



MOTION JVCO LIMITED
ANNUAL REPORT AND ACCOUNTS 2022

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At the end of 2022 the Group operated:

142

attractions

with

5,342

rooms

in

25

countries

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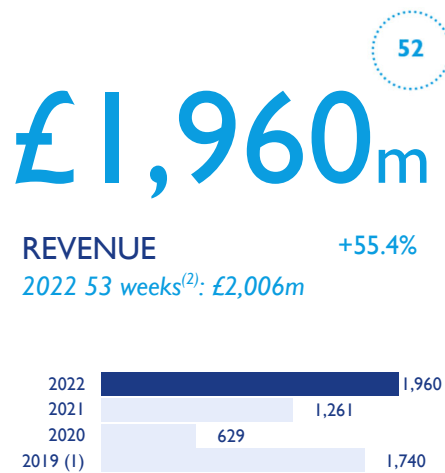
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KPIs



52

These figures are reported on a 52 week basis

53

These figures are reported on a 53 week basis



GUEST SATISFACTION

Providing a high quality of experience for our guests is our core purpose, and we are proud that we again maintained the same high score of 94% as in 2021. This is based on guest satisfaction surveys where our target is a score over 90%, and is testimony to the hard work and commitment of our teams across the business.

We continue to monitor our guests' views, engaging with them directly and on social media to measure the quality of their experience and drive improvements.

See more on page 7.

HEALTH AND SAFETY

As trading levels increased during 2022, our COVID-19 countermeasures remained dynamic and able to adapt to differing local government restrictions.

The overall strength of our health and safety performance is evidenced by the continued low level of our Medical Treatment Case (MTC) rate, that captures the rate of guest injuries requiring external medical treatment relative to 10,000 guest visitations.

This measured 0.01 for 2022, having remained constant at 0.02 from 2019 through 2021.

See more on pages 25 to 26.

EMPLOYEE ENGAGEMENT

In 2022 more than 18,000 people completed our 'The Wizard Wants to Know' employee engagement survey, a response rate of 84%.

Our overall engagement score was 68%, an encouraging increase of 5% on the previous year.

We are grateful to our teams for completing the survey, and pleased that they have given us so much valuable feedback to take forward as we continue to work to improve engagement further.

See more on page 24.

How we report our results

Motion Jvco Limited (the Company) has been the parent company of the Merlin Entertainments Limited group of companies (Merlin, Merlin Group), since acquiring the Merlin Group in November 2019. Where the strategic report refers to longer term historical 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. Details on the period under review ('52' and '53' week data) and the performance measures used are set out in the Financial and operating review on page 18. Terms used throughout this document are defined in the Glossary on pages 103 to 104.

(1) 2019 comparative data for the Merlin Entertainments Group has been included to provide a more meaningful comparison of performance to trading prior to the COVID-19 pandemic. This has been extracted from the audited 2019 Merlin Entertainments Limited Annual Report and Accounts.

(2) This year we are reporting on the 53 weeks to 31 December 2022. Profit metrics are provided on a 53 week statutory basis in the financial statements. Consistent with Merlin's approach in previous years, we also present unaudited '52 week' information for 2022 where we think it will provide a more direct comparison of performance.

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 142 ATTRACTIONS, 24 HOTELS AND SIX HOLIDAY VILLAGES IN 25 COUNTRIES AND ACROSS FOUR CONTINENTS.

- Our vision** To be the global leader in location based entertainment.
- Our purpose** To deliver memorable experiences to our millions of visitors by creating lasting connections and moments of joy for families and friends around the world.
- Our strategy** To build 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, all delivered by the most passionate team of people whose mission it is to spread joy and happiness to the world.

Merlin operates two distinct types of visitor attractions, 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 (IP) owners to create new brands which complement the portfolio and broaden our appeal across all key target demographics.

Our footprint across 25 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, increasingly including third party and internally created IP. These investments increase capacity, provide compelling new propositions to guests, and improve guest 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 resorts under a combination of operating models. LEGOLAND New York opened in 2021, LEGOLAND Korea opened in the year and three resorts are currently under construction in China;
- transforming our theme parks into destination resorts by adding a broad range of themed accommodation and other 'second gate' attractions to improve guest satisfaction and drive multi-day visitation;
- developing our operating model as our scale has increased - generating revenue from promotions and marketing with an increasing focus on yield management; improving our customers' online 'digital journey'; and operating more efficiently and flexibly. In doing this we maintain our focus on providing a high quality of experience to our guests; and
- 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	16	10	11	47	Families and city centre tourists
Madame Tussauds 	2	4	6	11	23	Families and city centre tourists
Dungeons 	6	3	-	1	10	Teenagers, young adults and city centre tourists
LEGO/LEGOLAND Discovery Centres  	2	5	14	7	28	Families
Eye 	2	-	-	1	3	City centre tourists
Peppa Pig World of Play 	-	1	3	1	5	Pre-school families
Peppa Pig Theme Park (see Glossary on page 104) 	-	-	1	-	1	Pre-school families
Other	3	2	-	4	9	
Total	25	31	34	36	126	
LEGOLAND PARKS						
	Windsor, UK (209 rooms)	Billund, Denmark (578 rooms)	California, USA (500 rooms)	Dubai, UAE (250 rooms)		
		Günzburg, Germany (509 rooms)	Florida, USA (468 rooms)	Johor, Malaysia (263 rooms)		
			New York, USA (250 rooms)	Nagoya, Japan (252 rooms)		
				Chuncheon, South Korea (154 rooms)		
	Total					10 parks 3,433 rooms
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

STRONG MOMENTUM AND READY FOR THE FUTURE

2022 overview

On behalf of the amazing, driven and passionate colleagues working across 140+ attractions in 25 countries, I am grateful to be writing this introduction to the 2022 annual review in my new role as Chief Executive of Merlin Entertainments. Whilst I assumed the role towards the end of last year, I am aware of and inspired by the tremendous amount of hard work and passion across the organisation, which saw Merlin deliver a robust year in 2022. I'd like to take this opportunity to thank the Board for the opportunity to lead the world's second largest location based entertainment company and Nick Varney for his vision, commitment to growth and his leadership of Merlin Entertainments. It is a privilege to recognise the whole team's achievements in building a foundation for future growth.

In 2022 Merlin saw further significant recovery and continued progress, despite the ongoing challenges of the global COVID-19 pandemic in most geographical locations, as well as the ongoing war in Ukraine. Our global teams have shown great commitment and resilience throughout the year, despite the challenging operating environment, which has been further exacerbated by the recruitment issues seen across many frontline industries including attractions and hospitality.

We continue to focus on strong business growth and invest for the future, with the launch of new attractions together with investment in new products and rides across our existing estate. The performance of our attractions is driven by our commitment to the values at the heart of Merlin's success; to continue to bring families and friends together to create lasting memories, fun and connection, all while striving to build the greatest place to work in the world.

2022 was also a year when we saw further staff engagement with a rise in responses to our annual staff survey, further expansion of our inclusion and diversity strategy and ongoing 'Fun for Everyone' accessibility work, which saw even more effort being made to ensure that our teams and attractions offer fun for everyone.

2022 trading

We welcomed 55 million visitors to our attractions in 2022 (2021: 35 million), with revenue on a 52 week basis of £1,960 million, an increase of £699 million on 2021. For the 53 weeks to 31 December 2022, reported revenue was £2,006 million.

Strong consumer demand was driven by guests being keen to spend time together with friends and family, resulting in elevated revenues per visitor, and high average room rates in our accommodation portfolio, which supported strong trading in North America, the UK, and in parts of Continental Europe. Our domestically-focused brands have traded strongly, and international tourism started to build real momentum in some of the key city destinations.

COVID-19 related restrictions were much less significant than in 2021. Government restrictions generally eased during Q1 and from the end of March substantially all of the portfolio remained open. International tourism in some locations also continued to recover. There were variations by geography, most notably in China where restrictions caused significant disruption and lower levels of outbound Chinese tourism continued to have a wider impact on the rest of the Asia Pacific estate.

Over the last two years we have opened two new LEGOLAND resorts. LEGOLAND New York, which opened in summer 2021 after a series of COVID-19 related delays and into a challenging labour market, is trading positively.

Our latest major investment, LEGOLAND Korea, opened in May 2022 as the country was exiting from its most severe COVID-19 wave. The LEGOLAND Korea hotel opened as planned in July. Initial trading has been encouraging, despite the lingering impact of the pandemic, supporting what will be a continued focus on the resort positioning of the attraction. We remain positive about the long term prospects of these resorts.

We also focused on our growing roster of global Intellectual Property (IP) partners, where the US provides a key growth market. In 2022 we opened the Peppa Pig Theme Park Florida; our first standalone Peppa Pig theme park, this 'second gate' attraction (adjacent to LEGOLAND Florida Resort) highlights Merlin's strong portfolio in the pre-school IP market. This was followed in Europe with the opening at Gardaland Resort of the first ride under our multi-territory IP agreement with Sony Pictures Entertainment, to develop themed rides and resort areas under the 'Jumanji' film franchise IP. In August we announced that Chessington World of Adventures Resort is set to open a themed land 'World of Jumanji' in spring 2023.

The recovery in visitation and our implementation of revenue management initiatives drove revenue growth compared to pre-pandemic levels, while tight cost control, ongoing efficiency initiatives, and government support received in the year have offset continued cost pressures. Our underlying EBITDA totalled £641 million on a 52 week basis, and £671 million for the 53 weeks to 31 December 2022 (2021: £379 million), with positive operating cash flows of £622 million in the year (2021: £459 million).

Outlook

As we move into 2023, we will build on Merlin's unique platform, while evolving alongside the world around us. We will work to increase our emphasis on and deliver several significant initiatives around revenue management. We will also increase our focus on data and data driven decision making, begin to shift more towards a digital and direct marketing approach and begin the improvement processes and structural changes to further increase revenues per visitor in food and beverage and retail.

We will look to add to our portfolio of partners with world class IP, engage in the immersive entertainment space, and look to make strategic investments where there is the opportunity to unlock growth. We are aware of the power of our partnership with such an incredible force for good as we find in the LEGO brand and their employees, matching our footprint around the world. We will continue to collaborate, listen and build on the platform we have been entrusted with.

Given our continued recovery and strong brands, we believe this is a time to grow, and as such are investing in our people as well as our attractions. We believe there is significant growth ahead and will continue to take advantage of our talented executive team, brilliant creative teams and our unmatched reach and scale, to continue to drive magical experiences for guests and driving the business.

Strategic developments

Our strategy remains to offer amazing experiences across a range of exciting brands, diversified by target audience, dwell time and geography, and by partnering with global brands such as Peppa Pig, Jumanji, and of course LEGO.

We continue to pursue opportunities to expand our brands, formats and geographic diversification. We are working with partners to develop three LEGOLAND resorts in China over the next five years in Shanghai, Shenzhen, and Sichuan province.

CHIEF EXECUTIVE'S INTRODUCTION

STRONG MOMENTUM AND READY FOR THE FUTURE

Health, safety and security

The health, safety and security (HSS) of our guests and employees remains our number one priority.

We have maintained a high level of performance across our operations, with our COVID-19 countermeasures remaining dynamic and able to adapt to differing states of government restrictions, dependent on the specific country or territory. The overall strength of our performance in this area is evidenced by continued strong HSS KPI scores in 2022.

Guest satisfaction

We have maintained, and in many cases improved, our customer satisfaction and brand measures, in our focus on delivering memorable experiences to our guests. We are proud that we again maintained our consistently high customer satisfaction score of 94% despite the challenges of tight labour markets, which is testimony to the hard work and commitment of our teams across the business. We continue to monitor our guests' views by engaging with them directly, on social media, and by monitoring online reviews.

Guest accessibility continues to be a key area of focus, as we expand our efforts to allow all of our guests to enjoy as much of the Merlin experience as possible. These efforts are informed by our guests and disability advisors and have included training programmes in disability confidence for our teams, reviewing our existing rides to enhance their accessibility, and working with ride manufacturers to improve accessibility on new rides.

Diversity and inclusivity

In 2022 we continued our focus on equality and diversity in celebrating our culture of belonging. Our four regional task forces delivered regional plans to support our global diversity and inclusion goals, as well as driving meaningful change to our teams and wider communities at a site level.

Over half of Merlin's global workforce is female and as such we are focused on ensuring we drive change at all levels across the Company. Of our top ten attractions globally, half are currently run by women. These include our LEGOLAND resorts in the UK, Germany, and New York, as well as Gardaland Resort and Alton Towers Resort.

We are proud that our commitment to equality is demonstrated throughout our culture and are focused on creating the greatest place to work and a true sense of belonging. We are also committed to ensuring our Merlin Board and senior management teams continue to promote diversity and inclusivity and are delighted that our most recent Executive Committee member is a proud member of the LGBTQ+ community.

Employee engagement

Our people are what makes Merlin so special and are our competitive advantage. We continue to be proud of our global employees as they deliver magical and memorable experiences to millions of guests.

More than 18,000 people completed our 'The Wizard Wants to Know' staff engagement survey in 2022, a significant increase on the 2021 survey and with a really high response rate of 84%. Our overall engagement score was 68%, an encouraging increase of 5% on the previous year. We are grateful to our teams for completing the survey and pleased that they have given us so much valuable feedback to take forward as we continue to work to improve engagement further.

Our recently introduced long term incentive plans, aligned to the strategic objectives of our shareholders, provide incentive structures for our management teams and include outstanding contribution and long service awards that are available to all employees.

More Magic awaits...

Scott M O'Neil
Chief Executive Officer
17 March 2023

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 LEGOLAND parks benefit from a mutually synergistic relationship with LEGO, the world's number one toy brand⁽¹⁾. Our Midway attractions portfolio includes chainable brands such as SEA LIFE and Madame Tussauds, while the Resort Theme Parks attractions are standalone national brands in their respective markets.

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 a wide range of target demographic groups 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, our largest shareholder (see page 8).

We have multiple other IP agreements, ranging from local relationships for specific attractions, to global, multi-product relationships. These include our multi-territory exclusivity arrangement to develop a range of attractions based on the Peppa Pig brand, one of the best known pre-school IPs in the world.

A 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 also have specific resources within the Operating Groups that are dedicated to researching future opportunities, searching out locations for potential new attractions and negotiating with local landlords, developers and civic bodies.

MMM create 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. Other Merlin teams have in-house ethical animal welfare expertise.

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 resorts, the latter led by a senior management team who pursue potential new locations through a range of ownership models.

We can also leverage Merlin's extensive experience to provide an opportunity for investors to develop location based entertainment offerings, and to take on the operation of other parties' attractions under management contracts.

Efficient and synergistic operating model

We continue to focus on operational excellence, delivering memorable experiences for our guests, simplifying our operations and maximising the synergies afforded by our scale.

We have re-engineered how we operate to be more flexible as guest volumes change, applying dynamic pricing and promotional strategies. These manage visitor numbers through periods of high and low attendance volume, extend the length of stay, encourage repeat visits, and enhance overall revenue.

Maintaining tight control over attraction capacities during peak season and lowering peak day volumes delivers an improvement in the guest experience, increases rides per guest, reduces queuing, and improves average guest spends. Where we can leverage the expertise of third parties, we may partner with specialist outsourcing providers in areas such as our food and beverage offerings. In 2022 we have entered into such a partnership with Aramark for our UK theme parks, LEGOLAND California Resort and LEGOLAND Florida Resort.

We have also been transforming our support functions through shared service centre initiatives such as our recent finance transformation project, which now supports over two thirds of the Group.

Our scale also allows us to benefit from procurement cost efficiencies within clusters, countries, or regions, while in certain territories our Merlin Annual Pass and Merlin Monthly Membership enable our customers to visit all attractions within a particular country.

Long term attractive market environment

We continue to believe that Merlin operates in an attractive marketplace, benefiting from underlying growth characteristics and favourable dynamics, such as long term increases in leisure spending, including in emerging economies.

This is underpinned by our long term belief in international tourism, where there has been a strong recovery during 2022. We continue to see long term growth opportunities from tourism more widely, which benefits our resorts and drives visitation to our gateway city locations, where we operate our Midway attraction clusters.

We also expect to see continuing growth in domestic short break holidays. Merlin is 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 partial hedge against the impact of macro-economic or geopolitical volatility on international tourism.

⁽¹⁾ Source - Kidz Global Brand Trends Report Spring 2022

BUSINESS MODEL

COMPETITIVE STRENGTHS AND A STRONG CULTURE

OUR CULTURE

Merlin's business model is underpinned by our entrepreneurial culture, an effective corporate governance framework, and a strong sense of how important it is to 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 across the Group. 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 31 to 34.

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.

As business and consumer activity increased in 2022, Merlin's COVID-19 countermeasures remained dynamic and able to adapt to differing states of government restrictions, dependent on the specific country or territory. We remained focused on ensuring that Merlin's core HSS programmes and standards continued to be suitable and applied at those attractions that were emerging from multiple years of COVID-19 related lockdowns and restrictions.

The overall strength of our HSS performance is evidenced by the continued low levels of Medical Treatment Case rates (relating to guests and employees).

