benchmark of Total Group revenues averaged over a four year period, of which it represents 1.7% (2019: 0.5% of Group net assets). This is a change in the benchmark from previous years where net assets was used as a benchmark given the short trading period since acquisition. In the current year, income statement measures are more appropriate and revenue is most reflective of the scale of the business. Materiality for the parent Company financial statements as a whole was set at £2,000,000 (2019: £4,750,000), determined by reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.1% of the parent Company's total assets (2019: 0.2%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements affecting profit exceeding £520,000 (2019: £700,000) or otherwise exceeding £2,000,000 (2019: £2,000,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The components within the scope of our work accounted for the percentages illustrated opposite. Total profits and losses coverage is calculated by considering absolute profits and losses before tax, after eliminating inter-group interest income and expense, foreign exchange movements on inter-group loans and inter-group dividends. This also includes procedures on finance costs and assets established on consolidation; the total of these balances were audited at Group level. Full scope audits for Group reporting purposes were performed at 32 (2019: 31) components in the following countries: Australia, China (including Hong Kong), Denmark, Germany, Italy, Japan, Thailand, UK, South Korea and USA.

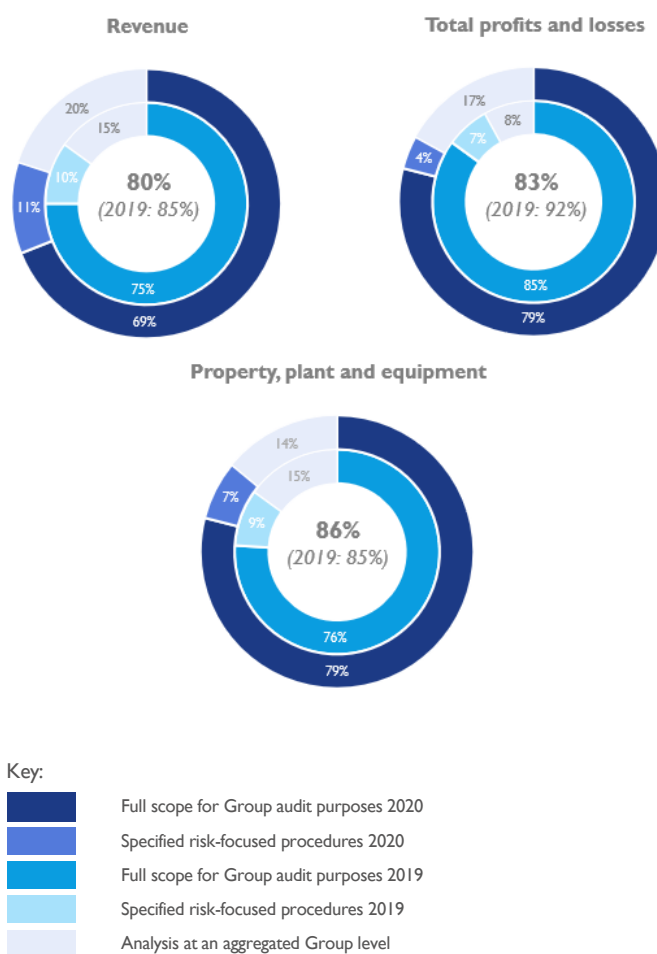
The 22 (2019: 24) components for which we performed specified risk-focused audit procedures or analysis at an aggregated Group level were not individually significant but were included in the scope of our Group reporting work to provide further coverage. We select these components on a rotational basis, setting a financial threshold on each of the Group loss before tax, Group revenue and Group property, plant and equipment and using our assessment of risk to select a sample of sites from those that meet at least one of these thresholds.

The remaining 17% (2019: 8%) of total Group loss before tax, 20% (2019: 15%) of Group revenue and 14% (2019: 15%) of Group property, plant and equipment is represented by a large number of smaller reporting components, none of which individually represented more than 0.3% (2019: 2.7%) of any of the total profits or losses that made up Group loss before tax, total Group revenue or total Group property, plant and equipment. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved each component materiality, which ranged from £225,000 to £3,600,000 (2019: £500,000 to £6,000,000), having regard to the mix of size and risk profile of the sub-group across the components. The Group audit team carried out audits for Group reporting purposes of the financial information of components covering 41% (2019: 41%) of the total profits and losses that made up total loss before tax. The Group audit team also undertook all audit procedures of certain total Group account balances as mentioned above, covering a further 1% (2019: 1%) of total profits and losses that made up sub-group loss before tax.

We performed inspection of the work covering the key audit matters at all component audit teams performing audits for Group reporting purposes. Video conference meetings were held with all component auditors. At these meetings, the Group audit team provided further input into audit risk and strategy, and the findings reported to the Group team were discussed in more detail. Any further work required by the Group team was then performed by the component auditor.

The Group audit team had planned to visit component locations; however, these visits were prevented by movement restrictions relating to the COVID-19 pandemic. Instead, the Group audit team conducted remote file reviews by senior members of the audit team to evaluate whether work performed over significant risk areas was sufficient. In addition, the Group audit team attended local final audit closing meetings via conference call. Due to regulatory restrictions, a remote file review was not possible for the Chinese component; therefore, the Group audit team had obtained extended reporting and held an expanded closing meeting with the Chinese component audit team to understand, assess and challenge the audit approach and findings.



INDEPENDENT AUDITOR'S REPORT

To the Members of Motion JVco Limited

5 Going concern basis of preparation

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company, or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic for at least a year from the date of approval of the financial statements (the going concern period). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern.

An explanation of how we evaluated management's assessment of going concern is set out section 2 of our report.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

6 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management, those charged with governance, internal audit and the Audit Committee as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- reading Board/Audit Committee/Health, Safety and Security Committee, Executive Committee, Commercial and Strategic Risk Management Committee and Development Board minutes.
- considering the remuneration incentive schemes and performance targets for management and Directors.
- using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because based on the disaggregated nature of revenue transactions as described in section 3 of our report, we do not consider fraudulent revenue recognition could accumulate into material errors in the Group financial statements.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to revenue and unusual postings to related cash accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and other management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT

To the Members of Motion JVco Limited

7 We have nothing to report on the other information in the Annual Report and Accounts

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

8 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 these respects.

9 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 35, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10 The purpose of our audit work and to whom we owe our responsibilities

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 and the terms of our engagement by the Company. 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 the further matters we are required to state them in accordance with the terms agreed with the Company, 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.

Andrew Campbell-Orde (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
Southampton
SO53 3TG

15 April 2021

PRIMARY STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

	Note	52 weeks ended 26 December 2020			28 weeks ended 28 December 2019		
		Underlying trading £m	Exceptional items ⁽³⁾ £m	Total £m	Underlying trading £m	Exceptional items ⁽³⁾ £m	Total £m
Revenue	2.1	629	-	629	152	-	152
Cost of sales	2.1	(159)	-	(159)	(41)	-	(41)
Gross profit		470	-	470	111	-	111
Staff expenses	2.1	(290)	(14)	(304)	(62)	(2)	(64)
Marketing		(30)	-	(30)	(10)	-	(10)
Other operating expenses		(252)	(3)	(255)	(47)	(59)	(106)
EBITDA⁽¹⁾	2.1	(102)	(17)	(119)	(8)	(61)	(69)
Depreciation, amortisation and impairment	4.1, 4.2, 5.4	(269)	(352)	(621)	(42)	-	(42)
Operating loss		(371)	(369)	(740)	(50)	(61)	(111)
Finance income	2.3	4	-	4	-	47	47
Finance costs	2.3	(226)	-	(226)	(30)	(2)	(32)
Loss before tax		(593)	(369)	(962)	(80)	(16)	(96)
Taxation	2.4	124	27	151	11	2	13
Loss for the period⁽²⁾		(469)	(342)	(811)	(69)	(14)	(83)

⁽¹⁾ EBITDA – this is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment and is after taking account of attributable profit after tax of joint controlled entities.

⁽²⁾ Loss for the period for 2020 and 2019 is wholly attributable to the owners of the Company.

⁽³⁾ Details of exceptional items are provided in note 2.2.

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

	Note	52 weeks ended	28 weeks ended
		26 December 2020 £m	28 December 2019 £m
Loss for the period		(811)	(83)
Other comprehensive income			
<i>Items that cannot be reclassified to the consolidated income statement</i>			
Equity investments at FVOCI - net change in fair value	6.1	(42)	-
Defined benefit plan remeasurement losses	6.2	(4)	(2)
Income tax on items relating to components of other comprehensive income	2.4	8	1
		(38)	(1)
<i>Items that may be reclassified to the consolidated income statement</i>			
Exchange differences on the retranslation of net assets of foreign operations		(31)	(41)
Exchange differences relating to the net investment in foreign operations		-	2
		(31)	(39)
Other comprehensive income for the period net of income tax		(69)	(40)
Total comprehensive income for the period⁽¹⁾		(880)	(123)

⁽¹⁾ Total comprehensive income for the period for 2020 and 2019 is wholly attributable to the owners of the Company.

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 26 December 2020 (2019: 28 December 2019)

	Note	26 December 2020 £m	28 December 2019 £m
Property, plant and equipment	4.1	2,512	2,430
Right-of-use assets	5.4	1,414	1,446
Goodwill and intangible assets	4.2	3,535	3,801
Investments	6.1	19	63
Other receivables	4.4	15	12
Deferred tax assets	2.4	158	60
Non-current assets		7,653	7,812
Inventories	4.4	54	81
Trade and other receivables	4.4	84	124
Derivative financial assets		4	2
Tax receivable		26	-
Cash and cash equivalents	5.1	306	176
Current assets		474	383
Total assets		8,127	8,195
Interest-bearing loans and borrowings	5.2	45	170
Lease liabilities	5.4	79	47
Derivative financial liabilities		1	2
Trade and other payables	4.4	475	455
Tax payable		-	55
Provisions	4.5	9	5
Current liabilities		609	734
Interest-bearing loans and borrowings	5.2	3,632	3,025
Lease liabilities	5.4	1,285	1,274
Other payables	4.4	24	24
Provisions	4.5	95	92
Employee benefits	6.2	11	7
Deferred tax liabilities	2.4	479	473
Non-current liabilities		5,526	4,895
Total liabilities		6,135	5,629
Net assets		1,992	2,566
Issued capital and reserves attributable to owners of the Company		1,988	2,562
Non-controlling interest		4	4
Total equity	5.5	1,992	2,566

The financial statements were approved by the Board of Directors on 15 April 2021 and were signed on its behalf by:

Søren Thorup Sørensen
Director

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

	Note	Share capital £m	Share premium £m	Capital reserve £m	Translation reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interest £m	Total equity £m
Loss for the period		-	-	-	-	(83)	(83)	-	(83)
Other comprehensive income for the period net of income tax		-	-	-	(39)	(1)	(40)	-	(40)
Total comprehensive income for the period		-	-	-	(39)	(84)	(123)	-	(123)
Shares issued		26	2,653	-	-	-	2,679	-	2,679
Capital contribution		-	-	6	-	-	6	-	6
Acquisitions through business combinations		-	-	-	-	-	-	4	4
At 28 December 2019		26	2,653	6	(39)	(84)	2,562	4	2,566
Loss for the period		-	-	-	-	(811)	(811)	-	(811)
Other comprehensive income for the period net of income tax		-	-	-	(31)	(38)	(69)	-	(69)
Total comprehensive income for the period		-	-	-	(31)	(849)	(880)	-	(880)
Shares issued	5.5	3	303	-	-	-	306	-	306
At 26 December 2020	5.5	29	2,956	6	(70)	(933)	1,988	4	1,992

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

		52 weeks ended 26 December 2020 £m	28 weeks ended 28 December 2019 £m
	Note		
Cash flows from operating activities			
Loss for the period		(811)	(83)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	4.1, 4.2, 5.4	621	42
Finance income	2.3	(4)	(47)
Finance costs	2.3	226	32
Taxation	2.4	(151)	(13)
		(119)	(69)
Loss on sale of property, plant and equipment		2	-
Movements in working capital		60	-
Changes in provisions and other non-current liabilities		3	(3)
		(54)	(72)
Tax paid		(16)	(19)
Net cash outflow from operating activities		(70)	(91)
Cash flows from investing activities			
Interest received		2	-
Acquisition of subsidiaries, net of cash acquired	3.1	-	(4,552)
Purchase of property, plant and equipment		(306)	(79)
Disposal of property, plant and equipment		1	-
Net cash outflow from investing activities		(303)	(4,631)
Cash flows from financing activities			
Proceeds from issue of share capital	5.5	306	2,679
Proceeds from borrowings	5.2	576	2,830
Repayment of borrowings		(9)	(640)
Proceeds from shareholder loans		-	156
Repayment of shareholder loans	5.2	(156)	-
Capital repayment of lease liabilities		(26)	(15)
Interest paid		(189)	(20)
Financing costs		(7)	(106)
Settlement of interest rate swaps		-	7
Net cash inflow from financing activities		495	4,891
Net increase in cash and cash equivalents		122	169
Cash and cash equivalents at beginning of period	5.1	176	-
Effect of movements in foreign exchange		8	7
Cash and cash equivalents at end of period	5.1	306	176

NOTES TO THE ACCOUNTS

SECTION I

BASIS OF PREPARATION

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

I.1 BASIS OF PREPARATION

Motion JVco Limited (the Company) is a private company limited by shares which is incorporated in the United Kingdom. Its registered office is Link House, 25 West Street, Poole, Dorset, BH15 1LD.

The consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Company prepares its parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries and joint ventures.

The Group prepares its annual consolidated financial statements on a 52 or 53 week basis. These consolidated financial statements have been prepared for the 52 weeks ended 26 December 2020 (2019: for the period from the Company's incorporation on 18 June 2019 to 28 December 2019). While the comparative period is from the Company's incorporation to the reporting date, effectively it reports on the Merlin Entertainment Group's trading period between the effective date of the acquisition on 4 November 2019 and the reporting date of 28 December 2019.

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and certain investments which are measured at their fair value.

The consolidated financial statements are presented in Sterling. All values are stated in £ million (£m) except where otherwise indicated.

Going concern

The Group reported a loss for the period of £81.1 million (2019: £83 million) and generated operating cash outflows of £70 million (2019: £91 million). The consolidated financial statements 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 impact of COVID-19 on the Group's trading is continually being assessed and subject to rapid changes outside of our control.

Currently approximately 60% of our attractions are open reflecting the gradual easing of governmental restrictions as vaccine roll outs progress and virus transmission rates reduce. While regional variations are anticipated, our 'base case' forecast is based on what we believe is a balanced approach that anticipates a gradual recovery to more normalised trading conditions.

In this base case, extending up to the end of Q3 2022, we have made certain key assumptions. We have assumed that the roll out of coronavirus vaccines will not eliminate the need for social distancing to remain for a substantial part of the review period, thereby reducing the capacity of some of our attractions during peak periods. While we assume there are no further global lockdowns, we expect the ability of people to travel across borders will remain restricted.

In this situation ongoing Group revenues are projected to recover to approximately 80% of normal levels by the end of 2021, and 85-90% of normal levels by mid 2022. As a result of the restructuring and business re-engineering activities undertaken in 2020, the impact of reduced revenues on Merlin's EBITDA and cash generation is less marked, with a greater ability to adjust the cost base in line with the level of trading. We continue to take appropriate measures to maximise available liquidity, for example by accessing government support where it is available.

Our New Business Development capital expenditure plans include the completion of LEGOLAND New York and LEGOLAND Korea. Capital projects in respect of new Midway attractions and new features at existing attractions had been progressing towards completion when the COVID-19 pandemic caused our attractions to close or not reopen at the start of the 2020 trading season. These projects are now substantially complete and accordingly we expect to see the commercial benefit of these as the attractions open. Essential capital expenditure to ensure the health and safety of our guests and staff at existing attractions will continue.

The Directors have prepared cash flow forecasts for a period from the date of approval of these financial statements up to the end of Q3 2022 which indicate that, under the base case, the Group will have sufficient funds to meet its liabilities as they fall due. The Group continues to have access to the revolving credit facility under the Group's financing facilities (see note 5.2). We have seen cash outflows since the end of 2020 reflecting the normal seasonality of trading combined with ongoing capital investment and the impact of certain attractions being closed as a result of COVID-19.

In this base case, there would be no breach of lending facilities taking into account the terms of the covenant calculations. There are no significant restrictions on the ability of the Company to move cash around the Group, and no material capital repayments of debt falling due within the forecast period, with the next maturity of facilities being in respect of €500 million of 7.0% senior secured notes due 2025.

NOTES TO THE ACCOUNTS

SECTION I

BASIS OF PREPARATION CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

I.1 BASIS OF PREPARATION (CONTINUED)

Downside scenario

It remains very difficult to assess how the COVID-19 situation will evolve. The Directors believe the base case scenario above is reasonable, assuming as it does the continuation of certain restrictions in the near term, both on the ability of citizens to move freely and also on the capacity of our attractions.

However, it is possible that existing site closures may continue for a longer period, that attractions currently open may be forced to close again, and/or that the recovery profile is slower than in the base case.

The Directors have therefore prepared a more severe downside scenario that models all attractions in the UK and Europe being closed throughout April and May 2021 and an even slower recovery is experienced in the London division of the Midway Attractions Operating Group. In this situation, although the Group's currently available liquidity would remain positive throughout the review period, the Group's liquidity headroom would be significantly reduced. Were the Group to then require access to further liquidity, this could be sought through cash injections from the consortium of investors in the Company and/or the extension of further lending facilities. Given the Merlin Group's history of cash generation and the successful issue of debt securities during the COVID-19 pandemic, we would expect to be able to raise such funds as were necessary. However, there is no guarantee that such funds will be available.

Consistent with the base case, under this scenario there would be no breach of lending facilities taking into account the terms of the covenant calculations.

As noted above, the situation is constantly changing and subject to unforeseeable developments. Therefore, it remains possible that further significant negative developments may arise, over and above the scenarios that have been modelled.

Based on these indications the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

However, the circumstances surrounding the COVID-19 pandemic represent a continuing material uncertainty that may cast significant doubt on the Group and 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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Motion JVco Limited and its subsidiaries at the end of each reporting period and include its share of its joint ventures' results using the equity method.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated.

Where subsidiaries enter into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, these are considered to be insurance arrangements and accounted for as such. In this respect, the subsidiary concerned treats the guarantee contract as a contingent liability until such time as it becomes probable that it will be required to make a payment under the guarantee.

Foreign currency

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

The results and financial position of those Group companies that do not have a Sterling functional currency are translated into Sterling as follows:

- Assets and liabilities are translated at the closing rate at the end of the reporting period.
- Income and expenses are translated at average exchange rates during the period.
- All resulting exchange differences are recognised in equity in the translation reserve.

The reporting date foreign exchange rates by major currency are provided in note 5.3.

NOTES TO THE ACCOUNTS

SECTION I

BASIS OF PREPARATION CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

I.1 BASIS OF PREPARATION (CONTINUED)

Classification of financial instruments issued by the Group

Financial instruments are recognised on the statement of financial position when the Group becomes party to the contractual provisions of the instrument. The accounting policy for each type of financial instrument is included within the relevant note.

Financial assets are initially measured at fair value, unless otherwise noted, and are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is derecognised when the contractual rights to the cash flows from the asset expire or the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities are initially measured at fair value, plus, in the case of other financial liabilities, directly attributable transaction costs. Other financial liabilities, primarily the Group's interest-bearing loans and borrowings are measured at amortised cost. Financial liabilities are measured at fair value through profit or loss and are held on the statement of financial position at fair value. A financial liability is derecognised when the Group's obligations are discharged, expire or are cancelled. Finance payments associated with financial liabilities are dealt with as part of finance costs.

An equity instrument is any contract that has a residual interest in the assets of the Group after deducting all of its liabilities. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity. The preference shares issued by the Company carry a fixed, cumulative, preferential dividend which accrues (but is not payable) on each preference share on a daily basis from the date of issue of the relevant preference share. Payment of these dividends is at the discretion of the Company and accordingly they have been classified as equity.

Where financial instruments consist of a combination of debt and equity, the Group will assess the substance of the arrangement in place and decide how to attribute values to each taking into consideration the policy definitions above.

Further information on instruments issued by the Group is set out in note 5.5.

New standards and interpretations

A full list of new accounting standards and interpretations that have been implemented in the period, including those which have had no significant impact, can be found in note 6.5.

Judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements

Management considers the following areas to be the judgements that have the most significant effect on the amounts recognised in the financial statements. They are explained in more detail in the related notes:

- *Useful life of brands (note 4.2)* - where significant brands have been recognised as part of an acquisition, they have been assessed as having indefinite useful lives and management have considered that this judgement remains appropriate.
- *Goodwill impairment reviews (note 4.3)* - the level at which goodwill is initially allocated and thereafter monitored.
- *Lease obligations (note 5.4)* - IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken.

Estimates

Management considers the following area to involve a significant degree of estimation uncertainty:

- *Valuation of the LEGOLAND Parks (LLP) and Resort Theme Parks (RTP) Operating Groups' assets and impairment (note 4.3)* - estimation of discounted cash flows when calculating the value in use of assets. The valuation of other assets and impairment, excluding LLP and RTP, involves a degree of estimation uncertainty but the likelihood of a resulting change in value is less significant.

Other non-significant areas that include a degree of estimation uncertainty are:

- *Taxation (note 2.4)* - recognition of deferred tax balances and accounting for tax risks.
- *Provisions (note 4.5)* - estimated outflow to settle the obligation and, where relevant, the appropriate discount and inflation rates to apply.
- *Interest-bearing loans and borrowings (note 5.2)* - expected period of borrowings when calculating the effective interest rate on those borrowings.
- *Lease obligations (note 5.4)* - estimation of the discount rate used in the calculation of certain lease liabilities.
- *Investments (note 6.1)* - earnings multiple when calculating the fair value of investments.
- *Employee benefits (note 6.2)* - assumed discount rate, inflation rate and mortality when valuing defined benefit liabilities.

While these areas do not present a significant risk resulting in a material adjustment, they are areas of focus for management.

NOTES TO THE ACCOUNTS

SECTION I

BASIS OF PREPARATION CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

I.1 BASIS OF PREPARATION (CONTINUED)

Judgements and estimates affecting 2019

On 4 November 2019 the acquisition of Merlin Entertainments plc and its subsidiaries (The Merlin Group; Merlin) became effective.

The process followed involved:

- **Purchase price allocation** – the allocation of the purchase consideration across Merlin's operations, which involved estimation as to the value of each of the acquired group's operations, taking into account medium and longer term growth forecasts for each significant element of the business. This allocation also involved performing cross-checks to ensure the integrity of the valuation as a whole.
- **Identifying the assets and liabilities acquired** – identifying those assets, both tangible and intangible, that existed at the time of the transaction.
- **Valuing individual assets or groups of assets** – depending on the nature of the assets, different valuation techniques were adopted to value each in turn.

Accounting for this transaction required management to exercise judgement and make estimations in a number of areas as set out below. Further details are in note 3.1.

The most significant of these were as follows:

- **Brands** – estimated cash flows and discount rate. Brands were valued using an excess earnings approach requiring consideration of the estimated medium and longer term growth prospects of the identified brands, an appropriate royalty rate to be applied, and an appropriate discount rate to be applied. For further analysis see note 3.1.
- **Brands** – useful life. Merlin's significant brands were judged as having indefinite useful lives. This assessment was based upon the strong historical performance of the brands over a number of economic cycles, the ability to roll out the brands, and the Directors' intentions regarding the future use of brands. The Directors felt this was a suitable policy for a brands business which invests in and maintains the brands, and foresees no technological developments or competitor actions which would put a finite life on the significant brands. For further details of the brands acquired see note 4.2.
- **Leases** – discount rate. Calculating the discount rate used in the calculation of the lease liability involves estimation. Discount rates were calculated on a lease by lease basis using rates based on estimates of incremental borrowing costs at the time of the acquisition. These will depend on the territory of the relevant lease and hence the currency used; and the remaining lease term. As a result, there were a large number of discount rates used within a wide range. For further analysis see note 3.1.
- **Leases** – lease term. IFRS 16 'Leases' defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable; current trading; future trading forecasts as to the ongoing profitability of the attraction; and the level and type of planned future capital investment. A small number of large leases held by the Merlin Group came into effect as part of a sale and leaseback transaction that occurred in 2007. These leases have an initial lease period of 35 years, with an option to extend for two further periods of 35 years, subject to an adjustment to market rates at that time. At this point it is not reasonably certain that these leases will be renewed, taking into account the factors noted above. Had it been judged that the leases would be renewed there would have been an equal increase in both right-of-use assets and lease liabilities that would not have otherwise affected the purchase price allocation. This judgement is reassessed at each reporting period. A reassessment of the remaining life of the lease would result in a recalculation of the lease liability and a material adjustment to the associated balances.

Other areas in connection with the acquisition where the impact of estimation uncertainty is less significant were:

- **Property, plant and equipment (PPE, note 4.1)** – calculated on a depreciated replacement cost basis, with freehold land valued using a market approach.
- **Leases (note 5.4)** – at acquisition the right-of-use assets and lease liabilities for those leases accounted for under IFRS 16 were aligned, except where it was assessed that the historic lease commitments taken on in the acquisition were greater or lower than a market participant would expect to pay were equivalent leases being entered into at the time of the transaction. If a current market rental would be higher than that currently paid by the acquired Group, there was an upward adjustment to the right-of-use asset, or vice-versa if the opposite applied. This required estimation as to the proportion of ongoing pre-rent profits that a tenant would expect to pay and a landlord would expect to receive, taking into account the nature of the asset, the lease term, the level of capital expenditure at the relevant site, and the ongoing repair and maintenance obligations over the lease term.
- **Inventory (note 4.4)** – at acquisition the goods for resale held by the acquired Group are 'stepped-up' in value to take into account an estimation of the level of future revenues to be generated by the acquiring Group. This required estimation of an appropriate profit uplift that takes into account the incremental costs to sell the inventory.
- **Investments (note 6.1)** – EBITDA multiples used when valuing certain of the Group's investments that are valued adopting a market-based approach.

Allocation of goodwill and impairment testing

As part of the purchase price allocation exercise for the purchase of Merlin, a judgement was taken regarding the level at which goodwill was initially allocated and thereafter monitored. The monitoring level for goodwill was determined to be the three Operating Groups after consideration of the nature of the goodwill arising in the transaction and the level at which its performance can be monitored. This is at the Operating Group level as this shows the ability to leverage scale, to generate efficiencies across the Operating Group and to open new attractions based on the established principles in the existing estate.

Following this allocation, mandatory annual impairment testing was performed which required the estimation of discounted cash flows when calculating the value in use of assets as explained in note 4.3.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE PERIOD

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

2.1 PROFIT BEFORE TAX

Segmental information

An operating segment, as defined by IFRS 8 'Operating segments', is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group is managed through its three Operating Groups, which form the operating segments on which the information shown below is prepared. The Group determines and presents operating segments based on the information that is provided internally to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker, and the Board. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance.

	Midway Attractions £m	LEGOLAND Parks £m	Resort Theme Parks £m	Segment results £m	Other items ⁽³⁾ £m	Exceptional items ⁽⁴⁾ £m	Total £m
2020							
Visitor revenue	216	149	128	493	-	-	493
Accommodation revenue	-	62	38	100	-	-	100
Other revenue	12	17	3	32	4	-	36
Revenue⁽¹⁾	228	228	169	625	4	-	629
EBITDA⁽²⁾	(17)	(30)	-	(47)	(55)	(17)	(119)
Depreciation and amortisation	(129)	(65)	(62)	(256)	(13)	-	(269)
Impairment	-	-	-	-	-	(352)	(352)
Operating loss ⁽²⁾	(146)	(95)	(62)	(303)	(68)	(369)	(740)
2019							
Visitor revenue	75	37	9	121	-	-	121
Accommodation revenue	-	13	6	19	-	-	19
Other revenue	5	4	2	11	1	-	12
Revenue⁽¹⁾	80	54	17	151	1	-	152
EBITDA⁽²⁾	11	5	(13)	3	(11)	(61)	(69)
Depreciation and amortisation	(20)	(10)	(10)	(40)	(2)	-	(42)
Operating loss ⁽²⁾	(9)	(5)	(23)	(37)	(13)	(61)	(111)

⁽¹⁾ Revenue is disaggregated into the three categories described below.

⁽²⁾ Performance is measured based on segment EBITDA, as included in internal management reports. Segment operating loss is included for information purposes.

⁽³⁾ Other items include Merlin Magic Making, head office costs and various other costs, which cannot be directly attributed to the reportable segments.

⁽⁴⁾ Details of exceptional items are provided in note 2.2.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE PERIOD CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

2.1 PROFIT BEFORE TAX (CONTINUED)

Geographical areas

While each Operating Group is managed on a worldwide basis, part of our strategy is to diversify geographically across the four regions shown below. The information presented is based on the geographical locations of the visitor attractions concerned.

Geographical information

	Revenues 2020 £m	Non-current assets 2020 £m	Revenues 2019 £m	Non-current assets 2019 £m
United Kingdom	222	3,085	46	3,169
Continental Europe	169	1,403	16	1,418
North America	129	2,096	54	2,239
Asia Pacific	109	892	36	863
	629	7,476	152	7,689
Deferred tax (note 2.4)		158		60
Investments (note 6.1)		19		63
		7,653		7,812

Revenue

Revenue represents the amounts received (excluding VAT and similar taxes) in the areas set out below and which have been disaggregated in the segmental information presented above. When accounting for revenue, an assessment is made, considering the control principles of IFRS 15, as to whether parties involved in providing goods or services to a customer are acting as a principal (if they control delivery to the customer) or, if they are arranging for those goods or services to be provided by the other party, as an agent.

- Visitor revenue - represents admissions tickets, retail, food and beverage sales and other commercial offerings such as photos and games experiences inside an attraction. Tickets, annual passes and other services can be bought in advance, generally online, in which case these advanced revenues are held in deferred revenue until the visitor uses those tickets or services. Visitor revenue is therefore recognised when the visitor enters the attraction. Revenue from annual passes and other tickets that entitle a customer to continued visits over a period of time is deferred and then recognised over the period that the pass is valid. Retail and food and beverage revenue, along with other similar commercial offerings, is recognised at point of sale.
- Accommodation revenue - represents overnight stay and conference room revenue along with food and beverage revenue earned within our hotels and other accommodation offerings. Accommodation revenue is recognised at the time when a customer stays at the accommodation.
- Other revenue - represents sponsorship, function, management and service contract revenue along with other sundry items. Sponsorship revenue is recognised over the relevant contract term. Function revenue is recognised at the time of the event. From time to time, the Group also enters into contracts for attraction development, which is recognised as performance obligations under the contract are met. Service contract revenue in 2020 and 2019 is not material.

Cost of sales

Cost of sales of £159 million (2019: £41 million) represents variable expenses (excluding VAT and similar taxes) incurred from revenue generating activities. Retail inventory, food and beverage consumables and costs associated with the delivery of accommodation are the principal expenses included within this category.

Operating expenses

Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	2020	2019
Operations	11,509	2,680
Attraction management and central administration	2,090	301
	13,599	2,981

The increase in 2020 reflects the short period of account in 2019 in a period of the year when a large number of our attractions are closed over the winter season.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE PERIOD CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

2.1 PROFIT BEFORE TAX (CONTINUED)

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£m	£m
Wages and salaries	305	54
Social security costs	37	8
Other pension costs	11	2
Government support	(49)	-
	304	64

The Group has accessed government support measures in the geographies in which it operates, including employee furlough schemes. This funding meets the definition of a government grant and the income recognised in the period in relation to these schemes was £49 million, primarily in the UK, Australia, and Germany. The grants are recognised at fair value when the Group has reasonable assurance that it will comply with any conditions attached to the grant and that the grant will be received. The funding received is included within the cash flows from operating activities in the consolidated statement of cash flows.

Directors' remuneration

Directors' remuneration for the period was £0.2 million, being the remuneration of the highest paid Director (2019: £nil). There were no Company pension contributions payable.

Related party transactions with key management personnel

The remuneration of key management, comprising the members of the Executive Committee, was as follows:

	2020	2019
	£m	£m
Key management emoluments including social security costs	5.4	0.7
Contributions to money purchase pension schemes	0.2	-
	5.6	0.7

The 2019 comparative relates to remuneration paid for the period from the acquisition of the Merlin Entertainments Group on 4 November 2019 to the end of the period.

Auditor's remuneration

	2020	2019
	£m	£m
Audit of these financial statements	1.8	2.0
Audit of financial statements of subsidiaries	0.4	0.4
Other assurance services	0.1	0.3
Services relating to corporate finance transactions	0.2	0.2
	2.5	2.9

The 2019 audit fees above included services provided throughout 2019. This therefore included the audit of the consolidated financial statements of Merlin Entertainments Limited for the 52 weeks ended 28 December 2019, as well as the consolidated financial statements for Motion JVco Limited.

Other operating expenses

In addition to the employee furlough schemes noted above, governments worldwide introduced a number of other support measures that the Group accessed. These totalled £8 million and were offset against other operating expenses in the income statement. The largest of these, totalling £4 million, related to arrangements whereby the government funding provided support for an element of the fixed costs of the relevant business. The funding received is included within the cash flows from operating activities in the consolidated statement of cash flows.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE PERIOD CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

2.2 EXCEPTIONAL ITEMS

Accounting policy

Due to their nature, certain one-off and non-trading items can be classified separately as exceptional items in order to draw them to the attention of the reader. In the judgement of the Directors this presentation shows the underlying performance of the Group more accurately.

Exceptional items

The following items are exceptional and have been shown separately on the face of the consolidated income statement.

	2020	2019
	£m	£m
<i>Within staff expenses:</i>		
Productivity and efficiency activities ⁽¹⁾	14	-
Transaction costs ⁽²⁾	-	2
<i>Within other operating expenses:</i>		
Productivity and efficiency activities ⁽¹⁾	1	3
Transaction costs ⁽²⁾	2	56
Exceptional items included within EBITDA	17	61
<i>Within depreciation, amortisation and impairment:</i>		
Impairment of intangible assets ⁽³⁾	260	-
Impairment of property, plant and equipment and right-of-use assets ⁽⁴⁾	92	-
Exceptional items included within operating loss	369	61
<i>Within finance income and costs</i>		
Foreign exchange gain ⁽⁵⁾	-	(47)
Commitment fees ⁽⁶⁾	-	2
Exceptional items before income tax	369	16
Income tax credit on exceptional items above	(27)	(2)
Exceptional items for the period	342	14

⁽¹⁾ Certain one-off operational costs have been incurred in respect of productivity and efficiency related activities. They mainly relate to changes made to our organisational structures in attractions and support functions, primarily in response to the COVID-19 pandemic in 2020, together with the completion of long term productivity initiatives commenced in previous years. They are separately presented as they are not part of the Group's underlying operating expenses.