More details are set out on pages 25 to 26.

Business responsibility

Merlin has an ethical operating culture. Our attractions operate responsibly at the heart of their communities, maintaining high animal welfare standards and contributing to local economies.

We recognise that our operations impact upon the environment and are committed to managing our environmental impacts. In 2023 we will adopt the reporting requirements set out by the Task Force on Climate-Related Financial Disclosures (TCFD).

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 marine life and habitats across the world, also operating two marine sanctuaries.

More details are set out on page 29.

OUR GUESTS AND OUR PEOPLE

Guests

In 2022 we maintained our focus on providing a high quality of experience for our guests, and continued to monitor their views, engaging with them directly and on social media to measure the quality of their experience and drive improvements.

We have again reported strong customer satisfaction measures, which underpins our confidence in continued demand for high quality, branded location based entertainment. This is despite the impact of continuing employment cost pressures from tight labour markets and the consequential impact on the capacity of our attractions and the product offering. These results are as follows:

- Touchscreens at our attractions measure our guest satisfaction scores. We are proud that we maintained the same guest satisfaction score of 94% as in 2021, well ahead of our 90% benchmark. Our 'Top Box' measure that indicates when guests are 'very satisfied' increased compared to 2021.
- 'Net Promoter' scores measure whether a guest would recommend our attractions. This metric also increased in the year.

The Merlin Board and senior management undertake regular site visits to ensure that the guest experience is in line with guest expectations, and we also use the 'Yext' platform to monitor online guest reviews and help inform how we improve our attractions. Customer insight has also helped us as we make significant progress on guest accessibility.

Employees

Our people are what makes Merlin so special, and we continue to be proud of our global employees as they deliver magical and memorable experiences to millions of guests.

In 2022 we again ran our 'The Wizard Wants to Know' employee engagement survey. More than 18,000 people completed the survey, a response rate of 84%. Our overall engagement score was 68%, an encouraging increase of 5% on the previous year.

In 2022 we continued our focus on gender equality, ethnic diversity, and our inclusion strategy 'Everyone Matters at Merlin'. Our four regional task forces delivered regional plans to support our global diversity and inclusion goals as well as driving meaningful change to our teams and wider communities at site level. We are proud that our commitment to equality is demonstrated throughout our culture and are focused on creating the greatest place to work and a true sense of belonging. We are also committed to ensuring our Merlin Board and senior management teams continue to promote diversity and inclusivity.

See more on page 24.

BUSINESS MODEL

COMPETITIVE STRENGTHS AND A STRONG CULTURE

OUR INVESTORS

Since November 2019 the Group has been controlled by a consortium of three principal long term investors with the capability to support Merlin's growth ambitions. The consortium work together in accordance with the formal Shareholder Investment Agreement set out at the time of the transaction. The Shareholder Investment Agreement sets out the Board's terms of reference and 'matters reserved', being certain limited matters, which require the consent of the major shareholders. 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 pages 33 to 34.

- KIRKBI** – KIRKBI A/S is the Kirk Kristiansen family's private holding and investment company founded to build a sustainable future for the family ownership of the LEGO brand through generations. KIRKBI's work is focused on three fundamental tasks all contributing to enabling the Kirk Kristiansen family to succeed with the mission to inspire and develop the builders of tomorrow. KIRKBI works to protect, develop and leverage the LEGO brand across all the LEGO branded entities. They are committed to a long term and responsible investment strategy to ensure a sound financial foundation for the owner family's activities as well as contributing to sustainable development in the world. They are dedicated to support the family members as they prepare for future generations to continue the active and engaged ownership as well as supporting their private activities, companies and philanthropic work. KIRKBI's investment activities include investments in energy transition, circular plastic and significant long term investments in listed and privately held companies as well as real estate investments in Denmark, Switzerland, Germany and the UK. See www.KIRKBI.com for more information.
- 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 \$975 billion in assets under management as at 31 December 2022 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. As at 31 December 2022, the Fund totalled C\$536 billion, including approximately C\$25 billion of assets invested in the United Kingdom, and net investments of C\$146 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

EXISTING ESTATE GROWTH, DRIVEN BY ACCESS TO POWERFUL INTELLECTUAL PROPERTY

We make regular, targeted investments to update and refresh the existing estate, to grow demand and, where applicable, to increase capacity at our attractions.

Each attraction has a planned investment cycle with varying capex levels over several years. These help to smooth overall expenditure across the portfolio and ensure investments are funded from operating free cash flow. 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. Midway attractions require relatively lower capital expenditure due to the smaller scale of the attractions.

We are increasingly able to develop these investments in partnership with leading intellectual property owners to provide an immersive, themed experience for our visitors.

In April 2022 we opened 'JUMANJI - The Adventure' at Gardaland Resort in Italy, the first ride to be opened as part of our multi-territory exclusivity agreement with Sony Pictures Entertainment, to develop and operate attractions, rides, lands, retail outlets and themed hotel rooms based on the studio's 'Jumanji' film franchise. Chessington World of Adventures Resort is also set to open a themed land 'World of Jumanji' in spring 2023.

At LEGOLAND California Resort, in May 2022 we opened 'LEGO Ferrari Build and Race'. Featuring a life-size LEGO Ferrari F40 model, this interactive attraction puts visitors 'in the driver's seat' as they use their creativity and imagination to build, test and race LEGO Ferraris.

NEW LEGOLAND RESORT DEVELOPMENTS

We have a successful track record of developing and operating LEGOLAND parks globally, where we have two core operating and investment models.

Firstly, in more proven locations, we follow an 'owned and operated' model, securing the land and developing the infrastructure ourselves. The original parks that Merlin acquired in 2005 were all developed in this way, as were LEGOLAND Florida which we opened in 2011, and LEGOLAND New York, that opened in 2021. LEGOLAND Korea, which opened in May 2022, has also been developed under this model (with support from the local province).

Secondly, we 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. We currently operate LEGOLAND Malaysia and LEGOLAND Dubai under this model.

We are actively working with a number of partners to develop new LEGOLAND parks, with three previously announced resorts planned to open in China in the next five years. These projects are as follows;

- LEGOLAND Shanghai Resort in the Jinshan District of Shanghai – being developed via a joint venture company, under a co-operation agreement with the Shanghai Jinshan District Government, CMC Inc. and KIRKBI.
- LEGOLAND Shenzhen Resort, being developed with Hazens Holdings.
- LEGOLAND Sichuan Resort, being developed with Global Zhongjun Cultural Tourism Development Co. Ltd.

We may also pursue hybrid opportunities which could involve Merlin investing an element of equity in the project.

EVOLUTION OF THEME PARKS INTO 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 visitor experience, helping to drive pre-bookings, increase multi-day ticket sales and improve guest satisfaction.

In early 2023 we announced the UK's first LEGO themed holiday village at LEGOLAND Windsor Resort. Set to open in spring 2024 the LEGOLAND Woodland Village will feature 150 lodges, an on-site restaurant, and a family entertainment hub.

There are also ongoing opportunities to add new visitor attractions at our theme parks, 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. In 2021 we opened the LEGOLAND Water Park at the Gardaland Resort (the first LEGO themed water park in Europe), and in early 2022 we launched our first standalone Peppa Pig theme park, adjacent to LEGOLAND Florida Resort.

GROWTH DRIVERS

HOW WE DRIVE GROWTH

CLUSTERING OF MIDWAY ATTRACTIONS

Our growth strategy includes the roll out of our chainable Midway attractions in new locations and countries, often creating 'clusters', where we develop multiple attractions in one location.

During 2022 we opened the following two new Midway attractions;

- *Peppa Pig World of Play Leidschendam* - opened in February in the Netherlands.
- *LEGO Discovery Centre Brussels* - the first 'next generation' LEGO Discovery Centre opened in Belgium in late June. In 2023 we will open a second attraction with this new format at Springfield Town Center in Washington D.C.

From March 2022 we took over a management contract for the 'THIS IS HOLLAND' flying theatre experience, expanding our Amsterdam cluster. We have also been awarded the management contract for the Sandcastle Waterpark in Blackpool, the UK's largest indoor waterpark.

We continue to see opportunities to open new Midway attractions, especially using intellectual property as a central element of the attraction.

ACQUISITIONS AND NEW FORMAT OPPORTUNITIES

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. We believe that there remain further attractive acquisition opportunities that would meet our investment criteria in the future.

In April 2022 we completed the acquisition of the COEX Aquarium in Seoul, South Korea, adding a further significant attraction to the SEA LIFE portfolio, and consistent with our wider strategy to build clusters of Midway indoor attractions in key gateway cities.

Later in the year we completed on the transaction to take over the operations of Cadbury World in the UK, deepening our relationship with the UK's largest chocolate brand.

We also develop new formats of attraction, where currently our focus is on Peppa Pig branded attractions aimed at pre-school children. We have opened five pilot indoor Peppa Pig World of Play attractions, and one standalone Peppa Pig theme park that opened next to LEGOLAND Florida Resort in early 2022.

In early 2023 we announced we are developing our second Peppa Pig theme park in the Dallas-Fort Worth area in north Texas, scheduled for opening in 2024.

FINANCIAL AND OPERATING REVIEW

REVENUE GROWTH AND FOCUS ON COSTS

	Total 53 weeks ended 31 December 2022 £m	Total 52 weeks ended 24 December 2022 £m	Total 52 weeks ended 25 December 2021 £m	Underlying 52 weeks ended 24 December 2022 £m	Underlying 52 weeks ended 25 December 2021 £m	Underlying growth (actual currency)
Revenue	2,006	1,960	1,261	1,960	1,261	55.4%
EBITDA excluding share-based payments	692	662	376	662	379	74.3%
EBITDA	671	641	376	641	379	68.9%
Depreciation, amortisation and impairment	(285)	(285)	(246)	(256)	(247)	(3.8)%
Operating profit	386	356	130	385	132	190.0%
Net finance costs	(250)	(250)	(224)	(250)	(224)	
Profit/(loss) before tax	136	106	(94)	135	(92)	
Taxation	(47)	(38)	(46)	(42)	(46)	
Profit/(loss) for the year	89	68	(140)	93	(138)	

See 'How we report our results' on page 18 for details of how we report our financial performance.

Introduction

In 2022 robust consumer demand, elevated revenues per visitor, and high average room rates in our accommodation portfolio all supported strong trading in North America, the UK, and in parts of Continental Europe. Our domestically-focused brands have traded strongly and international tourism in some locations also continued to recover.

COVID-19 related restrictions were much less significant than in 2021, with government restrictions generally easing during Q1. From the end of March substantially all of the portfolio remained open. There were variations by geography, most notably in China where restrictions caused significant disruption and lower levels of outbound Chinese tourism continued to have a wider impact on the rest of the Asia Pacific estate.

The recovery in visitation, combined with our targeted approach to revenue management, drove revenue growth compared to pre-pandemic levels. Moreover, tight cost control, ongoing efficiency initiatives, and government support received in the year have partly offset continued cost pressures.

Like other businesses in the leisure and hospitality sector, we continue to see employment cost pressures in a number of locations. Our operational focus has been on limiting the impact of this on the capacity of our attractions and the product offering and ensuring we maintain the quality of the guest experience. While utilities are not a significant proportion of Merlin's cost base, these are also subject to movements in wholesale energy prices.

Our latest major investment, LEGOLAND Korea, opened in May 2022 and initial trading has been encouraging, with a focus on building the resort positioning of the attraction.

We have shown positive operating cashflows, which we continue to monitor closely. The Group's liquidity position is strong, with leverage back to 2019 levels, the year prior to the COVID-19 pandemic.

The Group complied with all its covenants in the year. Under the terms of the covenant waiver we agreed in June 2021, the Group's financial leverage covenant has been waived until Q3 2023. As part of this agreement the Group is required to maintain a minimum liquidity of £75 million (to include amounts undrawn from the revolving credit facility, and cash and cash equivalents).

Presentation of results

Motion JVco Limited (the Company) has been the parent company of the Merlin Entertainments Limited group of companies (Merlin, Merlin Group), since acquiring the Merlin Group in November 2019.

Underlying results and exceptional items

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 the COVID-19 pandemic on our trading has all been reflected within our underlying results. This includes the impact of government support measures in certain territories.

Alternative performance measures

On page 18 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.

This year's consolidated Group financial statements are prepared on a '53 week' basis for the period ending 31 December 2022. In most years we report on a '52 week' period. In certain years an additional week is included to ensure that the statutory financial year end date stays in line with the end of December. To aid comparability, unless where stated, the trading commentary which follows is on a 52 week basis.

All balance sheet, and therefore cash flow information, is reported as at the statutory year end date and therefore represents a 53 week period in 2022 (2021: 52 weeks).

FINANCIAL AND OPERATING REVIEW

REVENUE GROWTH AND FOCUS ON COSTS

Performance summary

Reported revenue for the 53 weeks to 31 December 2022 increased to £2,006 million. On a comparable 52 week basis, total revenue increased by £699 million from £1,261 million to £1,960 million.

COVID-19 related restrictions were much less significant than in 2021, with government restrictions generally easing during Q1. All of our seasonal attractions in the UK, Continental Europe and North America opened as planned, and at the end of March approximately 90% of our estate was open. Since then, substantially all of the portfolio remained open. There were variations by geography, most notably in China where attractions were closed for significant parts of the year.

Many of the trading patterns seen in 2021 continued through 2022. Robust consumer demand supported strong trading in North America, the UK, and in parts of Continental Europe, most notably at our domestically-focused brands. International tourism in some locations continued to recover, albeit international travel remained suppressed more widely. Restrictions in China caused significant disruption and lower levels of outbound Chinese tourism continued to have a wider impact on the rest of the Asia Pacific estate.

In 2021 and 2022 we have opened two new LEGOLAND resorts. LEGOLAND New York opened in summer 2021 after a series of COVID-related delays and into a challenging labour market. Trading since opening has been positive, with strong customer spends and positive satisfaction scores, despite the staffing challenges. LEGOLAND Korea opened in May 2022 as the country was exiting from its most severe COVID-19 wave with the LEGOLAND Korea hotel then opening as planned in July. Initial trading has been encouraging and supports what will be a continued focus on the resort positioning of the attraction.

Since the global COVID-19 pandemic began, we have taken steps to refine our operating model, creating a lower and more flexible cost base that is better able to react to any material changes in demand. As a result we have been able to manage our costs actively as trading has improved. Our UK theme parks have successfully transitioned to having food and beverage services provided by our partner Aramark. For those attractions Merlin therefore reports revenues on a 'net' basis under the terms of the contract, and no longer records the value of revenue received from customers, as is the case across much of the rest of the estate. The resulting reduction in reported revenue in 2022 is circa £12 million, with a negligible impact on EBITDA.

Staff expenses increased from £373 million to £531 million, due primarily to significantly higher trading activity compared to the comparative period, combined with lower levels of furlough and other support payments (2022: £2 million, 2021: £19 million, see note 2.1 to the financial statements). Like other businesses in the leisure and hospitality sector, we continue to see employment cost pressures in several locations, with increases in minimum wage levels and tight labour markets, albeit the absolute impact on costs in the short term has been limited due to higher than normal vacancy levels. Our operational focus has been on limiting the impact of this on the capacity of our attractions and the product offering, to ensure we maintain the quality of the guest experience.

Staff expenses include a £21 million (2021: less than £1 million) share-based payment accounting charge in respect of management incentive plans implemented in late 2021. These plans are aligned to the strategic objectives of our shareholders and include outstanding contribution and long service awards available to all employees. Further detail is provided in note 5.6 to the financial statements.

Marketing costs increased from £30 million to £74 million as trading levels increased, albeit the level of market demand has allowed us to operate in the short term with marketing spends lower than normal.

Other operating expenses increased from £253 million to £363 million. This reflects increased repairs and maintenance costs compared to 2021 when more attractions were closed, and higher property costs which in 2021 benefited from lower UK business rates.

Broader cost inflation continues to be a challenge. While utilities are not a significant proportion of Merlin's cost base, these have been subject to increases in wholesale energy prices, most notably across the UK and Continental Europe. The overall impact of energy prices has been minimal in 2022 due to limited short term exposure to spot prices. However, contracts renewed in 2022 have resulted in significant price increases which are only partly offset by government support packages. We are acting to minimise energy consumption and limit the financial impact, although it is unlikely that these initiatives will have a significant benefit in the short term.

Other than in relation to energy supply, our trading operations are not directly affected by the war in Ukraine. Merlin has no attractions in the region, no material Russian or Ukrainian suppliers or landlords, and very few staff that are directly affected. Outbound Russian and Ukrainian international tourism at our attractions is also negligible. However, this and other geopolitical and economic factors, and in particular fuel and energy costs, could lead to reduced levels of international tourism, lower guests' disposable income, and put further inflationary pressure on operating costs.

We continued to benefit from governmental support payments totalling £33 million (2021: £19 million) for operating costs in certain jurisdictions (see note 2.1 to the financial statements). These were primarily in respect of COVID-19, including where claims were finally settled for previous years. Within the UK, 2021 trading benefited from a lower 5% VAT rate through to the start of October, which then moved to 12.5%. There was a minor benefit at the start of 2022 before the rate returned to 20% in April.