⁽²⁾ Transaction costs within staff expenses in 2019 represented bonus costs that were incurred in connection with the acquisition of the Merlin Group in November 2019. Within other operating expenses the costs primarily represent professional and advisor fees incurred in connection with the acquisition of the Merlin Group, certain of which became payable in 2020. They are separately presented as they are not part of the Group's underlying operating expenses.

⁽³⁾ Impairment charges have been made in the year of £260 million in respect of goodwill associated with the LEGOLAND Parks Operating Group. These reflect latest estimates at the end of the reporting period of the combined future performance of the attractions within that Operating Group, taking into account reviews of the market and economic conditions at those locations. Further details are set out in note 4.3. They are separately presented as ordinarily goodwill is not amortised and therefore these charges do not form part of the underlying result.

⁽⁴⁾ Impairment charges have been made in the year of £78 million in property, plant and equipment and £14 million in right-of-use assets, in respect of certain of the Group's attractions. The discounted cash flows that underpin our value in use calculations reflect our current business plans which have been updated for factors including the short term impact of COVID-19. In particular, this includes consideration of LEGOLAND New York where the opening has been delayed and where we are expecting shorter term headwinds, limiting our ability to launch the attraction and build momentum in an environment where social distancing may well be in operation and an uncertain economic environment will prevail. They are separately presented as they are not part of the Group's underlying depreciation charge.

⁽⁵⁾ Exceptional foreign exchange gains resulted from foreign exchange exposures on certain financing arrangements entered into as a result of the transaction in November 2019, until such foreign exchange exposures could be hedged. Ordinarily the Group's structure is set-up to minimise foreign exchange exposures and therefore there would not be similar exposures in the future that could result in such movements. They were therefore separately presented as they were not part of the Group's underlying finance costs.

⁽⁶⁾ Prior to completing the financing arrangements to conclude the Merlin acquisition, the Group incurred fees with lenders who had committed to making funds available. This charge was therefore separately presented as it was not part of the Group's underlying finance costs.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE PERIOD CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

2.3 FINANCE INCOME AND COSTS

Accounting policies**Income and costs**

Finance income comprises interest income from financial assets and investments, applicable foreign exchange gains and gains on hedging instruments that are recognised in the income statement. Finance costs comprise interest expense, finance charges on finance leases, applicable foreign exchange losses and losses on hedging instruments that are recognised in the income statement. Interest income and interest expense are recognised as they accrue, using the effective interest method.

Capitalisation of borrowing costs

Where assets take a substantial time to complete, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of those assets.

Finance income

	2020 £m	2019 £m
Underlying trading		
<i>In respect of assets not held at fair value</i>		
Interest income	4	-
Exceptional items		
Net foreign exchange gain (note 2.2)	-	47
	4	47

Finance costs

	2020 £m	2019 £m
Underlying trading		
<i>In respect of liabilities not held at fair value</i>		
Interest expense on lease liabilities	51	8
Interest expense on financial liabilities measured at amortised cost	167	21
Other interest expense	2	-
<i>Other</i>		
Net foreign exchange loss	6	1
	226	30
Exceptional items		
<i>In respect of liabilities not held at fair value</i>		
Commitment fees	-	2
	226	32

Capitalised borrowing costs amounted to £18 million (2019: £2 million) in the period, with a capitalisation rate of 4.4% (2019: 4.4%). Tax relief on capitalised borrowing costs amounted to £5 million (2019: £1 million) in the period.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE PERIOD CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

2.4 TAXATION

Accounting policies

The tax charge for the period is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax is the expected tax payable on taxable income, using tax rates substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised. This assessment is made after considering a number of factors, including the Group's future trading expectations.

Provisions for uncertain tax positions are recognised when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow of economic benefits to settle that obligation. Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions that we operate using management's estimate of the most likely outcome. A combination of in-house tax experts, previous experience and professional firms is used when assessing uncertain tax positions.

Recognised in the income statement

	2020 £m	2019 £m
<i>Current tax</i>		
Current period	(54)	(8)
Adjustment for prior periods	(13)	-
Total current income tax	(67)	(8)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(110)	(5)
Changes in tax rate	29	-
Adjustment for prior periods	(3)	-
Total deferred tax	(84)	(5)
Total tax credit in income statement	(151)	(13)

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE PERIOD CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

2.4 TAXATION (CONTINUED)

Reconciliation of effective tax rate

	2020 %	2020 £m	2019 %	2019 £m
Loss before tax		(962)		(96)
Income tax using the UK domestic corporation tax rate	19.0%	(183)	19.0%	(18)
Effect of tax rates in foreign jurisdictions		(31)		-
Non-deductible expenses		36		12
Income not subject to tax		(2)		(13)
Effect of changes in tax rate		29		-
Unrecognised temporary differences		16		6
Adjustment for prior periods		(16)		-
Total tax credit in income statement	15.7%	(151)	14.1%	(13)

The effective tax rate (ETR) reflects updates to the headline UK rate, including the effect on the measurement of deferred tax.

The difference between the reported ETR of 15.7% and the UK standard tax rate of 19.0% is largely due to the exceptional impairment of consolidated goodwill. Excluding exceptional items, the underlying ETR is 20.9% (2019: 14.6%). The difference between the underlying ETR and the UK standard rate is attributable to a number of factors including the Group's geographic mix of profits and the benefit derived from the Coronavirus Aid, Relief, and Economic Security (CARES) Act offset by the non-recognition of tax losses and the revaluation of deferred tax liabilities due to the change in the UK tax rate.

The Group has benefited from certain reliefs available in the CARES Act in the US. This allows operating losses generated in 2020 to be carried back five years. As the US corporate tax rate was higher in the earlier years the Group has obtained a permanent benefit from the carry back.

Significant factors impacting the Group's future ETR include the Group's geographic mix of profits and changes to local or international tax laws. Revisions to the allocation of taxing rights, as envisaged in the OECD's proposals in relation to Pillar One and Pillar Two could have a material impact on the Group's ETR.

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £73 million.

The impact of the European Commission's finding relating to the UK's Controlled Foreign Company rules is further detailed in note 6.4.

Recognised directly in equity through the statement of other comprehensive income

	2020 £m	2019 £m
Equity investments at FVOCI - net change in fair value	(7)	-
Remeasurement losses on defined benefit plans	(1)	(1)
Total tax credit in statement of other comprehensive income	(8)	(1)

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE PERIOD CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

2.4 TAXATION (CONTINUED)

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Property, plant and equipment	46	24	(197)	(191)	(151)	(167)
Right-of-use assets / lease liabilities	43	31	(83)	(66)	(40)	(35)
Other short term temporary differences	63	27	(2)	(17)	61	10
Intangible assets	23	-	(282)	(224)	(259)	(224)
Tax value of loss carry-forwards	68	3	-	-	68	3
Tax assets/(liabilities)	243	85	(564)	(498)	(321)	(413)
Set-off tax	(85)	(25)	85	25	-	-
Net tax assets/(liabilities)	158	60	(479)	(473)	(321)	(413)

Other short term temporary differences primarily relate to financial assets and liabilities and various accruals and prepayments.

Set-off tax is separately presented to show deferred tax assets and liabilities by category before the effect of offsetting these amounts in the statement of financial position where the Group has the right and intention to offset these amounts.

Movement in deferred tax during the current period

	29 December 2019 £m	Recognised in income £m	Recognised in other comprehensive income £m	Effect of movements in foreign exchange £m	26 December 2020 £m
Property, plant and equipment	(167)	16	-	-	(151)
Right-of-use assets / lease liabilities	(35)	(5)	-	-	(40)
Other short term temporary differences	10	51	-	-	61
Intangible assets	(224)	(35)	-	-	(259)
Tax value of loss carry-forwards	3	57	8	-	68
Net tax assets/(liabilities)	(413)	84	8	-	(321)

In 2020 movements recognised in the income statement were principally due to the exceptional impairment of assets held by overseas group companies, increases in losses recognised for deferred tax and the revaluation of deferred tax liabilities held by UK companies. As substantively enacted on 17 March 2020, the UK tax rate remained at 19% and did not change to 17% from 1 April 2020 as previously enacted on 6 September 2016.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE PERIOD CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

2.4 TAXATION (CONTINUED)

Movement in deferred tax during the previous period

	Acquisitions through business combinations (note 3.1) £m	Recognised in income £m	Recognised in other comprehensive income £m	Effect of movements in foreign exchange £m	28 December 2019 £m
Property, plant and equipment	(171)	3	-	1	(167)
Right-of-use assets / lease liabilities	(34)	(1)	-	-	(35)
Other short term temporary differences	6	3	1	-	10
Intangible assets	(224)	-	-	-	(224)
Tax value of loss carry-forwards	3	-	-	-	3
Net tax assets/(liabilities)	(420)	5	1	1	(413)

Unrecognised deferred tax assets

	2020 £m	2019 £m
Property, plant and equipment	2	5
Right-of-use assets / lease liabilities	23	19
Other short term temporary differences	42	18
Tax value of loss carry-forwards	85	66
Net unrecognised tax assets	152	108

The unrecognised deferred tax assets relating to loss carry-forwards include £5 million (2019: £2 million) expiring in 0-5 years and £20 million (2019: £9 million) expiring in 6-10 years. The remaining losses and other timing differences do not expire under current tax legislation.

The nature and location of the tax losses carried forward are such that there is currently no expectation that the majority of the losses will be utilised.

NOTES TO THE ACCOUNTS

SECTION 3

BUSINESS COMBINATIONS

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

3.1 BUSINESS COMBINATIONS

On 4 November 2019, the acquisition of Merlin Entertainments plc by Motion Acquisition Limited (a subsidiary of Motion JVco Limited) became effective. Motion Acquisition Limited acquired 100% of the issued share capital of Merlin Entertainments plc in exchange for cash consideration of £4,717 million, thereby obtaining control of Merlin. The Merlin acquisition and the raising of finance to effect the transaction were the only significant activities undertaken by the Group in the period. The consolidated financial statements for Merlin Entertainments Limited for the 52 weeks ended 28 December 2019, that included Merlin's continuing trading operations, reported revenue of £1,740 million, underlying EBITDA of £569 million and a profit for the year of £122 million.

When such a business combination takes place, it is accounted for by applying the purchase method. Any individually identifiable assets and contingent liabilities acquired are valued. These include the property, plant and equipment and any intangible assets which can be sold separately, or which arise from legal rights regardless of whether those rights are separable, with any remaining balance being assigned to goodwill.

A purchase price allocation exercise was therefore performed which allocated the purchase consideration to the individually identifiable assets, both tangible and intangible, and contingent liabilities acquired that existed at the time of the transaction. Depending on the nature of the assets, different valuation techniques were adopted to value each in turn, as set out below. Where the valuation processes required levels of judgement or involved estimation uncertainty, these are described in note 1.1.

The significant identifiable assets and liabilities acquired were as follows;

- **Property, plant and equipment (PPE)** – given the specialised nature of the PPE acquired, fair values were calculated on a depreciated replacement cost basis. The key estimates were the replacement cost, where industry specific indices were used to restate original historic cost; and depreciation, where the total and remaining economic useful lives were considered, together with the residual value of each asset. Residual values were based on industry specific indices. Freehold land was valued using a market approach.
- **Brands** – valuing acquired brands using the excess earnings method required consideration of the medium and longer term growth prospects of identified brands. Key assumptions in the valuation assessments related to the long term growth rates and discount rates used. The brands were valued at £1,316 million. An increase/decrease of 25 basis points in the discount rates would have decreased/increased this value by £52 million/£57 million. An increase/decrease of 25 basis points in the long term growth rate would have increased/decreased this value by £47 million/£45 million. As set out in more detail in note 4.2, the major brands acquired have been assessed as having indefinite useful lives.
- **Lease arrangements** – Merlin had entered into lease arrangements for a significant number of its attractions. These were valued using discount rates that are calculated on a lease by lease basis using rates based on estimates of incremental borrowing costs at the time of the acquisition. These depended on the territory of the relevant lease and hence the currency used, and the remaining lease term. IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option to extend the lease term, the Group therefore made a judgement as to whether it is reasonably certain that the option will be taken, taking into account the length of time remaining before the option is exercisable; current trading; future trading forecasts as to the ongoing profitability of the attraction; and the level and type of planned future capital investment. An increase/decrease of 50 basis points in the discount rates across the lease portfolio would have decreased/increased the lease liabilities recognised at acquisition by £71 million/£78 million. At acquisition the right-of-use assets and lease liabilities for those leases accounted for under IFRS 16 were aligned, except where it was assessed that the acquired historic lease commitments taken on were greater or lower than a market participant would expect to pay were equivalent leases being entered into at the time of the transaction. Where a current market rental was estimated to be higher than that currently paid by the acquired Group, there was an upward adjustment to the right-of-use asset, or vice-versa if the opposite applies.
- **Working capital** – these were generally valued at the levels they were accounted for within Merlin, with the exception of goods for resale. These were 'stepped-up' to a value that took into account an estimation of the level of future sales proceeds to be generated, less incremental costs to sell the inventory. Within working capital, the fair value of acquired trade receivables was £45 million. The gross contractual amounts receivable were £47 million, of which £2 million of contractual cash flows were not expected to be received.
- **Net debt** – the Group acquired two elements of external debt, being €700 million 2.75% unsecured senior notes due 2022 that had been issued by Merlin Entertainments Limited (which were subsequently repaid), and \$400 million 5.75% senior notes due 2026, also entered into by the Company's subsidiary Merlin Entertainments Limited, which remain outstanding at the reporting date (see note 5.2). The fair value of these instruments was determined by reference to externally benchmarked market values at the date of the transaction. The Group also acquired £165 million of cash and cash equivalents.

No significant contingent liabilities were acquired that were valued. Note 6.4 contains details of Merlin's maximum possible potential liability in respect of the announcement in April 2019 by the European Commission (EC) of its final decision that certain elements of the UK's Controlled Foreign Company rules partially represent State Aid.

The remaining balance was assigned to goodwill, reflecting the nature of the Merlin business as a global leader in location based, family entertainment. Goodwill represented the premium paid for purchasing an established business in a growing leisure market, well positioned with a unique portfolio of attractions and brands, multiple growth levers, and which has continued to make substantial investments expected to deliver sustainable long term returns. The goodwill on this transaction is not deductible for tax purposes.

As part of the transaction, certain acquisition and other costs were incurred. £56 million were incurred in 2019 in respect of advisory fees and other costs and these were expensed in the period within exceptional items (see note 2.2). £103 million of fees in connection with the issue of loans and borrowings are being amortised over the period of the relevant borrowings using the effective interest method.

NOTES TO THE ACCOUNTS

SECTION 3

BUSINESS COMBINATIONS CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

3.1 BUSINESS COMBINATIONS (CONTINUED)

This acquisition had the following effect on the Group's assets and liabilities:

	Fair values at acquisition £m
<i>Acquiree's net assets at the acquisition date:</i>	
Property, plant and equipment	2,372
Right-of-use assets	1,465
Brands	1,316
Other intangible assets	35
Investments	63
Inventories	89
Trade and other receivables	184
Cash and cash equivalents	165
Derivative assets and liabilities	4
Interest-bearing loans and borrowings	(979)
Lease liabilities	(1,341)
Trade and other payables	(511)
Provisions	(100)
Employee benefits	(5)
Current tax liabilities	(85)
Deferred tax assets and liabilities	(420)
Non-controlling interest	(4)
Net identifiable assets and liabilities	2,248
Goodwill	2,469
Consideration	4,717

Analysis of net cash outflow

	2019 £m
Cash acquired	(165)
Cash paid at acquisition	4,717
Net cash outflow	4,552

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS AND LIABILITIES

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

4.1 PROPERTY, PLANT AND EQUIPMENT

Accounting policies

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses.

Where components of an item of PPE have different useful lives, they are accounted for separately.

The initial cost of PPE includes all costs incurred in bringing the asset into use and includes external costs for the acquisition, construction and commissioning of the asset, internal project costs (primarily staff expenses) and capitalised borrowing costs.

Assets acquired through business combinations

At the time of a business combination PPE is separately recognised and valued. Given the specialised nature of the PPE acquired, fair values are calculated on a depreciated replacement cost basis. The key estimates are the replacement cost, where industry specific indices are used to restate original historic cost; and depreciation, where the total and remaining economic useful lives are considered, together with the residual value of each asset. The total estimated lives applied are consistent with those set out below. Residual values are based on industry specific indices. Freehold land is valued using a market approach.

New sites

Capital expenditure on new attractions includes all the costs of bringing the items of PPE within that attraction into use ready for the opening of the attraction. Pre-opening costs are only capitalised to the extent they are required to bring PPE into its working condition. Other pre-opening costs are expensed as incurred.

Existing sites

Subsequent expenditure on items of PPE in our existing estate can be broadly split into two categories:

- Capital expenditure which adds new items of PPE to an attraction or which extends the operational life, or enhances existing items, of PPE is accounted for as an addition to PPE. Examples of such expenditure include new rides or displays and enhancements to rides or displays, which increase the appeal of our attractions to visitors.
- Expenditure which is incurred to maintain the items of PPE in a safe and useable state and to maintain the useful life of items of PPE is charged to the income statement as incurred. Examples of such expenditure include regular servicing and maintenance of buildings, rides and displays and ongoing repairs to items of PPE.

Depreciation

Land is not depreciated. Assets under construction are not depreciated until they come into use, when they are transferred to buildings or plant and equipment as appropriate. Depreciation is then charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of PPE. Asset lives for plant and equipment vary depending on the nature of the asset, from short life assets such as IT assets, up to long term infrastructure assets. No residual values are typically considered.

The estimated useful lives are as follows:

Asset class	Depreciation policy
Freehold/long leasehold buildings	50 years
Leasehold buildings	20 – 50 years (dependent on life of lease)
Plant and equipment	5 – 30 years

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

4.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
<i>Cost</i>				
Acquisitions through business combinations (note 3.1)	1,226	838	308	2,372
Additions	2	5	100	107
Transfers	10	4	(14)	-
Effect of movements in foreign exchange	(11)	(5)	(4)	(20)
Balance at 28 December 2019	1,227	842	390	2,459
Additions	-	13	328	341
Disposals	-	(3)	(2)	(5)
Transfers	31	44	(75)	-
Effect of movements in foreign exchange	11	7	(13)	5
Balance at 26 December 2020	1,269	903	628	2,800
<i>Depreciation</i>				
Depreciation for the period	10	19	-	29
Balance at 28 December 2019	10	19	-	29
Depreciation for the period	55	129	-	184
Impairment	12	11	55	78
Disposals	-	(2)	-	(2)
Effect of movements in foreign exchange	-	(1)	-	(1)
Balance at 26 December 2020	77	156	55	288
<i>Carrying amounts</i>				
At 28 December 2019	1,217	823	390	2,430
At 26 December 2020	1,192	747	573	2,512

Depreciation is calculated in line with the policy stated previously.

During the period the Group reviews useful economic lives and tests PPE for impairment in accordance with the Group's accounting policy, as referred to in note 4.3. Impairment charges have been made in the year of £78 million (2019: £nil). The discounted cash flows that underpin our value in use calculations reflect our current business plans which have been updated for factors including the short term impact of COVID-19. In particular, this includes consideration of LEGOLAND New York where the opening has been delayed and where we are expecting shorter term headwinds, limiting our ability to launch the attraction and build momentum in an environment where social distancing may well be in operation and an uncertain economic environment will prevail.

Capital commitments

At the period end the Group had a number of outstanding capital commitments in respect of capital expenditure at its existing attractions (including accommodation), as well as for Midway attractions and LEGOLAND parks that are under construction. These commitments are expected to be settled within two financial years of the reporting date. These amount to £143 million (2019: £220 million) for which no provision has been made.

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

4.2 GOODWILL AND INTANGIBLE ASSETS

Accounting policies

Goodwill represents the difference between the cost of an acquisition and the fair value of the identifiable net assets acquired less any contingent liabilities assumed. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the joint venture.

Where they arise on acquisition, brands are valued using the excess earnings method. Currently all the significant brands acquired in connection with the acquisition of the Merlin Group in November 2019 are assessed as having indefinite useful economic lives. This assessment is based upon the strong historical performance of the brands over a number of economic cycles, the ability to roll out the brands, and the Directors' intentions regarding the future use of brands. The Directors feel this is a suitable policy for a brands business which invests in and maintains the brands, and foresees no technological developments or competitor actions which would put a finite life on the brands. The brands are tested annually for impairment. Other brands are amortised over a period of fifteen years.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets comprise software licences, sponsorship rights and other contract or relationship based intangible assets. They are amortised on a straight-line basis from the date they are available for use. They are stated at cost less accumulated amortisation and impairment losses.

The estimated useful lives of other intangible assets are as follows:

Asset class	Estimated useful life
Licences	Life of licence (up to 15 years)
Other intangible assets	Relevant contractual period (up to 30 years)

Goodwill and intangible assets

	Goodwill £m	Intangible assets		Total £m
		Brands £m	Other £m	
<i>Cost</i>				
Acquisitions through business combinations (note 3.1)	2,469	1,316	35	3,820
Additions	-	-	1	1
Effect of movements in foreign exchange	(20)	-	-	(20)
Balance at 28 December 2019	2,449	1,316	36	3,801
Additions	-	-	9	9
Effect of movements in foreign exchange	(10)	-	1	(9)
Balance at 26 December 2020	2,439	1,316	46	3,801
<i>Amortisation</i>				
Amortisation for the period	-	1	5	6
Impairment	260	-	-	260
Balance at 26 December 2020	260	1	5	266
<i>Carrying amounts</i>				
At 28 December 2019	2,449	1,316	36	3,801
At 26 December 2020	2,179	1,315	41	3,535

Intangible assets are tested for impairment in accordance with the Group's accounting policy, as referred to in note 4.3. Impairment charges have been made in the year of £260 million (2019: £nil), in respect of goodwill associated with the LEGOLAND Parks Operating Group. These reflect latest estimates at the end of the reporting period of the combined future performance of the attractions within that Operating Group, taking into account reviews of the market and economic conditions at those locations. Further details are set out in note 4.3.

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

4.2 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Goodwill

Goodwill is allocated to the Group's operating segments which represent the lowest level at which it is monitored and tested for impairment. It is denominated in the relevant local currencies and therefore the carrying value is subject to movements in foreign exchange rates.

	2020 £m	2019 £m
Midway Attractions	328	327
LEGOLAND Parks	1,740	2,015
Resort Theme Parks	111	107
	2,179	2,449

Brands

The Group has valued the following brands at the time of those brands being acquired.

	2020 £m	2019 £m
<i>Midway Attractions</i>		
Madame Tussauds	428	428
SEA LIFE	205	205
London Eye	213	213
Dungeons	92	92
Other	7	8
	945	946
<i>Resort Theme Parks</i>		
Gardaland Resort	171	171
Alton Towers Resort	92	92
THORPE PARK Resort	30	30
Heide Park Resort	31	31
Chessington World of Adventures Resort	28	28
Warwick Castle	18	18
	370	370
	1,315	1,316

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

4.3 IMPAIRMENT TESTING

Accounting policies

The carrying amounts of the Group's goodwill, intangible assets, PPE and right-of-use (ROU) assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists or if the asset has an indefinite life, the asset's recoverable amount is estimated.

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss whenever the carrying amount of those assets exceeds the recoverable amount. Impairment testing is performed first at the individual CGU level without goodwill, with any impairment loss recognised as required. Impairment testing for goodwill is then applied to the collection of CGUs to which the goodwill relates.

The level at which the assets concerned are reviewed varies as follows:

Asset	
Goodwill	Goodwill is reviewed at an Operating Group level, being the relevant grouping of cash-generating units (CGUs) at which the benefit of such goodwill arises. A CGU is the smallest identifiable group of assets that generates largely independent cash inflows, being the Group's individual attractions.
Brands	Brands are reviewed at an individual CGU level.
PPE	PPE is reviewed at an individual CGU level, being the Group's individual attractions.
ROU assets	ROU assets are reviewed at an individual CGU level, being the Group's individual attractions. In doing so, the associated lease liability is considered against the value of the ROU asset as a sale of a CGU would necessitate that a buyer takes on the lease liability.

For assets that are in continuing use but do not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the assets belong.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of goodwill, and then to reduce the carrying amount of other intangible assets and other assets on a pro rata basis.

Calculation of recoverable amount

In accordance with accounting standards the recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. To assess value in use, estimated future cash flows have been discounted to their present value using pre-tax discount rates, each appropriate to the Operating Group concerned. The Group's internally approved five year business plans, being the current year and four future years, are used as the basis for these calculations, with cash flows beyond the four year outlook period then extrapolated using long term growth rates.

The key assumptions and estimates used when calculating the net present value of future cash flows from the Group's businesses are as follows:

Estimate	
Future cash flows	Assumed to be equivalent to the operating cash flows of the businesses less the cash flows in respect of capital expenditure and repayments of lease liabilities. The Group uses EBITDA less an allocation of central costs, in line with other recharges which occur in the business, as a proxy for the operating cash flows of its attractions as they are not significantly impacted by movements in working capital.
Growth in EBITDA	EBITDA is forecast by an analysis of both projected revenues and costs. Visitor numbers and revenue projections are based on market analysis, including the total available market, historic trends, competition and site development activity, both in terms of capital expenditure on rides and attractions as well as marketing activity. Projections of operating costs are based on historical data, adjusted for variations in visitor numbers and planned expansion of site activities as well as general market conditions.
Timing and quantum of future capital and maintenance expenditure	Projections are based on the attractions' long term development plans, taking into account the capital investment necessary to maintain and sustain the performance of the attractions' assets.
Long term growth rate	A growth rate of 2.5% (2019: 2.5%) was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth.

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

4.3 IMPAIRMENT TESTING (CONTINUED)

Estimate

Discount rates to reflect the risks involved

Based on the estimated weighted average cost of capital of a 'market participant' within the main geographical regions where the Group operates, these are drawn from market data and businesses in similar sectors, and adjusted for asset specific risks. The key assumptions of the 'market participant' include the ratio of debt to equity financing, risk free rates and the medium term risks associated with equity investments. Net present values are calculated using pre-tax discount rates derived from this post-tax weighted average cost of capital.

When considering the impact of IFRS 16, there was insufficient observable market data to determine a market participant discount rate that included leases. Therefore the Group used discount rates and cash flows on an unadjusted pre-IFRS 16 basis, then adjusting for the market movement in lease discount rates since inception by adjusting for the difference in the carrying value and fair value of the lease liability.

	Pre-tax discount rates		Post-tax discount rates	
	2020	2019	2020	2019
Midway Attractions	8.8%	8.5%	7.4%	7.0%
LEGOLAND Parks	8.9%	8.6%	7.1%	6.9%
Resort Theme Parks	9.4%	9.1%	7.7%	7.4%

Sensitivity analysis

Impairment reviews are often sensitive to changes in key assumptions. Sensitivity analysis has therefore been performed on the calculated recoverable amounts considering incremental changes in the key assumptions.

Particular focus is given to material amounts where headroom is more limited. This solely relates to goodwill attributed to the LEGOLAND Parks Operating Group, where £260 million of impairment losses were made in the period, and the Resort Theme Parks Operating Group where the headroom is £64 million (2019: £71 million). The Midway Attractions Operating Group and the individual brands show considerable headroom and are not sensitive to even significant changes in any of the key assumptions.

Individual site assets could have different outcomes for their impairment reviews in future periods, though the only site with impairment triggers identified this year where this could be material to the Group would be LEGOLAND New York. While the current environment with COVID-19 places greater uncertainty over the short term trading performance of LEGOLAND New York with regard to consumer confidence, the wider economic environment, and the potential impact of social distancing measures, the Directors do not envisage these having an impact on the longer term prospects for the park, which would be the only factor that could give rise to material future impairment.

In undertaking sensitivity analysis consideration has been given to movements in forecast EBITDA, increases in discount rates and reductions in long term growth rates:

- At the reporting date the Directors consider that the forecasts used reflect the best estimate of future trading. It is noted, however, that the calculations are inherently sensitive to the level of growth as the business recovers from the impact of the COVID-19 pandemic. As set out in note 1.1, this can depend on a number of factors. These include when attractions can open, the level of any social distancing or other governmental restrictions, customer demand, people's ability to travel across borders, the pace and coverage of vaccine roll outs, and the wider economic trading environment. Other more normal factors such as weather patterns can also affect trading. While in the short term slower growth would be highly unlikely to affect valuations by a substantial amount, longer term shortfalls that affect the outlook for the fourth year of the plan (which drives the terminal value) would have a more significant impact.
- Discount rates have been derived from market data. As these rates are intended to be long term in nature they are expected to be reasonably stable in the short term, however market discount rates could increase in future.
- The long term growth rate, which is applied to the cash flows of the final year in the business plan, was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth.

LEGOLAND Parks (LLP)

- The impact of each 1% decrease in the estimated EBITDA levels used in the value in use calculations for LLP would be an incremental impairment charge against goodwill of £38 million.
- A pre-tax discount rate of 8.9% has been used to discount the forecast cash flows in these calculations. If the discount rate used in the value in use calculations had been 0.3% points higher (the amount by which this rate has moved between the 2019 and 2020 impairment testing) the Group would have recognised an incremental impairment charge against goodwill of £127 million.
- The impact of each 0.1% point decrease in the long term growth rate of 2.5% used in the value in use calculations for LLP would be an incremental impairment charge against goodwill of £35 million.

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

4.3 IMPAIRMENT TESTING (CONTINUED)

Resort Theme Parks (RTP)

- If EBITDA for RTP as a whole was forecast to be 4% lower than currently anticipated for 2025, headroom would be absorbed in full.
- If the discount rate used across RTP had been higher by a factor of 5% to 9.8%, headroom would have been absorbed in full.
- If circumstances caused the long term growth rate to lower from 2.5% to 1.9%, headroom would be absorbed in full.

4.4 WORKING CAPITAL

Accounting policies

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is measured using the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. In a business combination the goods for resale held by the acquired Group are 'stepped-up' to a value that takes into account an estimation of the level of future sales proceeds to be generated by the acquiring Group, less incremental costs to sell the inventory.

Trade and other receivables

Trade and other receivables are recognised and carried at the original invoice amount less a loss allowance calculated using the simplified expected credit loss (ECL) model approach. Trade receivables are written off when there is no reasonable expectation of recovery. Other receivables are stated at their amortised cost less any impairment losses. Estimated ECLs are calculated using both actual credit loss experience and forward looking projections.

Inventories

	2020	2019
	£m	£m
Maintenance inventory	13	14
Goods for resale	41	67
	54	81

Trade and other receivables

	Current assets		Non-current assets	
	2020	2019	2020	2019
	£m	£m	£m	£m
Trade receivables	20	37	-	-
Other receivables	38	42	5	2
Prepayments and contract assets	26	45	10	10
	84	124	15	12

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

4.4 WORKING CAPITAL (CONTINUED)

Ageing of trade receivables

The ageing analysis of trade receivables, net of allowance for non-recoverable amounts, is as follows:

	2020 £m	2019 £m
Neither past due nor impaired	11	20
Up to 30 days overdue	2	5
Between 30 and 60 days overdue	1	4
Between 60 and 90 days overdue	1	2
Over 90 days overdue	5	6
	20	37

Information about the Group's exposure to credit risk is included in note 5.3.

Trade and other payables

	Current liabilities		Non-current liabilities	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade payables	111	73	-	-
Accruals	155	176	-	-
Deferred income	189	183	-	-
Other payables	20	23	24	24
	475	455	24	24

Accruals

Accruals comprise balances in relation to both operating and capital costs incurred at the reporting date but for which an invoice has not been received and payment has not yet been made.

Deferred income

Deferred income comprises revenues received or invoiced at the reporting date which relate to future periods. The main components of deferred income relate to advanced ticket revenues in respect of online bookings and annual pass purchases; pre-booked accommodation; and certain sponsorship and similar arrangements. In 2020, at period end exchange rates, this also includes £54 million (2019: £52 million) received in respect of the development of LEGOLAND Korea, which is described further in note 6.3.

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

4.5 PROVISIONS

Accounting policy

Provisions are recognised when the Group has legal or constructive obligations as a result of past events and it is probable that expenditure will be required to settle those obligations. They are measured at the Directors' best estimates, after taking account of information available and different possible outcomes.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions

	Asset retirement provisions £m	Other £m	Total £m
Balance at 29 December 2019	79	18	97
Provisions made during the period	2	18	20
Utilised during the period	-	(11)	(11)
Unused amounts reversed	-	(4)	(4)
Unwinding of discount	2	-	2
Balance at 26 December 2020	83	21	104
2020			
Current	-	9	9
Non-current	83	12	95
	83	21	104
2019			
Current	-	5	5
Non-current	79	13	92
	79	18	97

Asset retirement provisions

Certain attractions operate on leasehold sites and these provisions relate to the anticipated costs of removing assets and restoring the sites concerned at the end of the lease term. These leases are typically of a duration of between 10 and 60 years.

They are established on inception and reviewed annually. The provisions are discounted back to present value with the discount then being unwound through the income statement as part of finance costs. The cost of establishing these provisions together with the impact of any changes in the discount rate is capitalised within the cost of the related asset.

Other

Other provisions largely relate to the estimated cost arising from open insurance claims, tax matters and legal issues.

There are no anticipated future events that would be expected to cause a material change in the timing or amount of outflows associated with the provisions.

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.1 NET DEBT

Analysis of net debt

Net debt is the total amount of cash and cash equivalents less interest-bearing loans and borrowings and lease liabilities. Cash and cash equivalents comprise cash balances, call deposits and other short term liquid investments such as money market funds which are subject to an insignificant risk of a change in value.