Operating Group margins are also affected by the scale and mix of revenue in the existing estate and the dilutive effect of new attractions and accommodation launched in the year, as a result of the timing and costs associated with launch, and the pace with which attractions reach maturity.

Net central costs of £65 million were £22 million higher than in 2021. This primarily reflects a full year of share-based payment charges in respect of the incentive plans created at the end of 2021, together with lower revenues from the phasing of central development projects. Within our central functions, as in the Operating Groups, we maintained our focus on managing the level of underlying ongoing expenditure.

The trading recovery and our focus on cost management together drove underlying EBITDA of £641 million on a 52 week basis and £671 million for the 53 weeks to 31 December (2021: £379 million).

FINANCIAL AND OPERATING REVIEW

REVENUE GROWTH AND FOCUS ON COSTS

Foreign exchange

Merlin is exposed to fluctuations in foreign currency exchange rates on transactions and the translation of our non Sterling earnings.

In the second half of the year, Sterling experienced a material weakening, particularly against the US Dollar. Given a significant proportion of our trading is derived from the USA, the reported results showed a significant benefit arising from translation to Sterling. Retranslating 2022 performance at 2021 rates would result in a £59 million decrease in revenue and a £23 million decrease in underlying EBITDA. We set this out in more detail by major currency on page 105.

Operating profit

Underlying depreciation and amortisation charges increased by £9 million from £247 million to £256 million for the year.

Depreciation charges have increased in respect of LEGOLAND New York, which opened part way through 2021, LEGOLAND Korea, which opened in May, and other new openings.

These are offset by lower charges for Resort Theme Parks. At the start of the year the Group agreed terms with the landlord for Heide Park Resort, following similar transactions that completed at the end of 2021 for the three Resort Theme Parks in the UK. These agreements have secured our tenure at these resorts until 2077, increasing lease liabilities and the associated right-of-use assets. Compared to previous periods depreciation charges have reduced, reflecting the right-of-use assets now being amortised over that longer period.

Exceptional items

	2022 53 weeks £m	2021 52 weeks £m
Underlying profit/(loss) for the year	114	(138)
<i>Exceptional items:</i>		
Within EBITDA	-	(3)
Within depreciation, amortisation and impairment	(29)	1
Income tax credit on exceptional items above	4	-
Profit/(loss) for the year	89	(140)

Exceptional items reported within EBITDA totalled £nil before tax credits (2021: £3 million).

Exceptional items reported within depreciation, amortisation and impairment totalled £29 million (2021: credit of £1 million before tax credits). These were £22 million for two Midway attractions, following reviews of market and economic conditions at those specific locations, and £7 million in respect of the Group's investment in the company operating LEGOLAND Dubai Hotel.

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

Midway Attractions

	2022 53 weeks	2022 52 weeks	2021 52 weeks	Growth (actual currency)	Like for like growth
Visitors (m)	28.7	27.9	16.8	66.1%	
Revenue (£m)	631	610	344	76.9%	70.8%
Underlying EBITDA (£m)	249	234	102	129.5%	
Underlying EBITDA margin	39.5%	38.4%	29.6%		
Operating profit/(loss) (£m)	130	115	(10)	n/m	

Merlin's Midway attractions are predominantly indoor attractions that operate year round, with trading volumes generally higher around holiday periods.

Our Midway North America attractions traded strongly, where we operate largely domestically-focused brands. Total revenues were ahead of pre-pandemic levels, driven by elevated revenues per guest and recent attraction openings. On a like for like basis, revenues for the year to date were broadly in line with pre-pandemic levels. The North American estate has generally been open in both 2022 and the 2021 comparative period.

Within the Midway UK division, robust revenues per guest and domestic demand drove positive trading. This was supported by a steady recovery in inbound international tourism, primarily to our attractions in London.

Our Continental Europe attractions saw similar trends to the UK, albeit 2022 trading was affected for a longer period by restrictions in certain locations. In 2021 trading restrictions impacted the early part of the year and lifted later than in the UK.

The Asia Pacific region was most negatively impacted by COVID-19 and evolving governmental responses. Rolling restrictions and lockdowns in China caused considerable disruption, albeit they started to ease later in the year. Significantly lower levels of outbound Chinese tourism had a wider impact on the rest of the Midway Asia Pacific estate. There was a continued recovery in Australia and New Zealand, driven by domestic visitation and strong revenues per guest.

EBITDA margins have increased to 38.4% (52 weeks) compared to 29.6% in 2021. This reflects the recovery in visitation levels, the strong revenues per guest as noted above, and short term savings in marketing expenditure. We have also benefited from government support payments for operating costs, including where claims have been settled in respect of previous years. We do not anticipate such support to continue.

FINANCIAL AND OPERATING REVIEW

REVENUE GROWTH AND FOCUS ON COSTS

LEGOLAND Parks

	2022 53 weeks	2022 52 weeks	2021 52 weeks	Growth (actual currency)	Like for like growth
Visitors (m)	16.2	15.8	9.4	67.2%	
Revenue (£m)	924	903	537	68.3%	48.3%
Underlying EBITDA (£m)	330	317	172	83.6%	
Underlying EBITDA margin	35.7%	35.0%	32.1%		
Operating profit (£m)	247	234	106	119.7%	

The LEGOLAND parks in California and Florida in the US, and LEGOLAND Japan, are normally open all year round. The three European parks in the UK, Denmark and Germany typically open fully in the spring and trade through to the autumn, with trading over the winter period more focused on accommodation offerings and events. All parks see trading volumes higher around holiday periods, particularly the main summer trading season. The recently opened resorts at LEGOLAND New York and LEGOLAND Korea will operate seasonally, closing over parts of the winter period.

In the US, our LEGOLAND resorts in California and Florida traded strongly, with elevated revenues per guest and higher accommodation room rates. The first standalone Peppa Pig theme park opened in February as a 'second gate' attraction adjacent to LEGOLAND Florida Resort. This new opening traded ahead of expectations, helping drive total visitation to the resort ahead of the equivalent period in 2019. LEGOLAND New York, which opened in 2021, was closed over the winter season and opened on schedule in the spring.

Tight labour markets in the US have resulted in some staff shortages and pressure on wages. Despite these challenges, trading was positive, with strong customer spends and positive satisfaction scores.

Our European resorts all showed strong trading, with revenue management initiatives supporting revenues per guest, leading to like for like revenues increasing against 2019 trading. All resorts showed accommodation revenues ahead of expectations, with demand for short breaks driving strong average room rates. The two resorts located in Germany and Denmark both benefited from the recovery in international tourist visitation.

Within the Asia Pacific region, LEGOLAND Japan built a more sustained recovery through 2022, with positive momentum over peak season, although trading remained below pre-pandemic levels. LEGOLAND Korea opened in May 2022 as the country was exiting from its most severe COVID-19 wave. The LEGOLAND Korea hotel opened as planned on 1 July. Initial trading has been encouraging with a focus on building the resort positioning of the attraction.

Merlin has two LEGOLAND management contract locations. LEGOLAND Dubai park was open throughout the year but has seen a slow recovery, with visitor volumes significantly below pre-pandemic levels. A themed hotel at the resort opened in January, developed in partnership with the park's owners. LEGOLAND Malaysia was open through the year.

EBITDA margins have increased to 35.0% (52 weeks) compared to 32.1% in 2021. This reflects the strong revenues per guest as noted above, higher than average staff vacancy levels, and short term savings in marketing expenditure, offset by ongoing cost pressures. We have also benefited from government support payments for operating costs, including where claims have been settled in respect of previous years. We do not anticipate such support to continue.

Resort Theme Parks

	2022 53 weeks	2022 52 weeks	2021 52 weeks	Growth (actual currency)	Like for like growth
Visitors (m)	11.5	11.4	9.0	26.5%	
Revenue (£m)	450	446	374	19.4%	19.6%
Underlying EBITDA (£m)	157	155	148	4.9%	
Underlying EBITDA margin	35.0%	34.8%	39.6%		
Operating profit (£m)	109	107	87	23.2%	

The main trading period for the Resort Theme Parks attractions, all of which are in Europe, normally starts during the early spring, with trading over the winter period more focused on accommodation offerings and events. All parks see trading volumes higher around holiday periods, particularly the main summer trading season.

All resorts opened on schedule in the spring and trading was robust across the Operating Group, which has now fully recovered and traded ahead of pre-pandemic levels.

The overall performance was driven by the Operating Group's two largest resorts, Alton Towers Resort in the UK and Gardaland Resort in Italy.

Alton Towers Resort reported record revenue, driven by strong revenues per guest, reflecting customer demand, our dynamic approach to revenue and capacity management, and a strong product offering that included a successful events programme. Demand for short breaks supported strong accommodation room rates.

Gardaland Resort benefited from the combination of the recovery of international tourist visitation, a robust domestic market, the impact of the new 'JUMANJI - The Adventure' ride, and a full year of trading from the LEGOLAND Water Park that opened at the Resort in 2021.

EBITDA margins have fallen to 34.8% (52 weeks) compared to 39.6% in 2021. This reflects ongoing cost pressures and inflationary impacts on areas such as repairs and maintenance. Furthermore, within the UK resorts, 2021 trading benefited from a lower 5% VAT rate across the peak trading season and up to the start of October, when it then moved to 12.5%. There was therefore a less significant benefit in 2022 as the rate returned to 20% in April.

These impacts are offset by the strong revenues per guest as noted above, higher than average staff vacancy levels, short term savings in marketing expenditure, and government support payments for operating costs.

FINANCIAL AND OPERATING REVIEW

REVENUE GROWTH AND FOCUS ON COSTS

Finance costs

Net finance costs of £250 million were incurred in 2022 (2021: £224 million).

The increase reflects changes in interest rates on the Group's interest-bearing loans and borrowings, increased lease interest charges following the transactions where we extended the tenure at our leasehold Resort Theme Park locations, and lower levels of borrowing costs being capitalised following the completion of LEGOLAND New York and LEGOLAND Korea. These are offset by foreign exchange gains on non Sterling internal loan structures.

As set out in more detail below, in 2022 the Group entered into USD 600 million of interest rate swaps, hedging USD LIBOR floating rate debt to 2026, and EUR 700 million of interest rate caps maturing in 2026.

Profit before tax

As a result of the factors noted above, reported total profit before tax for the 53 weeks to 31 December 2022 was £136 million (2021: loss of £94 million).

Taxation

The total tax expense for the year was £47 million (2021: £46 million) which represents a reported effective tax rate (ETR) of 34.6%. The underlying ETR, excluding exceptional items, was 30.8%

The difference between this rate and the UK standard tax rate of 19.0% is primarily attributable to the effect of tax rates in foreign jurisdictions and certain non-deductible expenditure, offset by movements in uncertain tax provisions. During the course of the year, the conclusion of tax authority enquiries has enabled certain provisions to be released or reassessed.

In 2021 the effective tax rate was (48.9)%. The difference between this rate and the UK standard tax rate of 19.0% was primarily attributable to the revaluation of deferred tax liabilities, due to the change in the UK tax rate from 19% to 25% from 1 April 2023, and the non-recognition of tax losses.

The impact of the European Commission's finding relating to the UK's Controlled Foreign Company rules is further detailed in note 2.4. Charging notices from HMRC were received for £28 million in 2021, which the Group was legally obliged to pay. However, it is expected that this £28 million will ultimately be recovered and it is therefore included as a non-current receivable in the consolidated financial statements.

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

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.

FINANCIAL AND OPERATING REVIEW

REVENUE GROWTH AND FOCUS ON COSTS

Cash flow

	2022 53 weeks £m	2021 52 weeks £m
Underlying EBITDA	671	379
Exceptional items	-	(3)
Working capital and other movements	(29)	78
Tax (paid)/received	(20)	5
Net cash inflow from operating activities	622	459
Capital expenditure – existing estate	(140)	(72)
Capital expenditure – new business development (NBD)	(55)	(219)
Other investing activities	(31)	(7)
Interest paid, net of interest received	(275)	(231)
Other	2	-
Net cash inflow/(outflow) before changes in borrowings	123	(70)
Net changes in borrowings, including shareholder loans	(16)	(29)
Net capital repayments of leases	(33)	(34)
Net cash inflow/(outflow) for the year	74	(133)

Operating cash flow

Net cash flow from operating activities for the year was an inflow of £622 million (2021: £459 million), resulting from total EBITDA of £671 million, a working capital outflow of £29 million and net tax payments of £20 million.

Working capital movements in the year of £(29) million related to a number of factors. These included increased trade accounts receivable and higher inventory levels as trading recovered, combined with lower levels of accruals. This was offset by trading related increases in deferred income, together with the impact of share-based payments and certain provisions.

In 2021 positive working capital movements of £78 million reflected the recovery of trading activity against the much lower levels at the end of 2020, the shift to online bookings, and a positive contribution from attractions that opened in 2021 and where there was minimal working capital in prior periods.

In Q1 2021 the Group made payments to HMRC of £28 million in respect of the European Commission's review as to whether certain elements of the UK's Controlled Foreign Company rules partially represent State Aid. The Group expects that this will ultimately be recovered (see note 2.4 for more information). In Q3 2021 the Group received a first payment of £26 million under the CARES Act in the US, in respect of carry back claims against taxes paid in previous years.

Operating free cash flow (being underlying EBITDA less existing estate capital expenditure) was an inflow of £531 million in 2022 (2021: inflow of £307 million).

Investing activities

A total of £195 million was incurred on capital expenditure in 2022 (2021: £291 million).

Existing estate capital expenditure totalled £140 million (2021: £72 million). In 2021 there were significantly lower levels of activity than normal as a result of the COVID-19 pandemic. While activity levels have increased, they have remained suppressed to some extent through 2022.

New business development (NBD) investment totalled £55 million. The most significant element of this was £33 million that related to the development of LEGOLAND parks, primarily LEGOLAND Korea, which opened in the year. The 2021 comparative amount was £177 million which also included spend on LEGOLAND New York. A further £6 million related to new accommodation development across our theme park estate, £7 million was in respect of new Midway attractions and £9 million in respect of other projects.

Other investing activities relates to the acquisition of the COEX Aquarium in April 2022. In 2021 we invested £7 million in respect of the LEGOLAND Shanghai Resort.

Financing activities – interest payments

Interest payments relate to the Group's external debt and its lease arrangements. They therefore reflect both the underlying level of those interest charges, as well as the timing of when payments are made. Debt interest payments are made quarterly and six monthly depending on the nature of the debt. In 2022 an additional quarterly payment was included as a result of the impact of the reporting period being on a 53 week basis.

The timing of lease payments varies depending on local practice. The Group's largest lease commitments are in the UK and are paid quarterly.

Financing activities – changes in borrowings 2022

The net change in borrowings totalled an outflow of £16 million primarily in respect of mandatory quarterly repayments under the terms of the Group's banking facilities.

Capital repayments of leases are stated net of £6 million received from the landlord as part of the agreement to secure tenure at the Heide Park Resort (2021: £25 million in respect of the three UK Resort Theme Park locations - see note 5.4). The timing of payments reflects the factors noted above.

2021

The net change in borrowings totalled an outflow of £29 million, mainly from the repayment of £15 million in respect of funding received in 2020 from KIRKBI for the deferral of certain trading payments and a further £10 million under the terms of the Group's banking facilities.

FINANCIAL AND OPERATING REVIEW

REVENUE GROWTH AND FOCUS ON COSTS

Net assets

	2022 £m	2021 £m
Property, plant and equipment	2,664	2,507
Right-of-use assets	1,633	1,512
Brands	1,319	1,311
Goodwill and other intangible assets	2,366	2,200
Investments	11	24
Working capital	(265)	(328)
Net external debt	(3,541)	(3,369)
Lease liabilities	(1,612)	(1,458)
Net derivative financial assets/(liabilities)	37	(2)
Corporate and deferred tax	(414)	(365)
Employee benefits	2	(7)
Other assets and liabilities	(200)	(139)
Net assets	2,000	1,886

The reported values of property, plant and equipment; goodwill and other intangible assets; and net external debt, reflect the impact of foreign exchange movements, mainly in respect of the weakening of Sterling compared to the US Dollar.

Property, plant, and equipment increased by £157 million, primarily reflecting capital additions and the retranslation of assets at different foreign exchange rates, offset by depreciation charges.

The net derivatives value of £37 million relates to mark to market valuations at the reporting date. These are primarily in respect of the interest rate swap and cap transactions entered into during the period to hedge interest rate exposures.

The increase in lease liabilities and related right-of-use assets reflects the agreement that secured tenure until 2077 at Heide Park Resort, which completed early in the reporting period. For more details see note 5.4.