	29 December 2019 £m	Net cash flows ⁽¹⁾ £m	Non-cash movements ⁽²⁾ £m	Effect of movements in foreign exchange ⁽³⁾ £m	26 December 2020 £m
Cash and cash equivalents	176	122	-	8	306
Interest-bearing loans and borrowings	(3,195)	(246)	(199)	(37)	(3,677)
Lease liabilities	(1,321)	57	(89)	(11)	(1,364)
Net debt	(4,340)	(67)	(288)	(40)	(4,735)

⁽¹⁾ Net cash flows include the drawdown and repayment of loans and borrowings, interest paid relating to loans and borrowings and interest paid and capital repayments relating to leases.

⁽²⁾ Non-cash movements include the finance costs relating to loans and borrowings and leases from the income statement, together with lease additions and disposals.

⁽³⁾ A substantial proportion of the Group's net debt is denominated in non Sterling currencies.

5.2 INTEREST-BEARING LOANS AND BORROWINGS

Accounting policy

Interest-bearing loans and borrowings are initially recognised at fair value less attributable fees. These fees are then amortised through the income statement on an effective interest rate basis over the expected life of the loan (or over the contractual term where there is no clear indication that a shorter life is appropriate). If the Group's estimate of the expected life based on repayment subsequently changes, the resulting adjustment to the effective interest rate calculation is recognised as a gain or loss on re-measurement and presented separately in the income statement, in accordance with IFRS 9.

Interest-bearing loans and borrowings

	Current liabilities		Non-current liabilities		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
£400 million floating rate revolving credit facility due 2026	-	-	-	-	-	-
Floating rate bank facilities due 2026	-	-	2,259	2,095	2,259	2,095
€500 million fixed rate notes due 2025	-	-	443	-	443	-
\$400 million fixed rate notes due 2026	-	-	310	324	310	324
€370 million fixed rate notes due 2027	-	-	323	304	323	304
\$410 million fixed rate notes due 2027	-	-	292	302	292	302
Shareholder loan notes	-	151	-	-	-	151
Shareholder loans	15	-	-	-	15	-
Other loans	2	-	5	-	7	-
Interest payable	28	19	-	-	28	19
	45	170	3,632	3,025	3,677	3,195

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.2 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Interest-bearing loans and borrowings are initially recognised at fair value, net of transaction costs and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is amortised through the income statement over the period of the borrowings using the effective interest method. Fixed rate borrowings, which have been hedged to floating rates, are measured at amortised cost adjusted for changes in the value attributable to the hedged risk arising from the changes in underlying market interest rates.

At 26 December 2020, the Group's senior facilities are the following:

Senior secured debt

- €1,460 million and \$1,372 million drawn facilities to mature in November 2026 entered into by the Company's subsidiary Motion Finco S.à r.l. The margins on these facilities are dependent on the Group's adjusted leverage ratio and at 26 December 2020 were at a margin of 3.0% (2019: 3.0%) for EUR debt and 3.25% (2019: 3.25%) for USD debt over the floating interest rates when drawn. The relevant floating interest rate is USD LIBOR, which was 0.22% at 26 December 2020 (1.90% at 28 December 2019). No floating rate is added to the EUR debt while EURIBOR is negative.
- \$400 million 5.75% senior notes due 2026 entered into by the Company's subsidiary Merlin Entertainments Limited. These were issued prior to the acquisition and accordingly formed part of the liabilities acquired by the Group at the time of the Merlin acquisition (see note 3.1).
- €500 million of 7.0% senior secured notes due 2025 entered into by the Company's subsidiary Motion Finco S.à r.l.
- A £400 million revolving credit facility to mature in May 2026.

Other senior debt

- \$410 million 6.625% senior notes due 2027 and €370 million 4.5% senior notes due 2027 entered into by the Company's subsidiary Motion Bondco DAC.

In February 2020 the Group received \$173 million under a delayed draw down term facility and in April 2020 it completed the issue of a further €500 million of 7.0% senior secured notes due 2025.

The Group issued £156 million of 0% subordinated unsecured shareholder loan notes in 2019. These were initially recognised at fair value of £150 million with the difference treated as a capital contribution (see note 5.5). During 2020 the shareholder loans were repaid and the proceeds reinvested in a further issue of new ordinary and preference shares to the existing shareholders.

Shareholder loans of £15 million relate to funding from KIRKBI Invest A/S for the deferral of certain payments which is being repaid during 2021.

Other loans of £7 million have been taken out in respect of specific capital projects.

Covenants

A financial covenant existed from 30 September 2020 but is only required when the revolving credit facility is drawn by 40% or more (net of cash). The covenant requires the Group to maintain adjusted consolidated senior secured leverage below 10x. As the Group had £nil drawn from the facility at 26 December 2020 performance against the covenant is not required.

The Group is also required to comply with certain non-financial covenants in these bank facilities and notes and these requirements were satisfied throughout the period.

5.3 FINANCIAL RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the Group would not have sufficient funds to meet its financial obligations as they fall due. The Group's Treasury department produces short term and long term cash forecasts to identify liquidity requirements and headroom, which are reviewed by the Group's Chief Financial Officer. Surplus cash is actively managed across Group bank accounts to cover local shortfalls or invested in bank deposits or other short term liquid investments such as money market funds. In some countries bank cash pooling arrangements are in place to optimise the use of cash. As at 26 December 2020 the Group had £306 million of cash and cash equivalents (2019: £176 million) and access to a £400 million revolving credit facility, of which £nil was drawn down (2019: £nil), in order to meet its obligations and commitments that will fall due.

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table sets out the contractual maturities of financial liabilities, including interest payments. This analysis assumes that interest rates prevailing at the reporting date remain constant.

	0 to <1 year £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m	Contractual cash flows £m
2020					
Floating rate bank facilities due 2026	(86)	(86)	(253)	(2,382)	(2,807)
€500 million fixed rate notes due 2025	(26)	(26)	(434)	-	(486)
\$400 million fixed rate notes due 2026	(17)	(17)	(52)	(304)	(390)
€370 million fixed rate notes due 2027	(15)	(15)	(46)	(363)	(439)
\$410 million fixed rate notes due 2027	(20)	(20)	(61)	(344)	(445)
Shareholder loans	(15)	-	-	-	(15)
Other loans	(4)	(2)	(1)	-	(7)
Lease liabilities	(128)	(101)	(291)	(1,519)	(2,039)
Trade payables	(111)	-	-	-	(111)
	(422)	(267)	(1,138)	(4,912)	(6,739)
2019					
Floating rate bank facilities due 2026	(86)	(86)	(259)	(2,345)	(2,776)
\$400 million fixed rate notes due 2026	(18)	(18)	(54)	(332)	(422)
€370 million fixed rate notes due 2027	(15)	(15)	(43)	(359)	(432)
\$410 million fixed rate notes due 2027	(22)	(21)	(63)	(376)	(482)
Shareholder loan notes	(156)	-	-	-	(156)
Lease liabilities	(98)	(101)	(267)	(1,573)	(2,039)
Trade payables	(73)	-	-	-	(73)
	(468)	(241)	(686)	(4,985)	(6,380)

Interest rate risk

The Group is exposed to interest rate risk on both interest-bearing assets and liabilities. The Group has a policy of actively managing its interest rate risk exposure using a combination of fixed rate debt and interest rate swaps.

At 26 December 2020 the Group had £1,379 million of fixed rate debt comprising:

- €500 million of 7.0% notes to mature in 2025;
- \$400 million of 5.75% notes to mature in 2026;
- €370 million 4.5% notes to mature in 2027; and
- \$410 million 6.625% notes to mature in 2027.

In aggregate 37% (2019: 30%) of the period end interest-bearing loans and borrowings is at a fixed rate for a weighted average period of 6 years (2019: 7 years). To achieve the desired balance of fixed and floating interest rates across currencies, the Group uses both floating to fixed interest rate swaps (which are part of cash flow hedging relationships) and fixed to floating interest rate swaps (which are part of fair value hedging relationships).

Interest rate swaps are recognised at fair value which is determined by reference to market rates. The fair value is the estimated amount that the Group would receive or pay to exit the swap, taking into account current interest rates, credit risks and bid/ask spreads. Following initial recognition, changes in fair value are recognised immediately in profit or loss, except where the Group adopts hedge accounting.

When hedge accounting, the Group formally documents the relationship between the hedging instruments and hedged items. It makes an assessment, at inception and on an ongoing basis, as to whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the life of the hedge.

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in fair value is recognised immediately in profit or loss. Cumulative gains and losses would remain in equity until either the hedged transaction is no longer expected to occur, or until the hedged transaction occurs, at which point they will be reclassified to profit or loss.

Changes in the fair value of interest rate swaps that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the fair value adjustment to the carrying value of the hedged item arising from the hedged risk is amortised to profit and loss from that date.

At 26 December 2020 the Group had no fair value interest rates swaps (2019: nil).

Sensitivity analysis

Based on the net debt position as at 26 December 2020 a 100 basis points rise in market interest rates would result in an increase in net interest paid of £20 million (2019: £20 million) and a 100 basis points fall in market interest rates would result in an increase in net interest paid of £1 million (2019: decrease of £8 million). This has been calculated by applying the interest rate change to the Group's variable rate cash, borrowings and derivatives.

Foreign currency risk

As the Group operates internationally the performance of the business is sensitive to movements in foreign exchange rates. The Group's potential currency exposures comprise transaction and translation exposures. The Group ensures that its net exposure to foreign currency balances is kept to a minimal level by using foreign currency swaps to exchange balances back into Sterling or by buying and selling foreign currencies at spot rates when necessary. The fair value of foreign exchange contracts is the present value of future cash flows and is determined by reference to market rates.

At 26 December 2020 the fair value of foreign currency swap assets was £4 million (2019: £2 million) and of foreign currency swap liabilities was £1 million (2019: £2 million), none of which are hedge accounted.

Transaction exposures

The revenue and costs of the Group's operations are denominated primarily in the currencies of the relevant local territories. Any significant cross-border trading exposures would be hedged by the use of forward foreign exchange contracts.

Translation exposures

The Group's results, as presented in Sterling, are subject to fluctuations as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but, where material, may carry out net asset hedging by borrowing in the same currencies as the currencies of its operating units or by using forward foreign exchange contracts. The Group's debt (excluding lease liabilities) is therefore denominated in Euros, US Dollars and Sterling and at 26 December 2020 consisted of €2,330 million and \$2,182 million and there are forward foreign exchange contracts in place in respect of JPY 15,835 million.

Gains or losses arise on the retranslation of the net assets of foreign operations at different reporting dates and are recognised within the consolidated statement of comprehensive income. They will predominantly relate to the retranslation of opening net assets at closing foreign exchange rates, together with the retranslation of retained foreign profits for the period (that have been accounted for in the consolidated income statement at average rates) at closing rates. Exchange rates for major currencies are set out below.

Gains or losses also arise on the retranslation of foreign currency denominated borrowings designated as effective net investment hedges of overseas net assets. These are offset in equity by corresponding gains or losses arising on the retranslation of the related hedged foreign currency net assets. The Group also treats specific intercompany loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. In the event of a foreign entity being sold or a hedging item being extinguished, such exchange differences would be recognised in the income statement as part of the gain or loss on sale.

The following exchange rates have been used in the translation of the results of foreign operations:

	Weighted average rate for 2019	Closing rate for 2019	Weighted average rate for 2020	Closing rate for 2020
US Dollar	1.29	1.31	1.29	1.36
Euro	1.17	1.17	1.11	1.11

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Sterling equivalents of financial assets and liabilities denominated in foreign currencies were:

	Carrying value				Total £m
	Sterling £m	Euro £m	US Dollar £m	Other £m	
2020					
Cash and cash equivalents	240	9	17	40	306
Floating rate bank facilities due 2026	9	(1,283)	(985)	-	(2,259)
€500 million fixed rate notes due 2025	-	(443)	-	-	(443)
\$400 million fixed rate notes due 2026	-	-	(310)	-	(310)
€370 million fixed rate notes due 2027	-	(323)	-	-	(323)
\$410 million fixed rate notes due 2027	-	-	(292)	-	(292)
Shareholder loans	-	(15)	-	-	(15)
Other loans	-	(7)	-	-	(7)
Lease liabilities	(824)	(189)	(83)	(268)	(1,364)
	(575)	(2,251)	(1,653)	(228)	(4,707)
2019					
Cash and cash equivalents	59	14	17	86	176
Floating rate bank facilities due 2026	10	(1,211)	(894)	-	(2,095)
\$400 million fixed rate notes due 2026	-	-	(324)	-	(324)
€370 million fixed rate notes due 2027	-	(304)	-	-	(304)
\$410 million fixed rate notes due 2027	-	-	(302)	-	(302)
Shareholder loan notes	(151)	-	-	-	(151)
Lease liabilities	(804)	(174)	(87)	(256)	(1,321)
	(886)	(1,675)	(1,590)	(170)	(4,321)

Sensitivity analysis on foreign currency risk

A 10% strengthening of all currencies against Sterling would increase net debt by £370 million (2019: £313 million). As described above, gains or losses in the income statement and equity are offset by the retranslation of the related foreign currency net assets or specific intercompany loan balances.

A 10% strengthening of all currencies against Sterling would reduce the fair value of foreign exchange contracts and result in a charge to the income statement of £21 million (2019: £9 million).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is limited to the carrying value of the Group's monetary assets. The Group has limited credit risk with its customers, the vast majority of whom pay in advance or at the time of their visit. There are credit policies in place with regard to its trade receivables with credit evaluations performed on customers requiring credit over a certain amount.

The Group manages credit exposures in connection with financing and treasury activities including exposures arising from bank deposits, cash held at banks and derivative transactions, by appraisal, formal approval and ongoing monitoring of the credit position of counterparties. Counterparty exposures are measured against a formal transaction limit appropriate to that counterparty's credit position.

The Group robustly appraises investments before they are made to ensure the associated credit risk is acceptable. Performance of investments are closely monitored, in some cases through Board participation, to ensure returns are in line with expectations and credit risk remains acceptable. There were no overdue amounts in respect of investments and no impairments have been recorded (2019: £nil).

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values

Fair value hierarchy

The Group analyses financial instruments in the following ways:

- Level 1: uses unadjusted quoted prices in active markets.
- Level 2: uses inputs that are derived directly or indirectly from observable prices (other than quoted prices).
- Level 3: uses inputs that are not based on observable market data.

Fair value versus carrying amounts

The fair values of financial assets and liabilities are presented in the table below, together with the carrying amounts shown in the statement of financial position. Short term receivables, payables and cash and cash equivalents have been excluded from the following disclosures on the basis that their carrying amount is a reasonable approximation to fair value.

	Fair value hierarchy	2020		2019	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
<i>Held at amortised cost</i>					
Floating rate bank facilities due 2026	Level 2	(2,259)	(2,224)	(2,095)	(2,197)
€500 million fixed rate notes due 2025	Level 1	(443)	(476)	-	-
\$400 million fixed rate notes due 2026	Level 1	(310)	(309)	(324)	(336)
€370 million fixed rate notes due 2027	Level 1	(323)	(325)	(304)	(333)
\$410 million fixed rate notes due 2027	Level 1	(292)	(310)	(302)	(332)
Shareholder loan notes	Level 3	-	-	(151)	(151)
Shareholder loans	Level 3	(15)	(15)	-	-
Other loans	Level 3	(7)	(7)	-	-
Lease liabilities	Level 3	(1,364)	(1,375)	(1,321)	(1,332)
<i>Held at fair value</i>					
Derivative financial instruments	Level 2	3	3	-	-
Investments	Level 3	19	19	63	63
		(4,991)	(5,019)	(4,434)	(4,618)

The fair values shown above for the bank facilities and fixed rate notes have been calculated using market values. The fair value of leases are determined by reference to similar lease agreements. There is no difference between the carrying value and the fair value of investments that are estimated by reference to EBITDA multiples or discounted cash flows.

There have been no transfers between levels in 2020 or 2019.

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.4 LEASE OBLIGATIONS

Accounting policy

Where a contract provides the right to control the use of an asset for a period of time in exchange for consideration, the contract is accounted for as a lease. In order for lease accounting to apply, an assessment is made at the inception of the contract that considers whether;

- the Group has the use of an identified asset, which entitles it to the right to obtain substantially all of the economic benefits that arise from the use of the asset, and;
- the right to direct the use of the asset, either through the right to operate the asset or by predetermining how the asset is used.

Measurement at lease inception

At the lease commencement date the Group, as the lessee, will recognise;

- a lease liability representing its obligation to make lease payments, and;
- an asset representing its right to use the underlying leased asset (ROU asset).

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease, or if not available an incremental borrowing rate. Future lease payments will include fixed payments, variable lease payments that depend on an index or rate (initially measured at the rate at the commencement date) and amounts expected to be payable by the lessee under residual value guarantees.

The ROU asset is initially measured at cost, which comprises the amount initially recognised as the lease liability, lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred, and the estimated costs to be incurred at the end of the lease to restore the site to the required condition stipulated in the lease.

In a business combination the ROU assets and lease liabilities for those leases accounted for under IFRS 16 are aligned, except where it is assessed that the cost of the acquired historic lease commitments taken on are greater or lower than a market participant would expect to pay were equivalent leases being entered into at the time of the transaction. Where a current market rental is estimated to be higher than that currently paid by the acquired Group, there is an upward adjustment to the right-of-use asset, or vice-versa if the opposite applies.