Further analysis of working capital movements 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 \$1,342 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 31 December 2022 were at a margin of 3.0% (2021: 3.0%) for EUR debt and 3.25% (2021: 3.25%) for USD debt over the floating interest rates when drawn. The relevant floating interest rates are USD LIBOR, which was 4.73% at 31 December 2022 (0.13% at 25 December 2021) and EURIBOR, which was 2.20% at 31 December 2022 (nil% at 25 December 2021). The terms of the floating rate debt facility require a repayment of 0.25% of the outstanding principal amount of the USD borrowings every three months.
- €500 million 7.0% senior secured notes due 2025 entered into by the Company's subsidiary Motion Finco S.à r.l.
- \$400 million 5.75% senior notes due 2026 entered into by the Company's subsidiary Merlin Entertainments Limited.
- A £400 million revolving credit facility to mature in May 2026, of which £nil was drawn in cash at the end of the reporting period. £30 million was utilised by way of establishing certain ancillary facilities, including letters of credit.

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.

Interest rate hedging

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 derivatives.

At the end of the reporting period the Group had \$810 million of fixed interest rate notes and \$1,342 million of drawn floating rate facilities. During Q3, the Group entered into USD 600 million of interest rate swaps, hedging USD LIBOR floating rate debt to 2026, at an average fixed rate of c.3.15%.

At the end of the reporting period the Group had €870 million of fixed interest rate notes and €1,460 million of drawn floating rate facilities. During Q3, the Group entered into EUR 700 million of interest rate caps maturing in 2026 at an average cap strike rate of c.1.61% at a running cost of c.0.9% per annum to 2026.

In aggregate, at the end of the reporting period, 67% (2021: 37%) of the Group's interest-bearing loans and borrowings is at a fixed/capped rate for a weighted average period of 4 years (2021: 5 years).

FINANCIAL AND OPERATING REVIEW

REVENUE GROWTH AND FOCUS ON COSTS

Lenders

The Group maintains ongoing relationships with the institutions that provide financing facilities. This includes the provision of quarterly financial information, and presentations by the Chief Financial Officer and the Group Treasurer and Director of Tax.

The Group 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 and our other financing requirements. Merlin actively assesses financing opportunities, which may include new financings, refinancings and transactions by us or our affiliates in our existing debt from time to time, whether in the open market, in privately negotiated transactions, through tender offers or through redemptions, and such transactions may be material.

Covenants

A financial covenant has existed from 30 September 2020 but is only required when the revolving credit facility is drawn by 40% or more (net of cash and cash equivalents). The covenant requires the Group to maintain adjusted consolidated senior secured leverage below 10x.

Effective June 2021, the Group agreed with its revolving credit facility lenders to waive the leverage covenant until Q3 2023. As part of this agreement the Group is required to maintain a minimum liquidity of £75 million (to include amounts undrawn from the revolving credit facility, and cash and cash equivalents), over the period of the waiver.

The Group complied with the financial covenants in the year. 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 year.

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.
- 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 23.

Going concern and liquidity

We continue to prepare the financial statements on a going concern basis. Our projections are based on what we believe is a balanced approach. We will continue to monitor our liquidity regularly, following the approach as set out elsewhere in this Annual Report.

Further details on our going concern assessment are set out in note 1.1 to the financial statements.

Alistair Windybank
Chief Financial Officer
17 March 2023

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 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.
- To provide a more direct comparison of trading performance in the existing estate, we refer to 'like for like' performance. This represents growth between two years at constant currency and accounting standards, including all businesses owned and operated before the start of the earlier year.

Period under review – this year's consolidated Group financial statements are prepared on a '53 week' basis for the period ending 31 December 2022. In most years we report on a '52 week' period. In certain years an additional week is included to ensure that the statutory financial year end date stays in line with the end of December. Within this report we also present unaudited '52 week' information for 2022 where we think it will provide a more direct comparison of performance. The difference between the 52 and 53 week periods is the week ending 31 December 2022, which includes revenue, cost of sales, and variable operating costs directly attributable to that week. Annual fixed costs and central overheads are not allocated to the 53rd week as they are not incrementally incurred costs. All balance sheet, and therefore cash flow information, is reported as at the statutory year end date and therefore represents a '53 week' period in 2022 (2021: 52 weeks).

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 49 to 52. Those areas requiring significant judgement in the preparation of the financial statements are summarised on page 48.

PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Internal control and risk management

In accordance with the delegated matters set out in the Shareholder Investment Agreement, Merlin maintains effective internal control and risk management systems, with Board 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.

After two years of turbulence in Merlin's trading activities, the Company continues to be rigorous in its approach to the operational and financial control environment, with a strong focus on protecting corporate resources.

The Audit Committee and the Health, Safety and Security Committee continue to receive regular updates about changes in organisational risk to ensure that the effectiveness of the control frameworks is kept under review.

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 Merlin Board annually, with our pipeline for the delivery of new attractions reviewed regularly to:
 - assess whether new compelling experiences and attractions in development are progressing according to schedule;
 - identify new ideas and assess fit with our brand portfolio; and
 - 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 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 are complied with. Assurance comes from several sources that include health, safety and security (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 (HSS)** – 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 should adverse events occur.

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 Merlin 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 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.

Each Committee reviews the principal risks on a regular basis 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, other visitors or animals. 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 guest satisfaction scores. Qualitative measures consider items such as reputational impact and compliance with laws and regulations.

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 2022 were effective.

Plans for 2023

During 2023 we will continue to evolve our risk management approach to:

- monitoring and measuring the impact of climate change and associated environmental issues affecting the territories in which our businesses operate;
- employee engagement and retention, so that we continue to be an employer of choice; and
- IT technical, security, and disaster recovery activities to deliver stable infrastructure platforms from which to operate.

At the same time, we will continue our journey to standardise and automate transactional processing activities, to deliver consistency of business process and strengthen the internal financial control framework.

PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Principal risks

The Merlin Board has considered the feedback from the Board Committees and executive management on the range of risks that could impact the Group, and has concluded that the principal risks are those set out in the table below. The gross risk trend indicator included in the table reflects the exposure before mitigation and is used to compare to the previous year as to whether significant risks are stable, increasing or decreasing. The Merlin Board sees no significant movements in the outlook for most of the principal risks, with the exceptions of the competition for talent, inflationary increases for labour and other operating costs, as well as threats emanating from cyber and fraud related activity. Comments in the table provide extra detail to help illustrate the direction of specific risks.







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. fire, flood, storm or utility failure, potentially driven by extreme weather events. substandard build quality or asset degradation; inadequate maintenance and management of buildings, infrastructure and vegetation. 	<ul style="list-style-type: none"> Regular performance reviews by Board Committee with a specific mandate for this area. Ownership of health, safety and security (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 	Personal health and security concerns that flow from geopolitical actions, 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. Acute periods of inflation can impact consumers' appetite for discretionary purchases.	<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.
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 guest experience. Engagement with the public and on social media to take any requisite action.





PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Risk	Description	How risks are managed
5. People availability and expertise 	<p>As noted elsewhere in this report, we continue to face 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:</p> <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. • Reviews of employment markets and salary benchmarking. • 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) 	<p>Competition – for leisure time; from new or existing providers of location based entertainment; and for IP around which compelling propositions are created.</p> <p>The commercial benefits from using third party IP may be lost from waning interest or withdrawal of permission to use third party IP content, where contractual obligations are not met, or partner relationships are not managed effectively.</p>	<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 	<p>The ability of the Group to grow in line with strategic objectives could be inhibited by the lack of:</p> <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 	<p>Incidents or staff behaviours leading to animals in our care being harmed as a result of:</p> <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.
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. 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 suitable technical and organisational measures to ensure compliant data processing in line with global legislative requirements could lead to data loss or inability to use IT systems for a prolonged period, a data breach, or a security incident resulting in data protection sanctions, investigations and enforcement actions by local regulators and individuals themselves.</p> <p>We currently see a greater incidence and impact of cyber-attacks on organisations across the globe. The Merlin Board continues to consider cyber security risks, together with the Group's ongoing investment in that area.</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. • Implementation of additional 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. • Continuous review of our data protection approach in light of evolving legislation in all operating territories. • Independent assessment of compliance arrangements. • Regular updates provided to the Merlin Board by the Chief Technology Officer on any cyber incidents and the wider cyber security landscape.

PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

Risk	Description	How risks are managed
10. Impact of increasing costs on operating margins and returns on capital 	<p>As noted elsewhere in this report, we currently see significant inflationary pressures in a number of economies. This includes areas such as wages, fuel and energy costs.</p> <p>Such inflationary pressures on cost of sales, operating costs and capital expenditure programmes may not be fully compensated by increases in selling prices or the ability to redesign capital projects to keep expenditure down.</p>	<ul style="list-style-type: none"> Strategic focus on pricing associated with changing consumer expectations. Increasing the proportion of the cost base that is variable in nature or can be flexed to meet demand. Effective financial and contractual controls regarding procurement activities. Redesign capital schemes to a lower cost outcome.
11. Anti-bribery and corruption 	<p>Merlin's business model for sales is low risk, the majority of transactions being with individual customers at low values. From a procurement or service delivery perspective, Merlin currently operates in or is establishing operations in a number of territories which have a 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. 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.
12. Liquidity/cash flow risk 	<p>A lack of liquidity could inhibit the ability of the Group to grow in line with 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). changes in the global credit market impact the Group's long term ability to meet current growth targets. there is an increase in short term interest rates in primary borrowing currencies. <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. Interest rate risk is managed through a combination of fixed rate borrowings and hedges taken out on floating rate debt. 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.
13. 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.

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.

'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 and our staff wellbeing programmes. More details can be found on our website (www.merlinentertainments.biz).

We set out more details below, which include the five specific areas required under the non-financial reporting requirements in the Companies Act 2006. Further information can also be found on Merlin's website and the websites of our partner charities.

Employees

Employee engagement

In 2022 more than 18,000 people completed our 'The Wizard Wants to Know' employee engagement survey, a response rate of 84%. Our overall engagement score was 68%, an encouraging increase of 5% on the previous year.

We have introduced long term incentive plans that are aligned to the strategic objectives of our shareholders, provide incentive structures for our management teams and include outstanding contribution and long service awards that are available to all employees.

Employee communication

Throughout the year, lines of communication with our employees were maintained, ensuring that all employees were kept fully updated on business operations on a regular basis. Tools such as the 'MyMerlin' intranet and 'The Wizard's News', our monthly company digital newsletter, continued to celebrate successes and effectively communicate across all our sites.

Gender reporting

Through 2022, one of the Company's seven Directors and one of the Group's seven Executive Committee members were female. At December 2022, of the Group's senior management positions (being attraction General Managers up to and including the Executive Committee) 135 (36%) were female and 243 (64%) were male. This is consistent with 2021. The percentage of female permanent employees is 49% (2021: 49%) totalling 4,268 (2021: 4,165). The split of male versus female employees has therefore broadly remained consistent.

Merlin continues to report on 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 2022, 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 18.2% (2021: 14.2%, 2020: 4.7%). 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 4.0% (2021: 3.2%, 2020: 3.5%).

The increase in both figures reflects shifts in the range of employees captured within the reporting parameters during furlough periods, and the positive employee bonus result which paid out in the 2022 reporting period. The impact of a positive bonus is seen more readily in senior, higher compensated roles, which are currently held by a greater proportion of male employees. Merlin strives to improve its gender balance in senior roles by actively encouraging and promoting more females, as well as opening more opportunities in traditionally male-dominated roles like engineering. We also host a number of initiatives to educate and inspire career progression within Merlin among female staff.

Recruitment, training and development

Merlin runs a variety of training and development activities across all parts of the business. These range from induction training and role specific learning (for example in health and safety, and animal welfare), through 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.

During the COVID-19 pandemic we created more online content and self-led learning modules so teams could continue to access learning opportunities remotely. Through 2022, we shifted to a blended mix of online learning and development, and 'in person' programmes for leadership development and critical skills such as marketing, engineering and commercial training.

Risk management

For details of how we manage the risks of people availability and their expertise, see page 22.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

Health, safety and security

In accordance with the Shareholder Investment Agreement, the Board has created a Health, Safety and Security Committee which, together with the Merlin Board and management, ensures that Merlin is dedicated to delivering best in class health, safety and security (HSS) standards that are clearly understood and implemented across the Group. These standards 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 initiatives 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.

Emerging from COVID-19

Much of the world experienced renewed business and consumer activity in 2022 following numerous lockdowns and government imposed restrictions to help combat the worst public health effects of COVID-19. Merlin's COVID-19 countermeasures remained dynamic and able to adapt to differing states of government restrictions, dependent on the specific country or territory. Attention remained focused on ensuring that Merlin's core HSS programmes and standards continued to be suitable and applied at those attractions that were emerging from multiple years of COVID-19 related lockdowns and restrictions.

Attractions applied a robust approach to their HSS activities, ensuring that the correct and necessary arrangements were in place to proactively and effectively support the many new employees that were joining the business in 2022. A resolute and unwavering focus on the application of Merlin's HSS programmes was required through the year as tight labour markets evolved and attractions sought to enhance their resourcing levels. Supported by Merlin's central functions, attraction teams were able to ensure that high safety standards and HSS performance and outcomes were achieved.

The overall strength of our HSS performance is evidenced by the continued low level of Merlin's Medical Treatment Case rates (relating to guests and employees), as seen in the KPI table on the following page.

With global travel freeing up in 2022, Merlin's HSS audit programme resumed. Specialist auditors in the fields of safety, engineering and food safety undertook deep-dive audits across a range of attractions. Such audits remained complemented by independent ride safety inspections undertaken each year by specialist third party ride examiners, as commissioned by Merlin.

Merlin's Safety Week also resumed in 2022, focusing on the important topic of attraction security. With notable enthusiasm and participation across all of Merlin's attractions, many engagement, learning and best practice sharing activities took place, all serving to ensure that security protocols and arrangements remain front and centre of employee understanding and conduct.

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 the area of fire safety, fire engineering surveys of our hotels have helped ensure that we continue to uphold the highest of 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, in order 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:

- 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.
- Lagging indicators** – which capture incident rates for both guests and employees.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

The results of our monitoring and assurance activities are set out below.

Leading indicators	2022	2021
Safety Inspection Certificates – Rides ⁽¹⁾	100%	100%
Safe Operating Procedures – Rides ⁽²⁾	100%	100%
Food Safety Audits ⁽³⁾	88%	N/A
Safety Culture Survey Results ⁽⁴⁾	74%	75%
HSS Committee Meetings ⁽⁵⁾	90%	100%
Lagging indicators		
Medical Treatment Case Rate (Guests) ⁽⁶⁾	0.01	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 valid annual Safety Inspection Certificates issued, or a formal extension granted to such annual Inspection Certificates due to the impact of cross-border travel restrictions brought on by the COVID-19 pandemic (mainly for China).

(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, and includes those additional compliance audits completed in-house by Merlin's Group Head of Food Safety and Public Health. Where opportunities for improvement to local practices are identified, these are discussed with local management and plans implemented to address them. Due to the impact of cross-border travel restrictions brought on by the COVID-19 pandemic, as well as extensive attraction temporary closures, such on-site audits were not able to take place in 2021.

(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 Merlin 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. Due to some organisational changes, one LEGOLAND Parks HSS Committee meeting and one Midway Attractions HSS Committee meeting were rescheduled to outside of this reporting period.

(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. Through focused and sustained efforts by attraction teams, both Case Rates have seen a positive reduction in 2022, versus 2021.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

Environmental matters

Governance

We recognise that our operations impact upon the environment and that effective management of this, 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.

The Group Sustainability Director is responsible for the development and implementation of the strategy, policy and principles across the business in order to ensure effective management of our climate impacts.

Our global attractions can draw from the Group's green capex fund to carry out low-carbon and efficient technology projects, and 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 & Reports' section of our website where our environmental policy is published.

2022 activities

We continued to drive awareness in our staff and guests around environmental issues, launching our sustainability good practice guide and video for our general managers and technical staff. Our green capex fund supported projects within the estate on LED lighting optimisation, variable frequency drives and the optimisation of building management and life support systems.

Merlin is committed to increasing on-site solar photovoltaic energy generation, and we are actively exploring the opportunity to have a combined solar photovoltaic of over 9MW across four of our resorts at LEGOLAND California, LEGOLAND Windsor, Gardaland and THORPE PARK.

We know that electric vehicles have a crucial role to play in decarbonising our planet and ownership of electric vehicles is on the rise. We are therefore working with a partner to install electric vehicle chargers across our UK resorts.

In November 2022 we were delighted to partner with Kensa Group to turn the lastminute.com London Eye green.

Plastic pollution

Merlin has been a long term advocate for reducing plastic pollution as well as progressing the positive impact our businesses and teams can make on their local environments and communities. We continue to review all our retail stores to remove unnecessary packaging and plastic across all of our merchandise.

These initiatives will continue in 2023 and beyond. This includes working with our global supply chain to remove unnecessary plastic packaging from our shops; providing opportunities for all our staff and guests to become involved at our attractions, as well as helping them consider behavioural change in their everyday lives; and supporting the SEA LIFE TRUST in campaigning across the globe for greater protection for our marine environment and its creatures, including their annual beach clean which takes place on World Oceans Day.

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 – how using fossil fuel energy contributes to climate change.**
Merlin is working on increasing its on-site renewable technologies such as solar photovoltaic.
- **Energy price – the risk of fluctuation in global energy prices.**
Merlin is exploring the opportunity of a Power Purchase Agreement (PPA) for solar photovoltaic farms. Merlin is also investing in energy efficient systems like variable speed drives and 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.

Task Force on Climate-Related Financial Disclosures (TCFD)

In accordance with mandatory TCFD reporting in the UK, Merlin will comply with TCFD from 2023.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

Streamlined energy and carbon reporting

The Company is required to report each year on its carbon dioxide emissions, which are set out in the table below. We have followed the 2019 HM Government Environmental Reporting Guidelines. We have used the Greenhouse Gas Protocol – Corporate Standard and have used emissions factors from IEA Emissions Factors 2022 for electricity by country and UK Government GHG Conversion Factors for Company Reporting 2022 for all other carbon activities. We have chosen the financial control boundary method as this allows us to report on all sources of environmental impact over which we have financial control.

In the period covered by this report, Merlin launched a series of energy efficiency initiatives such as a life support system filtration optimisation, LED lighting optimisation, variable frequency drives and building management systems across our estate. Together these projects are expected to save 448,722 kWh annually. In this period, we purchased 62,433 MWh of renewable energy attributes through our energy procurement contracts. The attributes are backed by Renewable Energy Guarantees of Origin (REGOs).

Our carbon reporting period for 2022 is from September 2021 to August 2022. The KPI for measuring our carbon emissions trend is carbon emissions per £1 million of revenue. Our reported carbon intensity ratio, that measures the usage of CO₂ equivalent (CO₂e) as compared to revenue, decreased significantly from 68 to 49 gross tCO₂e per £1 million of revenue. We have therefore achieved a 28% carbon intensity reduction (market-based) on our 2021 figure. This reduction is due to the increase in 2022 revenue compared to 2021, and reflects the fact that a significant element of our energy usage does not flex with trading volumes, combined with the results of energy efficiency measures, green energy procurement and employee awareness.

We have previously set ourselves a target of a 2% year on year reduction in our carbon emissions intensity.

	2022		2021	
	UK	Global (excluding UK)	UK	Global (excluding UK)
Energy consumption used to calculate emissions (MWh)	117,972	265,005	102,993	212,657
Emissions from combustion of natural gas, oil and LPG in tCO ₂ e (Scope 1)	7,527	11,103	6,659	8,450
Emissions from combustion of fuel for transport purposes in tCO ₂ e (Scope 1)	83	356	439	911
Emissions from use of CO ₂ for food and beverage purposes in tCO ₂ e (Scope 1)	6	48	11	39
Refrigerant emissions from refrigeration systems in tCO ₂ e (Scope 1)	686	3,615	679	2,584
Emissions from purchased electricity and district heating (Scope 2, location-based)	14,337	72,182	13,297	63,717
Emissions after applying purchased green emissions in tCO ₂ e (Scope 2, market-based)	2,144	72,182	2,063	63,717
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)	2	Not reported	3	Not reported
Total gross in tCO₂e	10,448	87,304	9,854	75,701
Group total in tCO₂e	97,752		85,555	
Group revenue (£m)	2,006		1,261	
Intensity ratio: Group gross tCO₂e / £1 million revenue	49		68	

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).
- Scope 2 market-based include REGOs for our UK operations.
- Under Scope 3 emissions we report UK business travel mileage claims (a subset of scope 3 category 6 business travel).
- Our annual carbon reduction target is measured based on market-based emissions.
- We are not able to exclude some emissions from outsourced operations in our food and beverage, games and photography areas, due to the complexity of determining their share of emissions. We plan to determine these emissions in the future and re-base our carbon emissions if necessary, in line with our carbon recalculation policy.
- Defra carbon reporting factors 2022 were used for all conversions to MWh based on Gross Calorific Value (CV) (except for business mileage where Net CV was applied; this is less than 0.05% of our overall calculated energy).
- 1 MWh is equivalent to 1,000kWh.

CORPORATE SOCIAL RESPONSIBILITY

A RESPONSIBLE BUSINESS

Social matters

Our strong social conscience informs how the Group operates and we care about both the people and creatures connected with our business. This is exemplified by areas such as how we approach visitor accessibility, our ethical animal welfare activities, and our work together with our partner charity, Merlin's Magic Wand, to support children faced with the challenges of serious illness, disability and adversity.

Accessibility

In 2022 we continued our commitment to disability inclusion to ensure guests with disabilities can access the magic of Merlin. We understand our obligations and we care about continuously improving accessibility. The Accessibility Steering Group continued to drive improvements across the business.

We have three guiding principles:

- We will make it fun for everyone;
- We will listen, learn and adapt; and
- We will support our people, so they can support our guests.

Some of the key highlights in 2022 were:

- We launched an Internal Intel group – bringing together employees with lived experiences of disability to inform and guide changes we are making to disability inclusion.
- We increased the number of Changing Places toilets across the Group.
- We achieved Autism Centre accreditation for LEGOLAND Florida Resort and will be extending this to other sites in 2023.
- We commissioned mystery visits with disabled guests to further understand the guest experience and where improvements can be made.
- To mark our ongoing commitment, we were once again proud to 'light up purple' on 3 December at our attractions across the world, to celebrate International Day of Persons with Disabilities.

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 develop new and exciting guest experiences which will inspire future generations to care for our oceans and marine life within it.

2022 was another strong year for Merlin's teams who continued their welfare and conservation work to rescue, rehabilitate and release sick or injured animals across the globe. Over 70 grey and harbour seals were rescued across the SEA LIFE and SEA LIFE TRUST seal rescue facilities in northern Europe and the UK. Over 135 turtles were rescued in the UK, the US, Europe and Australia. Beluga whales Little White and Little Grey continued to do well in the SEA LIFE TRUST's world's first beluga whale sanctuary in Iceland, whose team also rescued and released over 40 puffins as part of continued support to the local community.

2022 also saw SEA LIFE and the SEA LIFE TRUST launch a conservation programme focused on funding local projects in countries around the world, which included the world's first rewilding of endangered zebra sharks by the SEA LIFE Sydney Aquarium team.

SEA LIFE and the SEA LIFE TRUST continued to campaign against plastic pollution with their global beach clean. Held on World Oceans Day, the event ran over 24 hours at over 50 different SEA LIFE locations.

Beyond this, we also continue to support additional animal welfare initiatives at Chessington World of Adventures Resort in the UK, and WILD LIFE Sydney Zoo in Australia, who 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 22.

Merlin's Magic Wand

Our dedicated children's charity partner, Merlin's Magic Wand (MMW), will be celebrating its 15th year of operation in 2023. Although the impact of the COVID-19 pandemic remained evident in 2022, the charity was still able to deliver 56,555 Magical Days Out tickets to children and their families, who are facing challenges of serious illness, disability and adversity. The charity also completed the 52nd Merlin's Magic Spaces project based at Ronald McDonald House Philadelphia, in partnership with the LEGOLAND Discovery Center Philadelphia team, and worked with our attraction teams to reach almost 670 children through the Magic on Tour programme.

In 2023, the charity aims to provide more Magical Days Out tickets; deliver on Magic Spaces project commitments; pursue virtual Magic on Tour offerings; and continue to raise awareness of the charity's aims in its 15th birthday year, so that more beneficiaries and charity partners can look forward to a year full of magic.

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 23. 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 (www.merlinentertainments.biz).

Human rights

Merlin respects and supports human rights and is committed to the highest level of ethical standards and sound governance arrangements. We aim to act ethically and with integrity in all our business dealings. As part of this commitment and in accordance with global Modern Slavery legislation, 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.

SECTION 172 STATEMENT

The Board of Directors of the Company (the Board) recognises its responsibility to maintain high standards of business conduct and consider the impact on all stakeholders when making decisions, including the likely consequences of any decision in the long term. The Company is managed by the Board, which comprises representatives of its principal shareholders and an independent Chairman. The same shareholder representative Directors and independent Chairman, together with the Group's Chief Executive Officer and Chief Financial Officer, also meet regularly as the Board of Merlin Entertainments Limited (the Merlin Board). For more information on the Boards' responsibilities, see page 31.

The Board has considered the analysis undertaken by the Merlin Board on how it has exercised its duty to promote the success of the Group during the year with regard to the matters set out in section 172 of the Companies Act 2006. After careful consideration, bearing in mind the division of responsibilities for the business of the Group between the Company and the Merlin Board, and while acknowledging the need for the Board to exercise overall management and supervision of the Group and to exercise independent judgement, the Board has adopted a section 172 statement in relation to the Company itself which is consistent with that produced by the Merlin Board. Further information in the Annual Report on how the Merlin Board has exercised its duty to promote the success of Merlin during the year with regard to the matters set out in section 172, including examples of how these duties have been applied, can be found throughout the Annual Report as set out below.

The Board takes its responsibility to understand the views of stakeholders seriously and will continue to consider stakeholder interests in its decision-making processes in 2023. See page 33 for more information.

Section 172 duties	Key examples	Page	Key examples	Page
Consequences of decisions in the long term The Board and the Merlin Board approve the Group's strategy which includes long term growth ambitions. Accordingly, the long term consequences for the Company and its stakeholders are always factored into strategic decisions.	Chief Executive's introduction	4	Principal risks	21 to 23
	Business model	6	Corporate social responsibility	27
	Growth drivers	9 to 10	Corporate governance	31, 33
	Financial and operating review	12		
Employee interests The Board and the Merlin Board recognise that employee engagement, diversity, inclusion and a strong culture is important to achieve the Company's vision and objectives.	KPIs	1	Principal risks	22
	Chief Executive's introduction	5	Corporate social responsibility	24
	Business model	7		
Fostering business relationships with suppliers, customers and others The Board and the Merlin Board identify guests as key stakeholders and Merlin constantly monitors guest feedback to measure the quality of their experience and drive improvements. The Board and the Merlin Board believe a collaborative approach with suppliers and business partners provides mutually beneficial relationships, enabling engagement on matters that are in both parties' interests.	KPIs	1	Growth drivers	9
	At a glance	2	Principal risks	21 to 22
	Chief Executive's introduction	5	Corporate social responsibility	27, 29
	Business model	6 to 7	Corporate governance	33
Operational impact on community and environment The Board and the Merlin Board promote an ethical operating culture and high animal welfare standards, and are committed to managing environmental impacts through our sustainability strategy. The Board and the Merlin Board support Merlin's partnership with two charities.	Business model	7		
	Principal risks	22		
	Corporate social responsibility	27 to 29		
Maintaining a reputation for high standards of business conduct The Board and the Merlin Board ensure that policies and procedures are in place to support the highest standards of business conduct and receives regular reports to monitor compliance. The Merlin Board is involved in the management of issues which may have a material impact on the Company's reputation.	KPIs	1	Principal risks	20 to 23
	Chief Executive's introduction	5	Corporate social responsibility	25, 26, 29
	Business model	7	Corporate governance	31
Act fairly between owners of the Company The Board and the Merlin Board act in accordance with the terms of the Shareholder Investment Agreement.	Business model	8		
	Corporate governance	31		

On pages 31 to 34 we set out our corporate governance framework including Board and Committee responsibilities.

GOVERNANCE

CORPORATE GOVERNANCE

Overview

The Board is committed to maintaining the highest standards of governance across the Group and recognises that a strong governance framework is fundamental to achieving Merlin's strategic objectives.

Merlin's overriding purpose is to work with stakeholders to create truly memorable experiences for visitors and long term value for our investors. Our corporate governance framework has been developed to safeguard these objectives.

Board and Committee responsibilities

The Board and the Merlin Board

The Company is managed by its Board of Directors (the Board) which comprises representatives of its principal shareholders and an independent Chairman. The Board meets as required by the Shareholder Investment Agreement (see page 8), to provide governance over the Group and to consider those matters requiring specific approval by the Company.

The same shareholder representative Directors and independent Chairman, together with the Group's Chief Executive Officer and Chief Financial Officer, meet regularly as the Merlin Board to provide leadership and set the strategy for the Group.

The responsibilities of the Merlin Board are detailed below:

- approving strategy and major company policies;
- determining the capital structure;
- maintaining the system of internal controls and risk management;
- approving the strategic plan, the annual capital expenditure budget, major capital projects and strategic transactions;
- approving the appointment of key members of executive management and overseeing management performance;
- overseeing financial performance and reviewing financial reports;
- reviewing Environmental, Social and Governance (ESG) performance metrics;
- establishing and maintaining an effective corporate governance framework, in conjunction with the Board;
- effective engagement with shareholders and other stakeholders; and
- reviewing recommendations from Committees.

Board Committees

The following 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 of the investor consortium, two of whom are Board members. Meetings are also attended by the Group Chief Executive Officer and Group Chief Financial Officer, together with the Group Safety, Engineering and Security Director and the Chief Operating Officer of the Midway Attractions & Resort Theme Parks Operating Groups.

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 and the Merlin 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 Merlin 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 whom is a Board member.

Remuneration Committee

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

The Committee considers 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 makes recommendations on the framework for executive remuneration. The Committee is also responsible for making recommendations for the grants of awards under share incentive plans.

Following the retirement announcements from the outgoing Chief Executive Officer and the Chief Development Officer, the Committee approved their retirement packages for remuneration and benefits.

The Remuneration Committee's membership comprises the independent Chairman and representatives of each of the investor consortium, all of whom are Board members.

Other Committees

In addition to the Board Committees, there are four 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 Merlin Board. It implements the Group's strategy and ensures that the business complies with all applicable statutory, regulatory and governance requirements.

Three operational Committees make recommendations to the Executive Committee and have specific areas of responsibility as follows:

- **Commercial and Strategic Risk Management Committee** – provides oversight and guidance on management of commercial and strategic risk.
- **Development Board** – reviews initial proposals for significant capital expenditure and development projects.
- **Investment Board** – appraises major capital expenditure and development projects.

GOVERNANCE

CORPORATE GOVERNANCE

2022 priorities

During 2022 the main areas of focus for the Merlin Board were as follows;

- Consolidating the improved business performance and strategic acquisitions.
- Approving the acquisitions of Cadbury World and the COEX Aquarium.
- Approving major capital projects.
- The recruitment of a new Chief Executive Officer following the announcement of Nick Varney's retirement.
- Approving the appointment of a new Chief Development Officer following the retirement of his predecessor.
- Agreeing an amendment to the Licence and Co-operation Agreement with KIRKBI.
- Monitoring the progress of LEGOLAND park projects in China.
- Reviewing 'next generation' LEGO Discovery Centres.
- Approving the Group's five year strategic plan towards the end of the year.

Corporate governance framework

During 2022 the Board and the Merlin Board maintained a strong corporate governance framework and they continue to apply the Wates Corporate Governance Principles for Large Private Companies. Details of how the Group approaches these principles 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.

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 Merlin 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. This is set out in 'The Merlin Way' values which are embedded throughout the business, from day-to-day management to Merlin Board reviews.

The Group receives feedback from guests and employees via guest satisfaction surveys and employee engagement surveys; where relevant this feedback is incorporated in Board papers. The business model and the growth drivers of the Group are outlined in pages 6 to 10.

Whilst the Board holds overall responsibility for developing and promoting the purpose of the Group, the Merlin Board and the Executive Committee ensure that the values, strategy and culture are embedded globally on their behalf.

The Board Committees and Executive Committee review the effectiveness of key internal policies. For example, the Audit Committee reviews the effectiveness of the Group's whistleblowing and fraud policies across the organisation.

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 is appointed in accordance with the Shareholder Investment Agreement. Each investor has nominated suitably qualified representatives to sit on the Board and the Merlin 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. Details of the Board members can be found on pages 33 to 34.

An Audit Committee, Remuneration Committee and Health, Safety and Security Committee have been established. They have been in operation throughout the year. The Chairman of the Board and of each Committee is responsible for leading and facilitating constructive meetings. The Chairman of the Board regularly elicits feedback from other Board members on meeting effectiveness and governance.

Careful consideration has been given to the appointment of the Chair of each Committee. The Audit Committee is chaired by an individual with recent and relevant financial experience. The Remuneration Committee is chaired by the independent Chairman. The Health, Safety and Security Committee is chaired by an independent health and safety expert. The responsibilities of the Board and these Committees are outlined on page 31.

Throughout 2022, the Board, Merlin Board and Executive Committee together was comprised of 12 men and two women. Details of the gender mix of the Group and its senior management are set out on page 24, together with details of our actions in the area of diversity and inclusivity.

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 understands its responsibility for promoting 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. The Board, the Merlin Board and Committees are bound by a Shareholder Investment Agreement and respective terms of reference which give clear guidance on the matters and key strategic decisions which require Board or Committee approval.

The Merlin Board met six times during 2022, of which three meetings were conducted in person. The Merlin Board are provided with appropriate board packs in advance of the meetings, including project approval papers and updates on trading, financial performance, employee engagement and welfare, legal matters and management of key business risks. When making decisions, only the shareholder representatives have voting rights.

Key financial information is collated from the Company's accounting systems. The Group's financial information is externally audited, and its controls are reviewed regularly by the Group's internal audit function. The Board delegates the scrutiny of financial information and controls to the Audit Committee. The Merlin Board delegates authority for the day-to-day management of the Company to the Executive Committee which meets at least eight times each year.