On inception of a lease for a new site, where required, the estimated cost of decommissioning any additions is included within ROU assets and depreciated over the lease term. A corresponding provision is set up as disclosed in note 4.5.

Depreciation (and any subsequent impairment) on the ROU asset, interest on the lease liability and any variable lease payments are all recognised in the income statement.

Ongoing measurement

The lease liability is adjusted for interest on the liability, adjustments to the lease payments and any reassessment of the lease as a result of a contract modification.

After the commencement date the Group measures the ROU asset using a cost model, reducing the cost through depreciation and any impairment losses. Adjustments will be made to the ROU asset to reflect the changes in the lease liability as a result of changes to lease payments or modifications to the lease.

Short term and low-value leases

The Group has taken the recognition exemptions for short term leases and leases of low-value items. Leases which fall within the Group's defined parameters for these exemptions are excluded from the IFRS 16 lease accounting requirements and are accounted for on a straight-line basis over the lease term.

Rent reductions and deferrals

In response to the COVID-19 pandemic, the International Accounting Standards Board issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. As a lessee we have applied the practical expedient and are not required to assess whether eligible rent concessions are lease modifications. Accordingly, where the Group has agreed concessions in the form of a one-off reduction in rent, they have been accounted for as a variable lease payment and have been recognised in profit or loss.

Lease arrangements

The Group's most significant lease arrangements relate to a sale and leaseback transaction undertaken by the Merlin Group during 2007, involving the PPE of certain attractions within the Midway Attractions and Resort Theme Parks Operating Groups. Each of these sale and leaseback agreements runs for a period of 35 years from inception and allows for annual rent increases based on the inflationary index in the United Kingdom and fixed increases in Continental Europe. The Group has the option, but is not contractually required, to extend each of the lease agreements individually for two further terms of 35 years, subject to an adjustment to market rates at that time.

LEGOLAND Japan was opened during 2017. The park was developed under the Merlin Group's 'operated and leased' model whereby a local operating company leases the site and park infrastructure from a development partner. The development partners are related parties, being KIRKBI Invest A/S and LLJ Investco K.K, a subsidiary of KIRKBI Invest A/S (note 6.3). KIRKBI Invest A/S holds KIRKBI's investment as a shareholder of the Group. The lease is for a period of 50 years.

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.4 LEASE OBLIGATIONS (CONTINUED)

The Group also enters into leases for sites within the Midway Attractions Operating Group and central areas. These are typically of a duration between 10 and 60 years, with rent increases determined based on local market practice. In addition to a fixed rental element, rents within the Midway Attractions Operating Group can also contain a performance related element, typically based on turnover at the site concerned. Options to renew leases exist at these sites in line with local market practice in the territories concerned.

The key contractual terms in relation to each lease are considered when calculating the rental charge over the lease term. The potential impact on rent charges of future performance or increases based on inflationary indices are each excluded from these calculations.

There are no significant operating restrictions placed on the Group as a result of its lease arrangements.

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Total £m
<i>Cost</i>			
Acquisitions through business combinations (note 3.1)	1,353	112	1,465
Additions	1	-	1
Effect of movements in foreign exchange	(6)	(1)	(7)
Balance at 28 December 2019	1,348	111	1,459
Additions	49	1	50
Movements in asset retirement provisions (note 4.5)	2	-	2
Disposals	(2)	-	(2)
Effect of movements in foreign exchange	8	2	10
Balance at 26 December 2020	1,405	114	1,519
<i>Depreciation</i>			
Depreciation for the period	12	1	13
Balance at 28 December 2019	12	1	13
Depreciation for the period	74	5	79
Impairment	14	-	14
Effect of movements in foreign exchange	(1)	-	(1)
Balance at 26 December 2020	99	6	105
<i>Carrying amounts</i>			
At 28 December 2019	1,336	110	1,446
At 26 December 2020	1,306	108	1,414

During the period the Group reviews useful economic lives and tests ROU assets for impairment in accordance with the Group's accounting policy, as referred to in note 4.3. Impairment charges have been made in the period of £14 million (2019: £nil), primarily in respect of certain of the Group's Midway attractions, arising from a review of market and economic conditions at those locations.

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.4 LEASE OBLIGATIONS (CONTINUED)

Lease liabilities

	2020 £m	2019 £m
Current	79	47
Non-current	1,285	1,274
	1,364	1,321

The maturity analysis of lease liabilities is disclosed within note 5.3. The cash outflow for leases is disclosed within note 5.1.

Amounts recognised in the income statement

	2020 £m	2019 £m
Expense relating to variable lease payments	6	2
Depreciation expense of right-of-use assets	79	13
Interest expense on lease liabilities	51	8
	136	23

5.5 EQUITY AND CAPITAL MANAGEMENT

Capital management

The capital structure of the Group consists of debt and equity. The Group's objective when managing capital is to maintain a strong capital base so as to ensure shareholder and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimise the capital structure to reduce the cost of capital. There are no externally imposed capital requirements on the Group.

To enable the Group to meet its objective, the Directors monitor returns on capital through constant review of earnings generated from the Group's capital investment programme and through regular budgeting and planning processes, manage capital in a manner so as to ensure that sufficient funds for capital investment and working capital are available, and ensure that the requirements of the Group's debt covenants are met.

Share capital and reserves

Share capital

	2020 Number	2020 £m	2019 Number	2019 £m
<i>Ordinary shares of £0.01 each</i>				
At beginning of period	25,802,236	-	-	-
Incorporation	-	-	100	-
Shares issued	2,957,123	-	25,802,136	-
	28,759,359	-	25,802,236	-
<i>Preference shares of £0.01 each</i>				
At beginning of period	2,554,382,037	26	-	-
Incorporation	-	-	-	-
Shares issued	292,755,102	3	2,554,382,037	26
	2,847,137,139	29	2,554,382,037	26
On issue and fully paid at end of period	2,875,896,498	29	2,580,184,273	26

NOTES TO THE ACCOUNTS

SECTION 5

CAPITAL STRUCTURE
AND FINANCING CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

5.5 EQUITY AND CAPITAL MANAGEMENT (CONTINUED)

Issue of shares

The nominal value of shares in issue is shown in share capital, with any additional consideration for those shares shown in share premium.

Ordinary shares

During 2020 the Company issued 2,957,123 ordinary shares at a nominal value of one pence each, for consideration of £13 million, for general corporate purposes.

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

Each ordinary share entitles the holder of that ordinary share to receive notice of and to attend and to speak and to vote at general meetings of the Company (on the basis of one vote per ordinary share), or on any resolution proposed to members as a written resolution. Each ordinary share in the capital of the Company ranks equally in all respects and no shareholder holds shares carrying special rights relating to the control of the Company.

Preference shares

During 2020 the Company issued 292,755,102 6% fixed cumulative preference shares at a nominal value of one pence each for a consideration of £293 million. In accordance with the accounting policy as set out in note 1.1, these have been classed as equity.

The preference shares earn a fixed, cumulative, preferential dividend at the rate of 6% per annum on the issue price of the preference shares, which accrues (but is not payable) on each preference share on a daily basis from the date of issue of the relevant preference share, and ends on the day preceding the redemption date, compounding annually on each anniversary of the compounding date.

The preference shares rank ahead of the ordinary shares for all purposes and no dividend, distribution, return of capital and/or reduction of capital is paid on the ordinary shares until the preference shares have been redeemed in full.

Each preference share entitles the holder of that preference share to receive notice of and to attend and to speak and to vote at general meetings of the Company (on the basis of one vote per preference share), or on any resolution proposed to members as a written resolution.

Capital reserve

During 2019, the Group issued £156 million 0% subordinated unsecured shareholder loan notes due 31 October 2020.

In accordance with the accounting policy as set out in note 1.1, these were classed as financial liabilities. Reflecting the off-market interest rate attached to these loan notes, these were initially recognised at fair value of £150 million with the difference treated as a capital contribution (see note 5.2).

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

The Directors of the Company have declared their intention not to pay a dividend for the period ended 26 December 2020 (2019: *£nil*).

Translation reserve

The translation reserve of £(70) million (2019: £(39) million) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reporting date foreign exchange rates by major currency are provided in note 5.3.

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.1 INVESTMENTS

Accounting policy

The Group holds investments in two forms.

Minority equity investments are accounted for as 'fair value through other comprehensive income' (FVOCI), having taken the election available under IFRS 9. This applies to the investments in IDR Resorts Sdn. Bhd., LL Developments and Big Bus Tours Group Holdings Limited.

Associates and joint ventures are those entities over whose activities the Group has joint control or significant influence, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised income and expenses on an equity accounted basis, from the date that joint control or influence commences until the date that it ceases.

	IDR Resorts £m	LL Developments £m	Big Bus Tours £m	LL Dubai Hotel £m	Total £m
Balance at 29 December 2019	8	3	40	12	63
Net change in fair value - included in OCI	(3)	-	(39)	-	(42)
Share of reserves in joint ventures	-	-	-	(1)	(1)
Effects of movement in foreign exchange	-	-	(1)	-	(1)
At 26 December 2020	5	3	-	11	19

Minority equity investments**IDR Resorts**

The Group has a minority equity investment in IDR Resorts Sdn. Bhd. (IDR). IDR and its subsidiaries are deemed to be related parties as together they own LEGOLAND Malaysia (see note 6.3).

LL Developments

The Group has a minority equity investment in LL Developments, the local company providing funding and infrastructure support to the development of LEGOLAND Korea (see note 6.3).

Big Bus Tours

The Group has an investment in Big Bus Tours Group Holdings Limited (BIG BUS), the leading global owner-operator of Hop On Hop Off City Tours, held substantially all in the form of loan notes. The investment is valued adopting a market-based approach (based on EBITDA multiples). The BIG BUS business is heavily reliant on international tourists visiting city centre locations, and therefore has been severely impacted by the COVID-19 pandemic. As a result, BIG BUS raised further funding and completed a capital restructuring exercise during the period whereby the priority of the Group's investment reduced compared to other investors. Accordingly a negative adjustment of £39 million to the fair value has been reflected in the year (2019: £nil). Should the business prove successful in its planned recovery, positive value adjustments could occur in the future.

The Group also holds a minority equity investment valued at £nil (2019: £nil).

Investments in associates and joint ventures**LL Dubai Hotel**

The Group holds a 40% equity interest in LL Dubai Hotel LLC, which is the company developing the hotel at LEGOLAND Dubai. The negative share of reserves reflects pre-opening costs for the hotel.

6.2 EMPLOYEE BENEFITS

Accounting policies**Defined contribution pension schemes**

In the case of defined contribution schemes, the Group pays fixed contributions into a separate fund on behalf of the employee and has no further obligations to them. The risks and rewards associated with this type of scheme are assumed by the members rather than the employer. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.2 EMPLOYEE BENEFITS (CONTINUED)**Defined benefit pension schemes**

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The Group's net obligation is calculated for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and offset by the fair value of any scheme assets. The calculation is performed by a qualified actuary using the projected unit credit method. All actuarial gains and losses are recognised in the period they occur directly in equity through other comprehensive income.

Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes and the total expense relating to those schemes in the current period was £11 million (2019: £2 million).

Defined benefit pension schemes

The principal scheme that the Group operates is a closed scheme for certain former UK employees of The Tussauds Group, which was acquired by the Merlin Group in 2007. The scheme entitles retired employees to receive an annual payment based on a percentage of final salary for each year of service that the employee provided. The pension schemes have not directly invested in any of the Group's own financial instruments or in properties or other assets used by the Group.

The most recent full actuarial valuation of the scheme was carried out as at 31 December 2018. As a result, it was agreed to pay annual deficit reduction contributions of £497,800, increasing at 3% per annum, payable monthly for a period of 4 years and 8 months from 1 January 2020 to 31 August 2024.

The Group expects £1 million in ongoing contributions to be paid to its defined benefit schemes in 2021. The weighted average duration of the defined benefit obligation at 26 December 2020 was 17 years (2019: 17 years).

The assets and liabilities of the schemes are:

	2020 £m	2019 £m
Equities	17	20
Corporate bonds and cash	13	10
Pooled investment funds (property)	5	5
Fair value of scheme assets	35	35
Present value of defined benefit obligations	(46)	(42)
Net pension liability	(11)	(7)

Movement in the net pension liability

	Present value of scheme assets £m	Present value of defined benefit obligations £m	Net pension liability £m
Acquisitions through business combinations (note 3.1)	32	(37)	(5)
Remeasurement loss	3	(5)	(2)
At 28 December 2019	35	(42)	(7)
Net interest	1	(1)	-
Benefits paid	(1)	1	-
Remeasurement loss	-	(4)	(4)
At 26 December 2020	35	(46)	(11)

The amount recognised in the income statement was £nil (2019: £nil). The amount recognised in the statement of other comprehensive income was a loss of £4 million (2019: a loss of £2 million).

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.2 EMPLOYEE BENEFITS (CONTINUED)**Actuarial assumptions**

Principal actuarial assumptions (expressed as weighted averages) at the period end were:

	2020	2019
Discount rate	1.5%	2.0%
Rate of price inflation	3.1%	2.9%

The scheme is closed to future accrual for active members and therefore there is no link to future salary increases.

Assumptions regarding future mortality are based on published statistics and mortality tables. For the Tussauds Group scheme the actuarial table used is S2PxA. The mortality assumption adopted predicts that a current 65 year old male would have a life expectancy to age 87 and a female would have a life expectancy to age 89.

6.3 RELATED PARTY TRANSACTIONS**Identity of related parties**

The Group has related party relationships with its shareholders (and their connected parties); key management personnel; joint ventures; and other co-investors.

The defined benefit pension scheme for certain former UK employees of The Tussauds Group is also a related party (see note 6.2).

All dealings with related parties are conducted on an arm's length basis.

Transactions with shareholders

Transactions entered into with shareholders (and connected parties), including the purchase and sale of goods, payment of fees, royalties and rent, and trading balances outstanding at 26 December 2020 and 28 December 2019 were as follows:

	Goods and services			
	Sales £m	Amount owed by related party £m	Purchases, royalties and rent £m	Amount owed to related party £m
2020				
KIRKBI Invest A/S	1	-	6	2
LEGO Group	-	1	40	3
LLJ Investco K.K.	-	-	6	2
	1	1	52	7
2019				
KIRKBI Invest A/S	-	-	1	2
LEGO Group	-	1	9	4
LLJ Investco K.K.	-	1	2	-
	-	2	12	6

Certain shareholders (or other parties related to those shareholders), are owners of elements of the Group's bank facilities as described in note 5.2. Balances outstanding at 26 December 2020 are; KIRKBI Invest A/S £470 million (2019: £460 million) and funds advised by parties related to Blackstone £32 million (2019: £18 million).

Interest is paid and accrued on the same terms as described in note 5.2.

Also included in interest-bearing loans and borrowings are shareholder loans of £15 million relating to funding from KIRKBI Invest A/S for the deferral of certain payments which are being repaid during 2021.

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.3 RELATED PARTY TRANSACTIONS (CONTINUED)

Included in deferred income is £10 million received from a KIRKBI Group company (LEGO Juris A/S) to support certain development activities being undertaken in future periods.

The Group leases land and buildings from KIRKBI Invest A/S (a shareholder). The term of this lease is 25 years, with 19 years remaining at the reporting date. The Group's obligations come in the form of fixed rental payments of less than £1 million per year in addition to turnover rent, service charges and ongoing repair obligations. The amount in the table above includes the rental payment incurred during the period. The total commitment relating to fixed rental payments is £5 million over the remaining lease term (2019: £5 million).

As set out in note 5.4 the Group has entered into a 50 year lease with LLJ Investco K.K (a subsidiary of KIRKBI Invest A/S). There are 46 years remaining at the reporting date. The Group's obligations come in the form of fixed rental payments of £6 million per year in addition to turnover rent and ongoing repair obligations under the terms of the lease. The amount in the table above represents the rental payment incurred during the period. The total commitment relating to fixed rental payments is £203 million over the remaining lease term (2019: £202 million).

The Group leases land and buildings from Koldingvej 2 Billund A/S (which has a 25% shareholding in the LEGO Group). The term of this lease is 29 years, with 21 years remaining at the reporting date. The total commitment is £5 million over the remaining lease term (2019: £5 million).

The Group has also entered into lease agreements with parties that are related parties of the Blackstone Investment Funds that are shareholders in the Company. The parties are Multi Corporation B.V. in relation to SEA LIFE and LEGOLAND Discovery Centre Istanbul, Network Rail Infrastructure Limited for an area associated with the London Eye site, Shopcore in relation to LEGOLAND Discovery Centre Chicago and NEC Group Ltd, relating to The Bear Grylls Adventure and LEGOLAND Discovery Centre attractions in Birmingham. In aggregate the total rent paid in 2020 was £1 million (2019: £nil for the period following the acquisition of the Group). Total commitments in respect of these leases are £20 million over the remaining lease term (2019: £16 million).

The Group also has lease agreements with CPPIB, who purchased the Trafford Centre in Manchester in December 2020, with whom we have leases relating to SEA LIFE and LEGOLAND Discovery Centre Manchester. In aggregate, the total rent paid in 2020 following this acquisition was £nil. Total commitments in respect of these leases are £6 million over the remaining lease terms.