GOVERNANCE

CORPORATE
GOVERNANCE**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 interaction with management and by risk being a regular item on Merlin Board agendas. Two Committees have specific responsibilities for risk management. The Health, Safety and Security Committee oversees the key areas of health, safety and security while wider risk management and internal controls activities and commercial risks are considered by a sub-committee of the Executive Committee, chaired by executive management, which reports back to the Executive Committee regularly.

The Board retains overall responsibility for risk management and the Merlin Board 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 19 to 23. Long term strategic opportunities are highlighted through the Group's strategic planning processes that the Board oversees. 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 by the Remuneration Committee. All matters relating to remuneration are considered by that body and recommended to the Merlin Board for approval, in line with the Committee's terms of reference. Our remuneration policies and principles are aligned with the Group's performance to support our overall values, purpose and strategy. A series of key principles underpin the Merlin remuneration structure - pay should be based on results and performance; consistent with best practice; and aligned to the long term success of the Company.

During the year the Remuneration Committee ensured awards under the management long term incentive plans for new employees and leavers were managed appropriately. More details are set out in note 5.6 to the financial statements.

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 1.7.2 statement on page 30. The Group's business model also focuses on our interactions with customers, employees and investors; more information can be found on pages 7 to 8.

During 2022, new Board paper guidance was issued within the business which requires all new proposals for capital projects to include a section on stakeholder engagement, including customers and employees, and how their views have been factored into project plans. Furthermore, Board papers also address the sustainability, accessibility and health and safety aspects of projects. This has improved the quality of Board papers and strengthened stakeholder voices in the Group's development pipeline.

Board membership

The Directors currently serving are the independent Chairman and the members of the investor consortium, who also have the right to appoint observers to the Board, the Merlin Board and Committees. Each Director from the investor consortium has one vote at the Board and the Merlin Board. The Group Chief Executive Officer and the Group Chief Financial Officer are executive roles and these positions do not have voting rights at Merlin Board meetings. The members of the Board during the year and at the date of this report are set out below.

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, 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, MGM Resorts International, 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 initial public offering (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 Deputy Chairman of LEGO A/S and a Non-executive Director of ISS A/S, Landis+Gyr AG, Ole Kirk's Foundation, ATTA Foundation, Koldingvej 2, Billund A/S and K2 Fonden af 2023 and six fully owned subsidiaries of KIRKBI A/S. Søren was formerly a Partner, Chief Financial Officer of A.P. Møller – Maersk Group and Managing Partner of KPMG Denmark.

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 is a Member of the Board of LEGO A/S and Executive Chairman of the LEGO Brand Group. Jørgen also holds positions as a Member of the Board of Starbucks, a Member of IMD Supervisory Board and as Chairman of BrainPOP. Jørgen joined the LEGO Group in 2001 and in 2004 he was appointed President and CEO of LEGO Group. He began his career at McKinsey & Company in 1998 and holds an M.Sc. and Ph.D. in Economics Management from Aarhus University in Denmark.

Sidsel Marie Kristensen, KIRKBI Shareholder Representative

Sidsel was appointed as a Director on 4 November 2019. Sidsel has more than 20 years' experience as a lawyer. Sidsel joined KIRKBI A/S in 2016 and was an Executive Vice President and General Counsel until 31 January 2023. Sidsel is Chairman of LEGO Juris A/S and a board member of Euro Cater Holding A/S, BrainPOP, Imagination Lab Foundation, seven fully owned subsidiaries of KIRKBI A/S, four fully owned subsidiaries of the Merlin Group and Shanghai LEGOLAND Management Co., Ltd. Sidsel was formerly a Partner of the Danish law firm Bech-Bruun. Following her appointment as CEO of the LEGO Foundation, Koldingvej 2 Billund A/S, Sidsel resigned from the Board and other Merlin companies on 1 February 2023.

GOVERNANCE

CORPORATE
GOVERNANCE**Damir Hamzic, KIRKBI Shareholder Representative (appointed 1 February 2023)**

Damir was appointed as a Director on 1 February 2023, having previously been a Board observer. Damir joined KIRKBI A/S in 2018 and is currently Head of Circular Plastics Investments and furthermore supports the LEGO Brand Group. Damir is a board member of Shanghai LEGOLAND Co., Ltd. Prior to joining KIRKBI Damir was a Group Vice President at Falck and a Director at Carnegie Investment Bank.

Joseph Baratta, Blackstone Shareholder Representative

Joseph was appointed as a Director on 4 November 2019. Joseph Baratta is Blackstone's Global Head of Private Equity and a member of Blackstone's Board of Directors and Management Committee. He also serves on many of Blackstone'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 Ancestry, Candle Media, First Eagle Investment Management and Medline. He is also a member of the Board of Trustees of Georgetown University, is a trustee of the Tate Foundation, and serves on the board of Year Up, an organization focused on youth employment.

Before joining Blackstone, Mr. Baratta was with Tincum 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 Global Head of Core Private Equity for Blackstone. Mr. Wallace leads Blackstone's private equity investments in the services, leisure, and consumer/retail sectors. He also serves on several of the firm's investment committees.

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), CommNet Cellular, GCA Services, LocusPoint Networks, Michaels Stores, New Skies Satellites, Outerstuff, Ltd., Pinnacle Foods/Birds Eye Foods, PSAV, PSSI, SeaWorld Parks & Entertainment (formerly Busch Entertainment Corporation), Servpro, Sirius Satellite Radio, Tradesmen International, Universal Orlando, Vivint, Vivint Solar and the Weather Channel. He currently serves on the Board of Directors of Alight Solutions, Chamberlain Group, CoreTrust, Merlin Entertainments, PSAV, PSSI, Servpro, Tradesmen International, and Vivint. He is a trustee of Children's Aid Society, one of America's oldest and largest children's nonprofits.

Mr. Wallace received a BA from Harvard College, where he graduated magna cum laude.

Ricardo Caupers, CPPIB Shareholder Representative (appointed 25 January 2022)

Ricardo was appointed as a Director on 25 January 2022. Ricardo is responsible for CPPIB's direct private equity investments in business services companies in Europe. He also has geographic coverage responsibility for Southern Europe.

Prior to joining CPP Investments in 2020, Ricardo was a Partner at Palamon Capital Partners, where he spent more than ten years focusing on investments in fast-growing European companies. While at Palamon, Ricardo led a number of investments in both consumer and retail as well as business services companies, including Retail Decisions, a B2B payments company, Thomas International, a talent assessment tools provider to small and medium sized businesses, Feelunique, an European online retailer of branded beauty products, and The Rug Company, an international brand of contemporary designer home furnishings. He led the successful sale of Retail Decisions to ACI Worldwide, and Feelunique was eventually exited by Palamon to international beauty retailer Sephora after his departure.

Previously, he worked for The Boston Consulting Group in New York and London from 1999 to 2008, leading strategic advisory projects for Fortune 500 corporates.

Ricardo holds a BA in Business Administration from Universidade Católica Portuguesa and an MBA from Harvard Business School.

Key members of the Merlin Executive Committee

The key members of the Executive Committee together with the Directors of the Board form the Merlin Board. Details of Merlin's key executives are set out below.

Scott M O'Neil, Group Chief Executive Officer

Scott was appointed on 15 November 2022.

Scott has more than 25 years of experience in leading and managing global sports and entertainment brands. With a reputation for innovation, an eye for strategic and global brand development and partnerships, and a passion for culture and talent development, Scott has stewarded some of the sports and entertainment industry's most renowned and iconic brands and properties, including the NBA's New York Knicks and Philadelphia 76ers; the NFL's Philadelphia Eagles, the NHL's New York Rangers and New Jersey Devils; and the internationally ranked sports and entertainment arenas, Madison Square Garden and Prudential Center.

Scott's mission to build innovative, inspiring, diverse, socially impactful and high performing businesses and brands earned the organisations under his management acclaim in innovation and culture. He recently published a life leadership book entitled 'Be Where Your Feet Are' published by St. Martins Press.

Scott earned his Bachelor's degree in Marketing from Villanova University and his Masters in Business Administration from Harvard Business School.

Alistair Windybank, Group Chief Financial Officer

Alistair was appointed Group 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 Chief Financial Officer.

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

Nick Varney, Group Chief Executive Officer

After being with Merlin for 23 years, Nick retired on 14 November 2022.

GOVERNANCE

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements for the 53 week period ended 31 December 2022. Comparative figures relate to the 52 week period ended 25 December 2021.

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 24 to 29.

Other information

Other information is set out as follows:

- Business review and future developments – see pages 1 to 29.
- Research and development – details about Merlin Magic Making are located on page 6.
- Directors – details are on pages 33 to 34.
- Employees – details on how we communicate with employees are on page 24.
- Directors' responsibilities statement – see page 37.

Governance

Wates Principles

The Company 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). Details of how the Group approaches these principles are set out on pages 32 to 33.

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:

- Section 172 statement – see page 30.
- Corporate governance – see pages 31 to 34.

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.
- Share-based payment transactions – see note 5.6.
- Related parties – see note 6.3.
- Subsidiaries and joint ventures – see note 6.6.

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, the Shareholder Investment Agreement and the Companies Act 2006 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.

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 or recommended during the current or prior financial year.

GOVERNANCE

DIRECTORS' REPORT

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, 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.

For further details see note 1.1 to the financial statements.

Political donations

No entity in the Group made any political donations, or incurred any political expenditure (each as defined by the Companies Act 2006) in the 53 weeks ended 31 December 2022.

Auditors

As recommended by the Audit Committee, a resolution for the re-appointment of Ernst & Young 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 17 March 2023.

For and on behalf of the Board

Søren Thorup Sørensen**Director****17 March 2023**

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 UK adopted 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 adopted international 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;
- provide additional disclosures when compliance with the specific requirements in IFRSs and in respect of the parent Company financial statements, FRS 101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- for the Group financial statements, state whether they have been prepared in accordance with UK adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK adopted international 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

Opinion

We have audited the financial statements of Motion Jvco Limited (the Company) and its subsidiaries (the Group) for the 53 weeks ended 31 December 2022 (the period) which comprise of the consolidated income statement, the consolidated and Company statement of financial position, consolidated statement of cash flows, the consolidated statement of comprehensive income, the consolidated and Company statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit for the 53 weeks then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the Company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; 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 under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period of 18 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

To the Members of Motion JVco Limited

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Company and determined that the most significant which are directly relevant to specific assertions in the financial statements, are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006, and FRS 101 and the Companies Act 2006), Health and Safety regulations and the relevant tax compliance regulations in the jurisdictions in which the Group operates.
- We understood how Motion JVco Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our reading of Board and other relevant Committee minutes, discussions with the Audit Committee, review of whistleblowing reports and any correspondence received from regulatory bodies.

- We assessed the susceptibility of the Group and Company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of the users of the financial statements.
- Based on this understanding we designed our audit procedures to identify irregularities including fraud. With support from relevant specialists, we performed audit procedures, including testing journal entries and other adjustments for appropriateness, which were designed to provide reasonable assurance the financial statements were free from material fraud or error. Our procedures involved reading of Board minutes and relevant reporting from the Company's legal counsel to identify non-compliance with such laws and regulations, reading reporting to the Audit Committee on compliance with regulations, enquiries of legal counsel, Group management, the Audit Committee, internal audit and subsidiary management at all full-scope components and review of any relevant investigations undertaken.

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

Use of our report

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

Rachel Savage (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

17 March 2023

PRIMARY STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the 53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

	Note	2022			2021		
		Underlying trading £m	Exceptional items ⁽³⁾ £m	Total £m	Underlying trading £m	Exceptional items ⁽³⁾ £m	Total £m
Revenue	2.1	2,006	-	2,006	1,261	-	1,261
Cost of sales	2.1	(359)	-	(359)	(226)	-	(226)
Gross profit		1,647	-	1,647	1,035	-	1,035
Staff expenses	2.1	(536)	-	(536)	(373)	(1)	(374)
Marketing		(74)	-	(74)	(30)	-	(30)
Other operating expenses		(366)	-	(366)	(253)	(2)	(255)
EBITDA⁽¹⁾	2.1	671	-	671	379	(3)	376
Depreciation, amortisation and impairment	2.1	(256)	(29)	(285)	(247)	1	(246)
Operating profit		415	(29)	386	132	(2)	130
Finance income	2.3	29	-	29	2	-	2
Finance costs	2.3	(279)	-	(279)	(226)	-	(226)
Profit/(loss) before tax		165	(29)	136	(92)	(2)	(94)
Taxation	2.4	(51)	4	(47)	(46)	-	(46)
Profit/(loss) for the year⁽²⁾		114	(25)	89	(138)	(2)	(140)

⁽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 (see note 6.1).

⁽²⁾ Profit for the year for 2022 and loss for the year for 2021 are 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 53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

	Note	2022 £m	2021 £m
Profit/(loss) for the year		89	(140)
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	2	(1)
Defined benefit plan remeasurement gains	6.2	8	3
Income tax on items relating to components of other comprehensive income	2.4	(2)	-
		8	2
<i>Items that may be reclassified to the consolidated income statement</i>			
Exchange differences on the retranslation of net assets of foreign operations		(17)	47
Exchange differences relating to the net investment in foreign operations		4	(1)
Cash flow hedges - effective portion of changes in fair value		36	-
Cash flow hedges - reclassified to profit and loss		1	-
Income tax on items relating to components of other comprehensive income	2.4	(9)	-
		15	46
Other comprehensive income for the year net of income tax		23	48
Total comprehensive income for the year⁽¹⁾		112	(92)

⁽¹⁾ Total comprehensive income for the year for 2022 and 2021 is wholly attributable to the owners of the Company.

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022 (2021: 25 December 2021)

	Note	2022 £m	2021 £m
Property, plant and equipment	4.1	2,664	2,507
Right-of-use assets	5.4	1,633	1,512
Goodwill and intangible assets	4.2	3,685	3,511
Investments	6.1	11	24
Employee benefits	6.2	2	-
Derivative financial assets		39	-
Other receivables	4.4	13	5
Tax receivable	2.4	31	29
Deferred tax assets	2.4	5	14
Non-current assets		8,083	7,602
Inventories	4.4	61	43
Trade and other receivables	4.4	165	113
Derivative financial assets		5	1
Tax receivable		32	23
Cash and cash equivalents	5.1	266	185
Current assets		529	365
Total assets		8,612	7,967
Interest-bearing loans and borrowings	5.2	22	37
Lease liabilities	5.4	42	34
Derivative financial liabilities		7	3
Trade and other payables	4.4	491	484
Tax payable		42	28
Provisions	4.5	23	8
Current liabilities		627	594
Interest-bearing loans and borrowings	5.2	3,785	3,517
Lease liabilities	5.4	1,570	1,424
Other payables	4.4	62	20
Provisions	4.5	128	116
Employee benefits	6.2	-	7
Deferred tax liabilities	2.4	440	403
Non-current liabilities		5,985	5,487
Total liabilities		6,612	6,081
Net assets		2,000	1,886
Issued capital and reserves attributable to owners of the Company		1,996	1,882
Non-controlling interest		4	4
Total equity	5.5	2,000	1,886

The financial statements were approved by the Board of Directors on 17 March 2023 and were signed on its behalf by:

Søren Thorup Sørensen
Director

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

	Note	Share capital £m	Share premium £m	Capital reserve £m	Translation reserve £m	Cost of hedging reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total parent equity £m	Non-parent controlling interest £m	Total equity £m
At 26 December 2020		29	2,956	6	(63)	-	-	(954)	1,974	4	1,978
Loss for the year		-	-	-	-	-	-	(140)	(140)	-	(140)
Other comprehensive income for the year net of income tax		-	-	-	46	-	-	2	48	-	48
Total comprehensive income for the year		-	-	-	46	-	-	(138)	(92)	-	(92)
Transfer to retained earnings	5.5	-	-	(6)	-	-	-	6	-	-	-
At 25 December 2021		29	2,956	-	(17)	-	-	(1,086)	1,882	4	1,886
Profit for the year		-	-	-	-	-	-	89	89	-	89
Other comprehensive income for the year net of income tax		-	-	-	(13)	(10)	38	8	23	-	23
Total comprehensive income for the year		-	-	-	(13)	(10)	38	97	112	-	112
Equity-settled share-based payments	5.6	-	-	-	-	-	-	2	2	-	2
At 31 December 2022	5.5	29	2,956	-	(30)	(10)	38	(987)	1,996	4	2,000

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit/(loss) for the year		89	(140)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	2.1	285	246
Finance income	2.3	(29)	(2)
Finance costs	2.3	279	226
Taxation	2.4	47	46
		671	376
Loss on sale of property, plant and equipment		1	1
Movements in working capital		(69)	76
Changes in provisions and other non-current liabilities		39	1
		642	454
Tax (paid)/received		(20)	5
Net cash inflow from operating activities		622	459
Cash flows from investing activities			
Interest received		2	1
Acquisition of subsidiaries, net of cash acquired	3.1	(31)	-
Acquisition of investments		-	(7)
Purchase of property, plant and equipment		(195)	(291)
Disposal of property, plant and equipment		2	-
Net cash outflow from investing activities		(222)	(297)
Cash flows from financing activities			
Repayment of borrowings	5.2	(16)	(13)
Repayment of shareholder loans		-	(15)
Net capital repayment of lease liabilities ⁽¹⁾		(33)	(34)
Interest paid		(277)	(232)
Financing costs		-	(1)
Net cash outflow from financing activities		(326)	(295)
Net increase/(decrease) in cash and cash equivalents		74	(133)
Cash and cash equivalents at beginning of year	5.1	185	306
Effect of movements in foreign exchange		7	12
Cash and cash equivalents at end of year	5.1	266	185

⁽¹⁾ Capital repayments of leases are stated net of £6 million received from the landlord as part of the lease modification at Heide Park Resort. In 2021 they are stated net of £25 million received from the landlord relating to the three UK Resort Theme Park locations (see note 5.4).

NOTES TO THE ACCOUNTS

SECTION I

BASIS OF PREPARATION

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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 UK adopted international accounting standards. The Company prepares its parent Company financial statements in accordance with UK adopted international accounting standards, including 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 53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021).

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 profit for the year of £89 million (2021: loss of £140 million) and generated operating cash inflows of £622 million (2021: £459 million). The Board has assessed the Group and Company's ability to continue as a going concern to the end of Q3 2024 (being the 'going concern assessment period'). The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate for the reasons set out below.

Funding

The going concern assessment considers the Group's projected liquidity position and headroom over covenant thresholds from existing committed financing facilities throughout the going concern assessment period. As at 31 December 2022, the Group had a cash balance of £266 million and available undrawn facilities of £370 million relating to the Group's revolving credit facility (RCF), with no unexpected post balance sheet changes in liquidity. In line with our forecasts, we have seen cash outflows between the reporting date and the date of approval of the financial statements that reflect the normal seasonality of trading, combined with ongoing capital investment. The Group's sources of financing and its net debt at the reporting date are detailed in notes 5.1 and 5.2.

A financial covenant exists in relation to the Group's £400 million RCF, which applies when the RCF is drawn by 40% or more (net of cash and cash equivalents). It requires the Group to maintain adjusted consolidated senior secured leverage below 10x. With effect from June 2021, the Group agreed with its RCF lenders to waive the leverage covenant until Q3 2023. The terms of the waiver agreement require the Group to maintain a minimum liquidity of £75 million (to include amounts undrawn from the RCF, and cash and cash equivalents), over the period of the waiver. The Group has complied with all covenants and the terms of the waiver agreement throughout the year.

Base case

The projections and forecasts prepared for the going concern assessment period to the end of Q3 2024 are derived from the Group's 2023 budget, completed in Q4 2022, and its longer term strategic plan, both approved by the Merlin Board in December 2022. This period has been selected as the going concern assessment period to ensure that it includes the likely liquidity low point in the next trading cycle.

Our 'base case' forecast over the going concern assessment period is based on what we believe is a balanced approach. In this base case, we have made certain key assumptions:

- The base case includes the expected positive impact of continued revenue initiatives and management actions to mitigate inflationary cost pressures, while maintaining the customer experience. Utility costs modelled are based on contracted or forward rates where appropriate. Where contracted rates are not available, utility costs have been modelled using market rates, taking into account the significant inflation seen in this area.
- The impact of the rising cost of living on our guests has been considered, utilising data derived from trading periods overlapping with historic global recessions and considering any impact to current trading. We do not expect any significant impact to visitation numbers. Marketing strategies to stimulate visitation can be implemented as required.
- It is expected that the recovery of international tourism will continue. At the time of approving these financial statements the only elements of our portfolio that are significantly affected by restrictions on international travel are parts of the Asia Pacific region, primarily China.
- Expansionary capital expenditure on planned attractions will continue throughout the assessment period, alongside ongoing capital expenditure at existing attractions to ensure the health and safety of our guests and staff.
- The base case specifically excludes any potential acquisitions over the period, or any strategic initiatives yet to be approved by the Merlin Board.
- We assume that the covenant waiver remains in place until Q3 2023, after which the financial covenant applies should the RCF be drawn by 40% or more. Under the base case, the RCF is not forecast to be drawn to this extent during the assessment period.
- Interest rates modelled during the assessment period are based on forward market rates, and reflect the hedging arrangements in place (see note 5.3).

NOTES TO THE ACCOUNTS

SECTION I

BASIS OF PREPARATION CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

I.1 BASIS OF PREPARATION (CONTINUED)

- We have assessed that the likelihood of any future COVID-19 related lockdowns and restrictions that would affect a significant part of our attractions portfolio is remote. Hence, no further closures or government related capacity constraints have been modelled within the going concern assessment period. During 2021 and 2022 the business demonstrated its ability to trade even while restrictions were in place.

The Directors have prepared cash flow forecasts for an 18-month period from the date of approval of these financial statements up to the end of Q3 2024 which indicate that, under the base case, the Group will have sufficient funds to meet its liabilities as they fall due.

In this base case, there would be no breach of lending facilities taking into account the terms of the covenant calculations. Adequate liquidity is maintained through the entire assessment period to Q3 2024. There are no significant restrictions on intra group liquidity transfers as required, and no material capital repayments of debt falling due within the going concern assessment period, with the next maturity of facilities being in respect of €500 million of 7.0% senior secured notes due 2025.

Downside scenarios

The Directors believe the base case scenario above is reasonable and appropriate. The potential impact of increasing inflationary costs and interest rates are inbuilt and the base case also considers slower recovery in the Asia Pacific portfolio from international tourism.

In addition to the wide range of factors already considered in the base case, the Directors have prepared a downside scenario considering other severe but plausible events. Examples include events leading to extended attraction closures occurring due to:

- Ride safety incidents;
- Severe weather incidents; and
- Security related incidents including acts of terrorism and/or the impact of the threat of terrorism on consumer behaviours.

The continuing war in Ukraine has been considered but not modelled in the downside scenario. Our trading operations are not directly affected by the war and to date the Group has not seen any significant impact on performance as a direct consequence of the ongoing conflict.

The diversification of the Group's attractions helps minimise the risk of serious business interruption potentially caused by the risks considered in the downside scenario. While not modelled in the downside scenario, there are numerous mitigating actions the Group could take to address both modelled and unmodelled adverse impacts. These mitigating measures are considered to be realistically available to the Group based on historical experience, enabling us to meet our liabilities as they fall due should this situation arise. Within the Group's control, significant cost cutting measures could be implemented across operations and the Group could delay uncommitted capital expenditure. This ability to manage the cost base and rephase or defer capital investment provides reasonable protection to the Group in the face of macro events or uncertainty not in the Group's control. While not in the direct control of the Group, we could also seek to further extend the waiver to financial covenants on its borrowing facilities, renew/replace existing facilities and/or raise further finance through cash injections from the consortium of investors in the Company. Given the Group's history of cash generation and the successful issue of debt securities including during the COVID-19 pandemic, we would expect to be able to raise such funds as required. However, there is no guarantee that such funds will be available.

In the modelled downside scenario, and not taking into account the impact of any mitigation measures, the Group's currently available liquidity would remain positive, albeit reduced, throughout the going concern assessment period. Consistent with the base case, under this scenario there would be no breach of lending facilities considering the terms of the covenant calculations, with leverage remaining within the required limits throughout.

Stress testing has been performed to model scenarios which would cause a liquidity shortfall or covenant breach within the going concern assessment period. These scenarios have been assessed and have been deemed remote. Our assessment indicates that the Group would still have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due through the going concern assessment period.

Conclusion

Considering the Group and Company's statement of financial position, available facilities, cash flow forecasts and the above modelled base case and downside scenarios, financial projections indicate that the Group will have sufficient funds and resources to continue in operational existence, operate within its available facilities and settle its liabilities as they fall due over the going concern assessment period. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated Group and Company financial statements.

NOTES TO THE ACCOUNTS

SECTION I

BASIS OF PREPARATION CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

I.1 BASIS OF PREPARATION (CONTINUED)

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 (see note 6.6) 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.

Whilst the Group operates in the hyperinflationary jurisdiction of Turkey, the operations are immaterial and as a result the application of IAS 29 'Financial Reporting in Hyperinflationary Economies' has not had a material impact to the Group's consolidated results.

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.

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 notes.

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 accounted for 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 equity 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 year, including those which have had no significant impact, can be found in note 6.4.

NOTES TO THE ACCOUNTS

SECTION I

BASIS OF PREPARATION CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

I.1 BASIS OF PREPARATION (CONTINUED)

Judgements and estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Management considers the following areas to be the areas that have the most significant effect on the amounts recognised in the financial statements. They are explained in more detail in the related notes.

Judgements

Management considers the following areas to be the judgements that have the most significant effect on the amounts recognised in the financial statements.

- *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 '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 for the Group to extend the lease term, the Group makes a judgement at the reporting date as to whether it is reasonably certain that the option will be taken.

Estimates

The preparation of the Group's consolidated financial statements also includes the use of estimates and assumptions. Management considers the following to be the area which includes the use of estimates and assumptions and which could have a significant risk of a material change to the carrying value of assets and liabilities within the next year:

- *Valuation of LEGOLAND Parks (LLP) and Resort Theme Parks (RTP) Operating Groups' assets and impairment (note 4.3)* - the estimation of future cash flows together with the discount rates adopted when calculating the value in use of assets.

The consolidated financial statements also include other areas of judgement and accounting estimates. Management considers the following to be areas where the recognition and measurement of certain assets and liabilities are based on assumptions and/or are subject to longer term uncertainties, but that do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements:

- *Taxation (note 2.4)* - recognition of deferred tax balances and accounting for tax risks.
- *Valuation of Midway Attractions Operating Group assets and impairment (note 4.3)* - the estimation of future cash flows together with the discount rates adopted when calculating the value in use of assets.
- *Provisions (note 4.5)* - estimated outflow to settle the obligations 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.
- *Share-based payments (note 5.6)* - the implied enterprise value of Motion Topco Limited was calculated as at the reporting date in order to calculate share-based payment valuations for the three schemes. The valuation was performed using the Monte Carlo option pricing model, the inputs to which involve estimation uncertainty; these inputs are set out in note 5.6. Future valuation fluctuations could materially impact share-based payment expenses recognised in subsequent periods.
- *Share-based payments (note 5.6)* - using the Group's approved five year business plan and considering ongoing future strategies of both the Group and the Group's shareholders, the most likely vesting period for each scheme has been estimated, with the maximum length of award expected to be nine years.
- *Employee benefits (note 6.2)* - assumed discount rate, inflation rate and mortality when valuing defined benefit liabilities.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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
2022							
Visitor revenue	604	665	361	1,630	-	-	1,630
Accommodation revenue	-	217	83	300	-	-	300
Other revenue	27	42	6	75	1	-	76
Revenue⁽¹⁾	631	924	450	2,005	1	-	2,006
EBITDA⁽²⁾	249	330	157	736	(65)	-	671
Depreciation and amortisation (note 4.1, 4.2, 5.4)	(119)	(83)	(48)	(250)	(6)	-	(256)
Impairment (note 4.1, 5.4, 6.1)	-	-	-	-	-	(29)	(29)
Operating profit ⁽²⁾	130	247	109	486	(71)	(29)	386
2021							
Visitor revenue	331	380	298	1,009	-	-	1,009
Accommodation revenue	-	124	70	194	-	-	194
Other revenue	13	33	6	52	6	-	58
Revenue⁽¹⁾	344	537	374	1,255	6	-	1,261
EBITDA⁽²⁾	102	172	148	422	(43)	(3)	376
Depreciation and amortisation (note 4.1, 4.2, 5.4)	(112)	(66)	(61)	(239)	(8)	-	(247)
Impairment (note 5.4)	-	-	-	-	-	1	1
Operating profit ⁽²⁾	(10)	106	87	183	(51)	(2)	130

⁽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 profit 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 YEAR CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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 2022 £m	Non-current assets 2022 £m	Revenues 2021 £m	Non-current assets 2021 £m
United Kingdom	593	2,963	461	2,935
Continental Europe	468	1,694	256	1,526
North America	710	2,379	425	2,179
Asia Pacific	235	959	119	895
	2,006	7,995	1,261	7,535
Investments (note 6.1)		11		24
Employee benefits (note 6.2)		2		-
Derivative financial assets		39		-
Tax receivable		31		29
Deferred tax (note 2.4)		5		14
		8,083		7,602

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 'Revenue from Contracts with Customers', 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. Where Merlin has outsourced the delivery of the service, for example such as in food and beverage operations, the Group accounts for these 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 and other services can be bought in advance, generally online, in which case they are held in deferred revenue and recognised when the visitor uses those tickets or services, or the validity period expires. 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 development 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. Management contract revenue is recognised as it is earned. Where the Group enters into contracts for attraction development, revenue is recognised over time as performance obligations under the contracts are met.

Cost of sales

Cost of sales of £359 million (2021: £226 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.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

2.1 PROFIT BEFORE TAX (CONTINUED)

Operating expenses

Staff numbers and costs

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

	2022	2021
Operations	18,074	15,423
Attraction management and central administration	2,487	2,187
	20,561	17,610

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£m	£m
Wages and salaries	455	342
Share-based payments	21	-
Social security costs	49	40
Other pension costs	13	11
Government support	(2)	(19)
	536	374

The total charge for the year for share-based payments for 2021 was less than £1 million. Further details are provided in note 5.6.

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 year in relation to these furlough schemes was £2 million (2021: £19 million).

Government grants are recognised when there is reasonable assurance that the Group has complied with the relevant conditions within the agreement and that the grant will be received. For each grant, the Group assesses whether it relates to either capital or operational expenditure incurred. A grant relating to expenses already incurred is recognised in the period in which it becomes receivable, offsetting the expenses the grants are intended to compensate. 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 year was £0.3 million, being the remuneration of the highest paid Director (2021: £0.3 million). 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:

	2022	2021
	£m	£m
Key management emoluments including social security costs	7.9	7.3

In addition to the above, charges relating to share-based payments and other related payments totalled £12.6 million (2021: £0.2 million) in relation to the schemes described in note 5.6.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

2.1 PROFIT BEFORE TAX (CONTINUED)

Auditor's remuneration

	2022 £m	2021 £m
Audit of these financial statements	2.4	1.9
Audit of financial statements of subsidiaries	0.5	0.5
	2.9	2.4

In 2022 additional costs of £0.3 million were incurred in respect of the audit of the financial statements for 2021.

Other operating expenses

In addition to the employee furlough schemes noted above, the Group has accessed a number of other support measures. These totalled £33 million (2021: £19 million) and were offset against other operating expenses in the income statement. They related to arrangements whereby the government funding provided support for operating costs. The funding received is included within the cash flows from operating activities in the consolidated statement of cash flows.

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.

	2022 £m	2021 £m
<i>Within staff expenses:</i>		
Productivity and efficiency activities ⁽¹⁾	-	1
<i>Within other operating expenses:</i>		
Productivity and efficiency activities ⁽²⁾	-	3
Transaction costs ⁽³⁾	-	(1)
Exceptional items included within EBITDA	-	3
<i>Within depreciation, amortisation and impairment:</i>		
Impairment of property, plant and equipment and right-of-use assets ⁽⁴⁾	22	(1)
Impairment of investment in joint venture undertaking ⁽⁵⁾	7	-
Exceptional items before income tax	29	2
Income tax credit on exceptional items above	(4)	-
Exceptional items for the year	25	2

⁽¹⁾ Certain one-off operational costs were incurred in 2021 as the Group's productivity and efficiency related activities that commenced in 2020 were completed. They were separately presented as they were not part of the Group's underlying operating expenses.

⁽²⁾ In 2021 the Group changed its accounting policy related to the capitalisation of certain software assets following the IFRS Interpretations Committee's agenda decision published in April 2021. This change in accounting policy led to an increase in exceptional operating expenses relating to productivity and efficiency activities of £3 million in 2021. They were separately presented as they were not part of the Group's underlying operating expenses.

⁽³⁾ In 2021 certain costs in respect of previous transactions were finalised leading to the release of amounts previously provided for of £1 million. They were separately presented as they were not part of the Group's underlying operating expenses.

⁽⁴⁾ Impairment charges have been made in the year of £19 million in property, plant and equipment and £3 million in right-of-use assets, in respect of two of the Group's Midway attractions. These reflect latest estimates at the end of the reporting period of the future performance of these attractions, taking into account reviews of the market and economic conditions at those locations. In 2021 an impairment credit was recorded in the year of £1 million in respect of one Midway location that was subject to impairment in 2020. They are separately presented as they are not part of the Group's underlying depreciation charge.