Transactions with key management personnel

Key management of the Group, being the Directors of the Board, the members of the Merlin Executive Committee and their immediate relatives control nil% (2019: nil%) of the Company. The remuneration of key management is disclosed in note 2.1.

Transactions with other related parties**LEGOLAND Malaysia**

As part of the agreement for the development and operation of LEGOLAND Malaysia, the Group subscribed for share capital in IDR Resorts Sdn. Bhd. (IDR) which together with its subsidiaries owns the park (see note 6.1). On this basis, IDR and its subsidiaries are deemed to be related parties.

Transactions entered into, including the purchase and sale of goods, payment of fees and trading balances outstanding at 26 December 2020 and 28 December 2019, are as follows:

	2020 £m	2019 £m
Sales to related party	2	1
Amounts owed by related party	2	4

LEGOLAND Korea

The Group has a minority equity investment in and has entered into transactions with LL Developments, a Korean company which acts under the direction of the Gangwon Province and is providing funding and infrastructure support of KRW 80 billion to the development of LEGOLAND Korea, which the Group has committed to spend on costs associated with the project. All of these funds had been received by 26 December 2020 and are recorded within deferred income. Upon the opening of the park, the funding and infrastructure support will be accounted for as a capital grant and offset against the total project costs within property, plant and equipment. The conditions of the funding require that the Group completes the park's construction and operates the park for a period of time post-opening.

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.4 CONTINGENT LIABILITIES

In April 2019 the European Commission (EC) announced its final decision that certain elements of the UK's Controlled Foreign Company rules partially represent State Aid. The UK Government has made an annulment application against this decision. Separately, the Group has made its own application. If the applications are ultimately unsuccessful then this could result in an increase in the Group's future effective tax rate. The Group considers the maximum potential liability, not separately provided for and excluding interest, to be up to £36 million, depending on the basis of calculation. In February 2021, the Group received charging notices from HMRC for £28 million.

6.5 NEW STANDARDS AND INTERPRETATIONS

Amendments to IFRS 16 'COVID-19 - related rent concessions' was implemented in the year, the impact of which is covered in note 5.4.

The following amendments to standards and interpretations have been implemented in the year with no significant impact to the Group:

- Amendments to 'References to the Conceptual Framework in IFRS Standards'
- Amendments to IFRS 3 'Definition of a business'
- Amendments to IAS 1 and IAS 8 'Definition of material'
- Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform'

The IASB has also issued the following amendments to standards that will be effective for the Group as from 1 January 2021. The Group does not expect any significant impact on its consolidated financial statements from these amendments.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest rate benchmark reform – Phase 2'

6.6 ULTIMATE PARENT COMPANY INFORMATION

The largest group in which the results of the Company are consolidated is that headed by the Company, incorporated in the United Kingdom. No other group financial statements include the results of the Company.

The consolidated financial statements of the Company and its subsidiaries are available to the public and may be obtained from Link House, 25 West Street, Poole, Dorset BH15 1LD.

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS

The Group has the following investments in subsidiaries and joint ventures:

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2020	Ownership 2019
AAE Unit Trust	Australia ⁽¹⁾	-	100.0%	100.0%
AQDEV Pty Limited	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Illawarra Tree Topps Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Melbourne Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Living and Leisure Australia Limited	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Living and Leisure Australia Management Limited	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Living and Leisure Australia Trust	Australia ⁽¹⁾	-	100.0%	100.0%
Living and Leisure Finance Trust	Australia ⁽¹⁾	-	100.0%	100.0%
LLA Aquariums Pty Limited	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Melbourne Underwater World Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Melbourne Underwater World Trust	Australia ⁽¹⁾	-	100.0%	100.0%
ME LoanCo (Australia) Pty Limited	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (Australia) Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
MUW Holdings Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Northbank Development Trust	Australia ⁽¹⁾	-	100.0%	100.0%
Northbank Place (Vic) Pty Ltd	Australia ⁽²⁾	Ordinary	50.0%	50.0%
Oceanis Australia Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Oceanis Australia Unit Trust	Australia ⁽¹⁾	-	100.0%	100.0%
Oceanis Developments Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Oceanis Foundation Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Oceanis Holdings Limited	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Oceanis Korea Unit Trust	Australia ⁽¹⁾	-	100.0%	100.0%
Oceanis NB Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Oceanis Northbank Trust	Australia ⁽¹⁾	-	100.0%	100.0%
Oceanis Unit Trust	Australia ⁽¹⁾	-	100.0%	100.0%
Sydney Attractions Group Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Sydney Tower Observatory Pty Limited	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Sydney Wildlife World Pty Limited	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
The Otway Fly Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
The Otway Fly Unit Trust	Australia ⁽¹⁾	-	100.0%	100.0%
The Sydney Aquarium Company Pty Limited	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
Underwater World Sunshine Coast Pty Ltd	Australia ⁽¹⁾	Ordinary	100.0%	100.0%
US Fly Trust	Australia ⁽¹⁾	-	100.0%	100.0%
Madame Tussauds Austria GmbH	Austria ⁽³⁾	Ordinary	100.0%	100.0%
MT Austria Holdings GmbH	Austria ⁽³⁾	Ordinary	100.0%	100.0%
SEA LIFE Centre Belgium N.V.	Belgium ⁽⁴⁾	Ordinary	100.0%	100.0%
Christchurch Investment Company Limited	British Virgin Islands ⁽⁵⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (Canada) Inc	Canada ⁽⁶⁾	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Beijing) Company Limited	China ⁽⁷⁾	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Shanghai) Company Limited	China ⁽⁸⁾	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Wuhan) Company Limited	China ⁽⁹⁾	Ordinary	100.0%	100.0%

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2020	Ownership 2019
Merlin Entertainments Hong Kong Limited	China ⁽¹⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (Shanghai) Company Limited	China ⁽¹¹⁾	Ordinary	100.0%	100.0%
Merlin Exhibition (Chongqing) Company Limited	China ⁽¹²⁾	Ordinary	100.0%	100.0%
Merlin Exhibition (Shenyang) Company Limited	China ⁽¹³⁾	Ordinary	100.0%	100.0%
Merlin Indoor Children's Playground (Shanghai) Company Limited	China ⁽¹⁴⁾	Ordinary	100.0%	100.0%
Shanghai Chang Feng Oceanworld Co. Ltd	China ⁽¹⁵⁾	Ordinary	100.0%	100.0%
LEGOLAND ApS	Denmark ⁽¹⁶⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Denmark Holdings ApS	Denmark ⁽¹⁶⁾	Ordinary	100.0%	100.0%
SEA LIFE Helsinki Oy	Finland ⁽¹⁷⁾	Ordinary	100.0%	100.0%
SEA LIFE France SARL	France ⁽¹⁸⁾	Ordinary	100.0%	100.0%
Dungeon Deutschland GmbH	Germany ⁽¹⁹⁾	Ordinary	100.0%	100.0%
Heide-Park Soltau GmbH	Germany ⁽²⁰⁾	Ordinary	100.0%	100.0%
LEGOLAND Deutschland Freizeitpark GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
LEGOLAND Deutschland GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Deutschland GmbH	Germany ⁽¹⁹⁾	Ordinary	100.0%	100.0%
LEGOLAND Holidays Deutschland GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
LLD Share Beteiligungs GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
LLD Share GmbH & Co. KG	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
Madame Tussauds Deutschland GmbH	Germany ⁽¹⁹⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Deutschland GmbH	Germany ⁽¹⁹⁾	Ordinary	100.0%	100.0%
SEA LIFE Deutschland GmbH	Germany ⁽¹⁹⁾	Ordinary	100.0%	100.0%
SEA LIFE Konstanz GmbH	Germany ⁽¹⁹⁾	Ordinary	100.0%	100.0%
Tussauds Deutschland GmbH	Germany ⁽²⁰⁾	Ordinary	100.0%	100.0%
Tussauds Heide Metropole GmbH	Germany ⁽²⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments India Private Limited	India ⁽²²⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 1 Limited	Ireland ⁽²³⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 2 Limited	Ireland ⁽²³⁾	Ordinary	100.0%	100.0%
Motion Bondco Designated Activity Company	Ireland ⁽²⁴⁾	Ordinary	100.0%	100.0%
SEA LIFE Centre Bray Limited	Ireland ⁽²³⁾	Ordinary	100.0%	100.0%
Gardaland S.r.l.	Italy ⁽²⁵⁾	Ordinary	99.9%	99.9%
Gardaland Holidays S.r.l.	Italy ⁽²⁶⁾	Ordinary	99.9%	99.9%
Merlin Attractions Italy S.r.l.	Italy ⁽²⁵⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Italy S.r.l.	Italy ⁽²⁵⁾	Ordinary	100.0%	100.0%
Merlin Water Parks S.r.l.	Italy ⁽²⁵⁾	Ordinary	100.0%	100.0%
Ronchi del Garda S.p.A.	Italy ⁽²⁷⁾	Ordinary	^(a) 49.4%	^(a) 49.4%
Ronchi S.p.A.	Italy ⁽²⁵⁾	Ordinary	90.4%	90.4%
LEGOLAND Japan Limited	Japan ⁽²⁸⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (Japan) Limited	Japan ⁽²⁹⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Luxembourg 3 S.à r.l.	Luxembourg ⁽³⁰⁾	Ordinary	100.0%	100.0%
Merlin Lux Finco 1 S.à r.l.	Luxembourg ⁽³⁰⁾	Ordinary	100.0%	100.0%
Merlin Lux Finco 2 S.à r.l.	Luxembourg ⁽³⁰⁾	Ordinary	100.0%	100.0%
Motion Finco S.à r.l.	Luxembourg ⁽³¹⁾	Ordinary	100.0%	100.0%
Motion Finco 2 S.à r.l.	Luxembourg ⁽³¹⁾	Ordinary	100.0%	100.0%

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2020	Ownership 2019
LEGOLAND Malaysia Hotel Sdn. Bhd	Malaysia ⁽³²⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group (Malaysia) Sdn. Bhd	Malaysia ⁽³³⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Studios (Malaysia) Sdn. Bhd	Malaysia ⁽³⁴⁾	Ordinary	100.0%	100.0%
Amsterdam Dungeon B.V.	Netherlands ⁽³⁵⁾	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Scheveningen B.V.	Netherlands ⁽³⁶⁾	Ordinary	100.0%	100.0%
Madame Tussauds Amsterdam B.V.	Netherlands ⁽³⁷⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Holdings Nederland B.V.	Netherlands ⁽³⁵⁾	Ordinary	100.0%	100.0%
SEA LIFE Centre Scheveningen B.V.	Netherlands ⁽³⁸⁾	Ordinary	60.0%	60.0%
Auckland Aquarium Limited	New Zealand ⁽³⁹⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (New Zealand) Limited	New Zealand ⁽³⁹⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal ⁽⁴⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Singapore Pte. Ltd	Singapore ⁽⁴¹⁾	Ordinary	100.0%	100.0%
Busan Aquaria Twenty One Co. Ltd	South Korea ⁽⁴²⁾	Ordinary	100.0%	100.0%
LEGOLAND Korea LLC	South Korea ⁽⁴³⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Korea Company Limited	South Korea ⁽⁴²⁾	Ordinary	100.0%	100.0%
SLCS SEA LIFE Centre Spain S.A.	Spain ⁽⁴⁴⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (Thailand) Limited	Thailand ⁽⁴⁵⁾	Ordinary	100.0%	100.0%
Siam Ocean World Bangkok Co Ltd	Thailand ⁽⁴⁶⁾	Ordinary	100.0%	100.0%
Istanbul Sualti Dunyasi Turizm Ticaret A.S	Turkey ⁽⁴⁷⁾	Ordinary	100.0%	100.0%
Madame Tussauds Museum LLC	UAE ⁽⁴⁸⁾	-	^(b) 48.0%	^(b) 48.0%
Merlin Holdings Limited	UAE ⁽⁴⁹⁾	Ordinary	^(b) 1.0%	^(b) 1.0%
Alton Towers Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Alton Towers Resort Operations Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Charcoal CLG 1 Limited (<i>company limited by guarantee</i>)	UK ⁽⁵⁰⁾	-	100.0%	100.0%
Charcoal CLG 2 Limited (<i>company limited by guarantee</i>)	UK ⁽⁵⁰⁾	-	100.0%	100.0%
Charcoal Holdco Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Charcoal Midco 1 Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Charcoal Newco 1 Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Charcoal Newco 1a Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Chessington Hotel Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Chessington World of Adventures Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Chessington World of Adventures Operations Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Chessington Zoo Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
CWA PropCo Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
LEGOLAND US Holdings Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
LEGOLAND Windsor Park Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
London Aquarium (South Bank) Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
London Dungeon Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
London Eye Holdings Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
London Eye Management Services Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Madame Tussaud's Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Madame Tussauds Touring Exhibition Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2020	Ownership 2019
Merlin Attractions Operations Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Magic Making Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (Asia Pacific) Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (Blackpool) Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (Dungeons) Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (NBD) Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE) Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Crown (UK) Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Developments Limited ^(c)	UK ⁽⁵⁵⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Employee Benefit Trustees Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Holdings Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Operations Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin's Magic Wand Trustees Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin UK Finance 1A Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin UK Finance 2A Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin UK Finco 1 Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin UK Finco 2 Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Merlin US Holdings Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Motion Topco Limited ^(d)	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Motion Midco Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Motion Acquisition Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
SEA LIFE Centre (Blackpool) Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
SEA LIFE Centres Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
SEA LIFE Trustees Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
The London Planetarium Company Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
The Millennium Wheel Company Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
The Seal Sanctuary Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
The Tussauds Group Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Thorpe Park Operations Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Tussauds Attractions Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Tussauds Group (UK) Pension Plan Trustee Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Tussauds Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Warwick Castle Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
Lake George Fly LLC	USA ⁽⁵¹⁾	-	100.0%	100.0%
LEGOLAND California LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND Discovery Center Arizona LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND Discovery Center Boston LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND Discovery Center Columbus LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND Discovery Centre (Dallas) LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND Discovery Centre (Meadowlands) LLC	USA ⁽⁵²⁾	-	100.0%	100.0%

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2020	Ownership 2019
LEGOLAND Discovery Center Michigan LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND Discovery Center Philadelphia LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND Discovery Center San Antonio LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND Discovery Center San Jose LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND Discovery Centre US LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
LEGOLAND New York LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Madame Tussauds Hollywood LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Madame Tussaud Las Vegas LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Madame Tussauds Nashville LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Madame Tussaud's New York LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Madame Tussauds Orlando LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Madame Tussauds San Francisco LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Madame Tussauds Washington LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Merlin Entertainments Chicago LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Merlin Entertainments Crown (US) Inc	USA ⁽⁵²⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Florida LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Merlin Entertainments Group US Holdings Inc	USA ⁽⁵²⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group US LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Merlin Entertainments Group Wheel LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Merlin Entertainments North America LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Merlin Entertainments Short Breaks LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Merlin Entertainments US NewCo LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
Motion Finco LLC	USA ⁽⁵³⁾	-	100.0%	100.0%
San Francisco Dungeon LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
SEA LIFE Center San Antonio LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
SEA LIFE Charlotte LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
SEA LIFE Meadowlands LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
SEA LIFE Michigan LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
SEA LIFE Minnesota LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
SEA LIFE Orlando LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
SEA LIFE US LLC	USA ⁽⁵²⁾	-	100.0%	100.0%
The Tussauds Group LLC	USA ⁽⁵²⁾	-	100.0%	100.0%

Joint venture undertaking	Country of incorporation	Class of share held	Ownership 2020	Ownership 2019
LL Dubai Hotel LLC	UAE ⁽⁵⁴⁾	Ordinary	40.0%	40.0%

^(a) Motion JVco Limited has control over this entity via control of the immediate parent entity and the control that the immediate parent entity has over the subsidiary entity.^(b) Motion JVco Limited has 100% of the beneficial ownership of these entities.^(c) Merlin Entertainments Developments Limited is in the process of being liquidated.^(d) Motion Topco Limited is held by the Company. All other subsidiaries are held by intermediate subsidiaries.

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Registered offices

- (1) Level 16, 201 Elizabeth Street, Sydney, NSW 2160, Australia
- (2) Unit 501, 370 St Kilda Road, Melbourne, Victoria, Australia
- (3) Riesenradplatz 5-6, 1020 Wien, Vienna, Austria
- (4) Koning Albert I Laan 116, 8370, Blankenberge, Belgium
- (5) P.O. Box 3340, Road Town, Tortola, British Virgin Islands
- (6) Suite 5300 Commerce Court West, 199 Bay Street, Toronto, ON, M5L 1B9, Canada
- (7) No. 4, 6, 8, 10, 12, 14, 16, 18 Qianmen Avenue, Dongcheng District, Beijing, China
- (8) 10/F New World Building, No 2-68 Nanjing Xi Road, Shanghai 200003, China
- (9) 21, Han Street, Wuchang District, (Shops 40/41/42) Building 5, Lot J2, Wuhan, China
- (10) Shops B131, B132 & B133 of Level B1, K11 MUSEA, Victoria Dockside, 12 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong
- (11) Room No.3F-01b&32&K1, L3 Floor, Zhihuixuhui Plaza, No.1-2 of 2389 Alley, Zhangyang Road, Shanghai Pilot Free Trade Zone, China
- (12) 4-11, Fu 9, No. 133, Nanpin Road, Nan'an District, Chongqing, China
- (13) No. 2 Jia-1, Bolan Road, Heping District, Shenyang, China
- (14) L2-25, 2F, 3F Parkside Plaza, Putuo District, Shanghai, China
- (15) 189, Daduhe Road, Pu Tuo District, Shanghai, 200062, China
- (16) Aastvej 10, 7190 Billund, Denmark
- (17) Tivolitie 10, Helsinki 00510, Finland
- (18) Centre Commercial Val d'Europe, Espace 502, 14 cours du Danube, Serris, 77111 Marne-La-Vallée, France
- (19) Kehrwiefer 5, 20457 Hamburg, Germany
- (20) Heidenhof 1, 29614 Soltau, Germany
- (21) Legoland Allee, 89312, Gunzburg, Germany
- (22) No. 46, Aradhana, R. K. Puram, Sector -13, New Delhi- 110066, India
- (23) 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
- (24) 2nd Floor, 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland
- (25) Via Derna 4, Castelnuovo del Garda, 37014, Verona, Italy
- (26) Via Vivaldi n.7, Castelnuovo del Garda Verona, 37014, Verona, Italy
- (27) Loc Ronchi, Castel del Garda Verona, 37014, Verona, Italy
- (28) 2-2-1, Kinjoutou Minato-ku, Nagoya-shi, Japan
- (29) Island Mall, Decks Tokyo Beach, 1-6-1 Daiba, Minato-ku, Tokyo, Japan
- (30) 20, Rue Eugène Ruppert, L-2453, Luxembourg
- (31) 2-4, Rue Eugène Ruppert, L-2453, Luxembourg
- (32) Suite 19-1 Level 19, Tower Block, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Kuala Lumpur, 50490, Malaysia
- (33) No. 7, Jalan LEGOLAND, Bandar Medini Iskandar Malaysia, 79250 Iskandar Puteri, Johor, Malaysia
- (34) Suite 2-4, Level 2, Tower Block, Menera Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia
- (35) Rokin 78, 1012 KW Amsterdam, Netherlands
- (36) Gevers Deynootweg 970, 2586 BV Den Haag, Netherlands
- (37) Dam 20 GEBOUW P&C, 1012 NP Amsterdam, Netherlands
- (38) Strandweg 13, 2586 JK Den Haag, Netherlands
- (39) Level 11, 41 Shortland Street, Auckland 1010, New Zealand
- (40) No. 1 Rua Particular do Castelo de Queijo, 4100-379, Porto, Portugal
- (41) 10, Changi Business Park Central 2, #05-01, HansaPoint@CBP, 486030, Singapore
- (42) 266 Haeundaehaebun-ro, Haenudee-Gu, Busan, Republic of Korea
- (43) Yoseon-dong, 8F Moorim Building, 16 Joongang-ro, Chuncheon-si, Gangwon-do, Republic of Korea
- (44) Puerto Marina, Benalmadena-Costa, 29630 Benalmadena, Malaga, Spain
- (45) 989 Siam Discovery, #401 4 Flr., #501 5 Flr., #601 6 Flr., #701 7 Flr., Rama 1 Road, Pathumwan, Bangkok 10330, Thailand
- (46) B1-B2 Floor Siam Paragon, 991 Rama 1 Road, Khweng Patumwan, Bangkok 10330, Thailand
- (47) Kocatepe Mah, Pasa Cad, Forum Istanbul AVM No. 5/5, Bayrampasa, Turkey
- (48) Office 1601, 48 Burj Gate, Burj Khalifa, Dubai, United Arab Emirates
- (49) Emaar Square, Building 3, Level 5, P.O. Box 37172, Dubai, United Arab Emirates
- (50) Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom
- (51) 80 State Street, Albany, New York 12207-2543, United States
- (52) 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, United States
- (53) 200 Bellvue Parkway Suite 210, Wilmington, New Castle County, Delaware, 19809, United States
- (54) 201-01 Emaar Square, PO Box 123311, Dubai, United Arab Emirates
- (55) 30 Finsbury Square, London, EC2A 1AG, United Kingdom

MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS

Company statement of financial position at 26 December 2020 (2019: 28 December 2019)

	Note	2020 £m	2019 £m
Non-current assets			
Investments	iii	2,835	2,835
Deferred tax assets		1	-
		2,836	2,835
Current assets			
Cash and cash equivalents		150	-
		150	-
Total assets		2,986	2,835
Current liabilities			
Interest-bearing loans and borrowings	iv	-	151
Total liabilities		-	151
Net assets		2,986	2,684
Issued capital and reserves attributable to owners of the Company	v	2,986	2,684
Total equity		2,986	2,684

The notes on pages 94 to 98 form part of these financial statements.

The parent Company financial statements were approved by the Board of Directors on 15 April 2021 and were signed on its behalf by:

Søren Thorup Sørensen
Director

MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS

Company statement of changes in equity at 26 December 2020 (2019: 28 December 2019)

	Note	Share capital £m	Share premium £m	Capital reserve £m	Retained earnings £m	Total equity £m
Loss for the period		-	-	-	(1)	(1)
Total comprehensive income for the period		-	-	-	(1)	(1)
Shares issued		26	2,653	-	-	2,679
Capital contribution		-	-	6	-	6
At 28 December 2019		26	2,653	6	(1)	2,684
Loss for the period		-	-	-	(4)	(4)
Total comprehensive income for the period		-	-	-	(4)	(4)
Shares issued	v	3	303	-	-	306
At 26 December 2020	v	29	2,956	6	(5)	2,986

NOTES TO MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

i ACCOUNTING POLICIES

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The consolidated financial statements of Motion JVco Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Link House, 25 West Street, Poole, Dorset, BH15 1LD. Company financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Motion JVco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 'Fair value measurement' and the disclosures required by IFRS 7 'Financial instrument disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared for the 52 weeks ended 26 December 2020 (2019: for the period from the Company's incorporation on 18 June 2019 to 28 December 2019).

The Directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented a profit and loss account of the Company.

A summary of the Company's significant accounting policies is set out below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less provision for impairment. The carrying amount of the Company's investments in subsidiaries is reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the investment's recoverable amount is estimated. If the carrying value of the investment exceeds the recoverable amount, the investment is considered to be impaired and is written down to the recoverable amount. The impairment loss is recognised in the income statement.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised directly in equity, or when it relates to items recognised in other comprehensive income, when it is recognised through the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes respectively. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

After considering forecast future profits, deferred tax assets are recognised where it is probable that future taxable profits will be available against which those assets can be utilised.

NOTES TO MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

i ACCOUNTING POLICIES (CONTINUED)

Loans to Group undertakings

Loans to Group undertakings are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Classification of financial instruments issued by the Company

Financial instruments are recognised on the statement of financial position when the Company becomes party to the contractual provisions of the instrument. The accounting policy for each type of financial instrument is included within the relevant note.

Financial assets are initially measured at fair value, unless otherwise noted, and are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is derecognised when the contractual rights to the cash flows from the asset expire or the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities are initially measured at fair value, plus, in the case of other financial liabilities, directly attributable transaction costs. Other financial liabilities, primarily the Company's interest-bearing loans and borrowings, are measured at amortised cost. Financial liabilities are measured at fair value through profit or loss and are held on the statement of financial position at fair value. A financial liability is derecognised when the Company's obligations are discharged, expire or are cancelled. Finance payments associated with financial liabilities are dealt with as part of finance costs.

An equity instrument is any contract that has a residual interest in the assets of the Company after deducting all of its liabilities. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity. The preference shares issued by the Company carry a fixed, cumulative, preferential dividend which accrues (but is not payable) on each preference share on a daily basis from the date of issue of the relevant preference share. Payment of these dividends is at the discretion of the Company and accordingly they have been classified as equity.

Where financial instruments consist of a combination of debt and equity, the Company will assess the substance of the arrangement in place and decide how to attribute values to each taking into consideration the policy definitions above.

Interest-bearing loans and borrowings

These are initially recognised at the principal value of the loan concerned, less any related fees. These fees are then amortised through the income statement on an effective interest rate basis over the expected life of the loan (or over the contractual term where there is no clear indication that a shorter life is appropriate).

If the Company's estimate of the expected life based on repayment subsequently changes, the resulting adjustment to the effective interest rate calculation is recognised as a gain or loss on re-measurement and presented separately in the income statement.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

ii OPERATING EXPENSES

Staff numbers and costs

The average number of persons employed by the Company during the period was seven (2019: six), being the Directors of the Company.

The employment costs of the Directors of the Company have been borne by Motion Acquisition Limited for their services to the Group as a whole. The costs related to these Directors are included within note 2.1 of the consolidated financial statements.

Auditor's remuneration

Fees paid to KPMG for audit and other services to the Company are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis (note 2.1 of the consolidated financial statements).

NOTES TO MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

iii INVESTMENT IN SUBSIDIARY UNDERTAKING

	Shares in subsidiary undertaking £m
Cost and carrying value	
Additions	2,835
At 28 December 2019	2,835
Additions	-
At 26 December 2020	2,835

The subsidiary undertaking at the period end is as follows:

Company	Activity	Country of incorporation	Shareholding	Description of shares held
Motion Topco Limited	Holding company	UK	100.0%	Ordinary

A full list of Group companies is included in note 6.7 of the consolidated financial statements on pages 86 to 91.

iv INTEREST-BEARING LOANS AND BORROWINGS

	2020 £m	2019 £m
Shareholder loan notes	-	151

In 2019 the Company issued £156 million of 0% subordinated unsecured shareholder loan notes due 31 October 2020. In accordance with the accounting policy as set out in note i, these were classed as financial liabilities. Reflecting the off-market interest rate attached to these loan notes, these were initially recognised at fair value of £150 million with the difference treated as a capital contribution (see note v).

During 2020 the shareholder loans were repaid and the proceeds reinvested in a further issue of new ordinary and preference shares to the existing shareholders.

NOTES TO MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

v EQUITY

Share capital

	2020 Number	2020 £m	2019 Number	2019 £m
<i>Ordinary shares of £0.01 each</i>				
At beginning of period	25,802,236	-	-	-
Incorporation	-	-	100	-
Shares issued	2,957,123	-	25,802,136	-
	28,759,359	-	25,802,236	-
<i>Preference shares of £0.01 each</i>				
At beginning of period	2,554,382,037	26	-	-
Incorporation	-	-	-	-
Shares issued	292,755,102	3	2,554,382,037	26
	2,847,137,139	29	2,554,382,037	26
On issue and fully paid at end of period	2,875,896,498	29	2,580,184,273	26

Issue of shares

The nominal value of shares in issue is shown in share capital, with any additional consideration for those shares shown in share premium.

Ordinary shares

During 2020 the Company issued 2,957,123 ordinary shares at a nominal value of one pence each, for consideration of £13 million, for general corporate purposes.

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

Each ordinary share entitles the holder of that ordinary share to receive notice of and to attend and to speak and to vote at general meetings of the Company (on the basis of one vote per ordinary share), or on any resolution proposed to members as a written resolution. Each ordinary share in the capital of the Company ranks equally in all respects and no shareholder holds shares carrying special rights relating to the control of the Company.

Preference shares

During 2020 the Company issued 292,755,102 6% fixed cumulative preference shares at a nominal value of one pence each for a consideration of £293 million. In accordance with the accounting policy as set out in note i, these have been classed as equity.

The preference shares earn a fixed, cumulative, preferential dividend at the rate of 6% per annum on the issue price of the preference shares, which accrues (but is not payable) on each preference share on a daily basis from the date of issue of the relevant preference share, and ends on the day preceding the redemption date, compounding annually on each anniversary of the compounding date.

The preference shares rank ahead of the ordinary shares for all purposes and no dividend, distribution, return of capital and/or reduction of capital is paid on the ordinary shares until the preference shares have been redeemed in full.

Each preference share entitles the holder of that preference share to receive notice of and to attend and to speak and to vote at general meetings of the Company (on the basis of one vote per preference share), or on any resolution proposed to members as a written resolution.

Capital reserve

During 2019 the Company issued £156 million 0% subordinated unsecured shareholder loan notes due 31 October 2020.

In accordance with the accounting policy as set out in note i, these have been classed as financial liabilities. Reflecting the off-market interest rate attached to these loan notes, these were initially recognised at fair value of £150 million with the difference treated as a capital contribution (see note iv).

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment. The Directors of the Company have declared their intention not to pay a dividend for the period ended 26 December 2020 (2019: £nil).

NOTES TO MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS CONTINUED

52 weeks ended 26 December 2020 (2019: 28 weeks ended 28 December 2019)

v **EQUITY** (CONTINUED)

Retained earnings

The loss after tax for the period in the accounts of Motion JVco Limited is £4 million (2019: £1 million).

vi **RELATED PARTY TRANSACTIONS**

For full details of transactions and arrangements with the Company's ultimate shareholders, see note 6.3 of the consolidated financial statements.

GLOSSARY

Capex	Capital expenditure.
Cluster	A group of attractions located in a city close to one another.
CWE	Conservation, Welfare and Engagement. The SEA LIFE team that focuses on delivering world class animal welfare throughout our animal care network and developing new guest experiences.
DreamWorks Tours – Shrek’s Adventure!	This attraction is part of the Midway Attractions Operating Group.
EBITDA	Profit before finance income and costs, taxation, depreciation, amortisation and impairment and after taking account of attributable profit after tax of joint ventures.
Exceptional items	Due to their nature, certain one-off and non-trading items can be classified as exceptional in order to draw them to the attention of the reader and to show the underlying business performance more accurately.
Existing estate (EE)	EE comprises all attractions other than new openings.
GDPR	General Data Protection Regulation.
IP	Intellectual Property.
IPO	Initial Public Offering.
KPI	Key Performance Indicator.
LBC	Little BIG City attractions. These are part of the Midway Attractions Operating Group.
LCA	Licence and Co-operation agreement. This agreement sets out the rights granted to the Group to use the LEGO and LEGOLAND brands.
LDC	LEGOLAND Discovery Centre attractions. These are part of the Midway Attractions Operating Group.
Like for like (LFL)	2020 LFL growth refers to the growth between 2019 and 2020 on a constant currency basis using 2019 exchange rates and includes all businesses owned and operated before the start of 2019.
Listing	Listing on the London Stock Exchange.
LLP	LEGOLAND Parks Operating Group.
Merlin Magic Making (MMM)	MMM is the unique resource that sits at the heart of everything Merlin does. It is our specialist in-house site-search and business development; creative design; production; and project management team. MMM also pursues acquisition and investment opportunities.
Merlin’s Magic Wand (MMW)	MMW forms a key element of Merlin’s Corporate Social Responsibility commitment. Our partner children’s charity delivers magical experiences around the world to children who are facing challenges of serious illness, disability or adversity.
Midway or Midway attractions	The Midway Attractions Operating Group and/or the Midway attractions within it. Midway attractions are typically smaller, indoor attractions located in city centres, resorts or shopping malls.
MT	Madame Tussauds attractions. These are part of the Midway Attractions Operating Group.
‘Net Promoter’ score	How we measure the propensity of our customers to recommend our attractions.
New Business Development (NBD)	NBD relates to attractions that are newly opened or under development for future opening, together with the addition of new accommodation at existing sites. New openings can include both Midway attractions and new theme parks. NBD combines with the existing estate to give the full estate of attractions.
Non-core	Attractions which Merlin has ceased the operation of during the period.

GLOSSARY

Operating free cash flow	Underlying EBITDA less existing estate capex.
Rooms	A single accommodation unit at one of our theme parks, for example a hotel room, lodge or glamping tent.
RPC	Revenue per capita, defined as visitor revenue divided by number of visitors.
RTP	Resort Theme Parks Operating Group.
Second gate	A visitor attraction at an existing resort with a separate entrance and for which additional admission fees are charged.
SLC	SEA LIFE Centre aquarium attractions. These are part of the Midway Attractions Operating Group.
The Code	UK Corporate Governance Code.
The Merlin Way	The culture of the Group which encompasses our vision and values.
Top Box	The highest level of customer satisfaction that we record in our customer surveys.
Underlying	Underlying information presented excludes exceptional items that are classified separately within the financial statements.
Visitors	Represents all individual visits to Merlin owned or operated attractions.
Wizard Wants to Know (WWTK)	WWTK is our annual online employee survey.

Terms used

Unless otherwise stated, the terms 'Merlin', 'Merlin Entertainments', 'the Group', 'We' and 'Us' refer to the Company (Motion JVco Limited) and, as applicable, its subsidiaries and/or interests in joint ventures.

Percentages are calculated based on figures before rounding and are then rounded to one decimal place.

OTHER FINANCIAL INFORMATION

Foreign exchange rate sensitivity

The Group's income statement is exposed to fluctuations in foreign currency exchange rates principally on the translation of our non Sterling earnings. The tables below show the impact on 2020 revenues of re-translating them at 2019 foreign exchange (FX) rates.

Currency	2019 average FX rates	2020 average FX rates	%age movement in FX rates	Revenue impact £m
USD	1.29	1.29	0.2%	-
EUR	1.17	1.11	(4.4)%	(6)
AUD	1.89	1.87	(1.2)%	-
Other				(3)
Decrease in 2020 revenues at 2019 FX rates				(9)