⁽⁵⁾ Impairment charges have been made in the year of £7 million in respect of the Group's investment in the company operating the LEGOLAND Dubai Hotel, which is part of the LEGOLAND Parks Operating Group. This reflects an assessment of market and economic conditions in that location.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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

	2022 £m	2021 £m
Interest income	2	2
<i>Other</i>		
Net foreign exchange gain	27	-
	29	2

Finance costs

	2022 £m	2021 £m
Interest expense on lease liabilities	76	52
Interest expense on financial liabilities measured at amortised cost	203	165
Other interest expense	-	7
<i>Other</i>		
Net foreign exchange loss	-	2
	279	226

Capitalised borrowing costs amounted to £3 million in 2022 (2021: £8 million), with a capitalisation rate of 4.9% (2021: 4.3%). Tax relief on capitalised borrowing costs amounted to £1 million in 2022 (2021: £2 million).

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RESULTS FOR THE YEAR CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

2.4 TAXATION

Accounting policies

The tax charge for the year 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.

Subject to the exceptions noted above, deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses 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

	2022 £m	2021 £m
<i>Current tax</i>		
Current year	31	5
Adjustment for prior periods	(5)	(7)
Total current income tax	26	(2)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	14	(9)
Changes in tax rate	2	58
Adjustment for prior periods	5	(1)
Total deferred tax	21	48
Total tax expense in income statement	47	46

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RESULTS FOR THE YEAR CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

2.4 TAXATION (CONTINUED)

Reconciliation of effective tax rate

	2022 %	2022 £m	2021 %	2021 £m
Profit/(loss) before tax		136		(94)
Income tax using the UK domestic corporation tax rate	19.0%	26	19.0%	(18)
Effect of tax rates in foreign jurisdictions		21		(5)
Non-deductible expenses		7		4
Movement in uncertain tax provisions		(12)		-
Income not subject to tax		(1)		(1)
Effect of changes in tax rate		2		58
Effect of recognising deferred tax assets previously unrecognised		(5)		-
Unrecognised temporary differences		9		16
Adjustment for prior periods		-		(8)
Total tax expense in income statement	34.6%	47	(48.9%)	46

The reported effective tax rate (ETR) is 34.6%. The difference between the underlying ETR (excluding exceptionals) of 30.8% and the UK standard tax rate of 19.0% is primarily attributable to the effect of tax rates in foreign jurisdictions and certain non-deductible expenditure offset by movements in uncertain tax provisions. During the course of the year, the conclusion of tax authority enquiries has enabled certain provisions to be released or reassessed.

In 2021, the difference between the reported ETR of (48.9)% and the UK standard tax rate was primarily attributable to the revaluation of deferred tax liabilities due to the change in the UK tax rate from 19% to 25% from 1 April 2023, and the non-recognition of tax losses.

Significant factors impacting the Group's future ETR include the Group's geographic mix of profits, the timing of recognition of tax losses and changes to local or international tax laws. Unrecognised deferred tax assets include tax losses in various jurisdictions which may be recognised in future periods as the relevant business becomes profitable. 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.

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 and in February 2021, the Group received charging notices from HMRC for £28 million, which have been paid. The UK Government made an annulment application against the EC decision, however in June 2022 the EU General Court dismissed the UK's application. The UK has subsequently lodged an appeal to the Court of Justice of the European Union. The Group expects the appeal will ultimately be successful and accordingly the payments are held as a receivable in non-current assets. If the appeal is ultimately unsuccessful then this could result in an increase in the Group's future effective tax rate.

Recognised through the statement of other comprehensive income

	2022 £m	2021 £m
Effective portion of changes in fair value of cash flow hedges	9	-
Remeasurement gains on defined benefit plans	2	-
Total tax expense in statement of other comprehensive income	11	-

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RESULTS FOR THE YEAR CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Property, plant and equipment	24	22	(244)	(205)	(220)	(183)
Right-of-use assets / lease liabilities	55	41	(87)	(78)	(32)	(37)
Other short term temporary differences	61	55	(24)	(3)	37	52
Corporate interest restriction	72	56	-	-	72	56
Intangible assets	7	22	(351)	(362)	(344)	(340)
Tax value of loss carry-forwards	52	63	-	-	52	63
Tax assets/(liabilities)	271	259	(706)	(648)	(435)	(389)
Set-off tax	(266)	(245)	266	245	-	-
Net tax assets/(liabilities)	5	14	(440)	(403)	(435)	(389)

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 year

	26 December 2021 £m	Acquisitions through business combinations £m	Recognised in income £m	Recognised in other comprehensive income £m	Effect of movements in foreign exchange £m	31 December 2022 £m
Property, plant and equipment	(183)	(1)	(22)	-	(14)	(220)
Right-of-use assets / lease liabilities	(37)	-	8	-	(3)	(32)
Other short term temporary differences	52	(1)	(8)	(11)	5	37
Corporate interest restriction	56	-	16	-	-	72
Intangible assets	(340)	-	(1)	-	(3)	(344)
Tax value of loss carry-forwards	63	1	(14)	-	2	52
Net tax assets/(liabilities)	(389)	(1)	(21)	(11)	(13)	(435)

In 2022 movements recognised in income were principally due to tax allowances in the UK and US exceeding depreciation and the use of brought forward losses. This is partially offset by interest disallowances in the UK.

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RESULTS FOR THE YEAR CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

2.4 TAXATION (CONTINUED)

Movement in deferred tax during the previous year

	27 December 2020 £m	Recognised in income £m	Recognised in other comprehensive income £m	Effect of movements in foreign exchange £m	25 December 2021 £m
Property, plant and equipment	(151)	(35)	-	3	(183)
Right-of-use assets / lease liabilities	(42)	4	-	1	(37)
Other short term temporary differences	38	15	-	(1)	52
Corporate interest restriction	21	35	-	-	56
Intangible assets	(277)	(66)	-	3	(340)
Tax value of loss carry-forwards	65	(1)	-	(1)	63
Net tax assets/(liabilities)	(346)	(48)	-	5	(389)

In 2021 movements recognised in income were principally due to the revaluation of deferred tax liabilities due to the change in the UK tax rate offset by interest disallowances in the UK and USA.

Unrecognised deferred tax assets

	2022 £m	2021 £m
Property, plant and equipment	5	1
Right-of-use assets / lease liabilities	18	23
Other short term temporary differences	20	21
Tax value of loss carry-forwards	86	87
Net unrecognised tax assets	129	132

The unrecognised deferred tax assets relating to loss carry-forwards include £15 million (2021: £6 million) expiring in 0-5 years and £23 million (2021: £28 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.

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SECTION 3

BUSINESS COMBINATIONS

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

3.1 BUSINESS COMBINATIONS

Accounting policies

When a business combination takes place, the Directors consider the rights and intentions of the directors of both entities and the overall controlling parties before and after acquisition to determine who the acquiring party is, and then account for business combinations by applying the purchase method. Having determined the acquiring party, any individually identifiable assets, liabilities 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.

2022**The COEX Aquarium**

In April the Group completed the acquisition of the COEX Aquarium in Seoul, South Korea. The Group acquired 100% of the issued share capital of Seoul Ocean Aquarium Co., Ltd. for £31 million, net of cash acquired. This acquisition added a further significant attraction to the SEA LIFE portfolio.

Cadbury World

In January 2022 the Group entered into an agreement to take over the operations of the Cadbury World attraction in the UK. The transaction completed in December 2022. No consideration was paid in the year. Consideration of £8 million has been recognised which, subject to the performance of the attraction, is expected to be payable in 2024.

These acquisitions had the following effect on the Group's assets and liabilities:

	The COEX Aquarium £m	Cadbury World £m	Fair values at acquisition £m
<i>Acquiree's net assets at the acquisition date:</i>			
Property, plant and equipment	8	2	10
Right-of-use assets	12	4	16
Inventories	-	1	1
Cash and cash equivalents	1	-	1
Lease liabilities	(9)	(1)	(10)
Trade and other payables	(1)	-	(1)
Provisions	(2)	-	(2)
Current tax liabilities	(1)	-	(1)
Deferred tax assets and liabilities	(1)	-	(1)
Net identifiable assets and liabilities	7	6	13
Goodwill	25	2	27
Consideration	32	8	40

Analysis of net cash outflow

	The COEX Aquarium £m	Cadbury World £m	Total £m
Cash acquired	(1)	-	(1)
Cash paid at acquisition	32	-	32
Net cash outflow	31	-	31

Goodwill of £27 million has been allocated to the Midway Attractions Operating Group. The goodwill arose on these transactions as they support the Group's wider strategy to build clusters of Midway indoor attractions in key gateway cities. The goodwill is not deductible for tax purposes.

In the year to 31 December 2022 these acquisitions contributed £8 million to consolidated revenue and a profit of £2 million to the consolidated underlying operating profit of the Group.

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SECTION 4

OPERATING ASSETS AND LIABILITIES

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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.

Government grants

Government grants are recognised when there is reasonable assurance that the Group has complied with the relevant conditions within the agreement and that the grant will be received. For each grant, the Group assesses whether it relates to either capital or operational expenditure incurred. The Group has elected to deduct grants related to capital expenditure from the total project costs within property, plant and equipment and amortise them systematically over the useful life of the assets.

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

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OPERATING ASSETS

AND LIABILITIES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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>				
At 27 December 2020	1,269	895	627	2,791
Additions	1	18	201	220
Disposals	-	(2)	(1)	(3)
Transfers	293	284	(577)	-
Effect of movements in foreign exchange	(19)	(19)	(18)	(56)
Balance at 25 December 2021	1,544	1,176	232	2,952
Acquisitions through business combinations (note 3.1)	6	4	-	10
Additions	4	14	184	202
Disposals	(1)	(3)	-	(4)
Transfers	263	33	(296)	-
Effect of movements in foreign exchange	114	57	4	175
Balance at 31 December 2022	1,930	1,281	124	3,335
<i>Depreciation</i>				
At 27 December 2020	77	154	55	286
Depreciation for the year	55	110	-	165
Disposals	-	(2)	-	(2)
Transfers	53	2	(55)	-
Effect of movements in foreign exchange	(1)	(3)	-	(4)
Balance at 25 December 2021	184	261	-	445
Depreciation for the year	67	113	-	180
Impairment	13	6	-	19
Disposals	-	(1)	-	(1)
Effect of movements in foreign exchange	15	13	-	28
Balance at 31 December 2022	279	392	-	671
<i>Carrying amounts</i>				
At 26 December 2020	1,192	741	572	2,505
At 25 December 2021	1,360	915	232	2,507
At 31 December 2022	1,651	889	124	2,664

Depreciation is calculated in line with the policy stated previously.

During the year 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 £19 million (2021: £nil), in respect of two of the Group's Midway attractions, arising from a review of market and economic conditions at those locations where the carrying value exceeded the recoverable amount. No reasonable change in the assumptions would materially change the impairments recognised.

One attraction within the Group's LEGOLAND Parks Operating Group is sensitive to changes in assumptions, where an increase of 45 basis points in the pre-tax discount rate would absorb the headroom of £25 million.

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OPERATING ASSETS

AND LIABILITIES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

4.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capital commitments

At the year 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 that are under construction. These commitments are expected to be settled within two financial years of the reporting date. These amount to £62 million (2021: £70 million) for which no provision has been made.

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. All the significant brands acquired 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 foresee 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 deemed to be controlled by the Group, 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)

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OPERATING ASSETS

AND LIABILITIES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

4.2 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)**Goodwill and intangible assets**

	Goodwill £m	Intangible assets		Total £m
		Brands £m	Other £m	
<i>Cost</i>				
At 27 December 2020	2,460	1,325	33	3,818
Additions	-	-	2	2
Effect of movements in foreign exchange	(28)	(13)	-	(41)
Balance at 25 December 2021	2,432	1,312	35	3,779
Acquisitions through business combinations (note 3.1)	27	-	-	27
Additions	-	-	1	1
Transfer to right-of-use assets (note 5.4)	-	-	(4)	(4)
Effect of movements in foreign exchange	164	9	1	174
Balance at 31 December 2022	2,623	1,321	33	3,977
<i>Amortisation</i>				
At 27 December 2020	260	1	4	265
Amortisation for the year	-	-	5	5
Effects of movements in foreign exchange	(2)	-	-	(2)
Balance at 25 December 2021	258	1	9	268
Amortisation for the year	-	1	5	6
Transfer to right-of-use assets (note 5.4)	-	-	(1)	(1)
Effect of movements in foreign exchange	19	-	-	19
Balance at 31 December 2022	277	2	13	292
<i>Carrying amounts</i>				
At 26 December 2020	2,200	1,324	29	3,553
At 25 December 2021	2,174	1,311	26	3,511
At 31 December 2022	2,346	1,319	20	3,685

Intangible assets are tested for impairment in accordance with the Group's accounting policy, as referred to in note 4.3. As a result of these tests, no impairment charges have been made in the year (2021: £nil).

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.

	2022 £m	2021 £m
Midway Attractions	364	323
LEGOLAND Parks	1,852	1,724
Resort Theme Parks	130	127
	2,346	2,174

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OPERATING ASSETS

AND LIABILITIES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

4.2 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Brands

The Group has valued the following brands at the time of those brands being acquired. Certain brands are denominated in their relevant local currencies and therefore the carrying value is subject to movements in foreign exchange rates.

	2022 £m	2021 £m
<i>Midway Attractions</i>		
Madame Tussauds	428	428
SEA LIFE	205	205
London Eye	213	213
Dungeons	92	92
Other	6	7
	944	945
<i>Resort Theme Parks</i>		
Gardaland Resort	175	168
Alton Towers Resort	92	92
THORPE PARK Resort	30	30
Heide Park Resort	32	30
Chessington World of Adventures Resort	28	28
Warwick Castle	18	18
	375	366
	1,319	1,311

NOTES TO THE ACCOUNTS

SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

4.3 IMPAIRMENT TESTING

Accounting policies

The carrying amount of the Group's goodwill is tested for impairment on an annual basis. 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 cash-generating unit (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 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, where the first year is based on latest budgets, are used as the basis for these calculations, with cash flows beyond the five 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% (2021: 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.

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SECTION 4

OPERATING ASSETS

AND LIABILITIES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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. Average figures are used where appropriate to reduce the impact of any short term volatility. Net present values are calculated using pre-tax discount rates derived from this post-tax weighted average cost of capital.

	Pre-tax discount rates		Post-tax discount rates	
	2022	2021	2022	2021
Midway Attractions	10.7%	10.3%	8.6%	8.3%
LEGOLAND Parks	10.7%	10.3%	8.5%	8.4%
Resort Theme Parks	10.9%	10.4%	8.6%	8.3%

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 relates to goodwill attributed to the LEGOLAND Parks Operating Group, where the headroom is £550 million (2021: £87 million) and the Resort Theme Parks Operating Group where the headroom is £173 million (2021: £22 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.

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 which can depend on a number of factors. 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 fifth 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 (2027), 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)

- If EBITDA for LLP as a whole was forecast to be 14% lower than currently anticipated for 2027, headroom would be absorbed in full.
- If the pre-tax discount rate used across LLP had been higher by a factor of 13% to 12.1%, headroom would have been absorbed in full.
- If circumstances caused the long term growth rate to lower from 2.5% to 0.7%, headroom would be absorbed in full.

Resort Theme Parks (RTP)

- If EBITDA for RTP as a whole was forecast to be 11% lower than currently anticipated for 2027, headroom would be absorbed in full.
- If the pre-tax discount rate used across RTP had been higher by a factor of 15% to 12.6%, headroom would have been absorbed in full.
- If circumstances caused the long term growth rate to lower from 2.5% to 0.2%, headroom would be absorbed in full.

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AND LIABILITIES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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 estimated costs necessary 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

	2022	2021
	£m	£m
Maintenance inventory	13	11
Work in progress	6	1
Goods for resale	42	31
	61	43

Trade and other receivables

	Current assets		Non-current assets	
	2022	2021	2022	2021
	£m	£m	£m	£m
Trade receivables	52	21	-	-
Other receivables	65	53	2	3
Prepayments	34	30	1	2
Contract assets	14	9	10	-
	165	113	13	5

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OPERATING ASSETS

AND LIABILITIES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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:

	2022 £m	2021 £m
Neither past due nor impaired	34	10
Up to 30 days overdue	11	5
Between 30 and 60 days overdue	3	1
Between 60 and 90 days overdue	1	1
Over 90 days overdue	3	4
	52	21

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

Trade and other payables

	Current liabilities		Non-current liabilities	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade payables	73	60	-	-
Accruals	179	202	-	-
Deferred income	194	190	15	-
Other payables	45	32	47	20
	491	484	62	20

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 2022, at year end exchange rates, this also includes £52 million (2021: £50 million) received in respect of funding and infrastructure support for the development of LEGOLAND Korea. Further details are provided in note 6.3.

£106 million of the deferred income at 25 December 2021 was recognised in revenue in 2022.

Other payables

Non-current other payables includes £20 million in respect of share-based payment transactions (2021: less than £1 million). Further details are provided in note 5.6.

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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 26 December 2021	83	41	124
Acquisitions through business combinations (note 3.1)	2	-	2
Provisions made during the year	3	28	31
Utilised during the year	(1)	(3)	(4)
Unused amounts reversed	(1)	(7)	(8)
Unwinding of discount	2	-	2
Effect of movements in foreign exchange	4	-	4
Balance at 31 December 2022	92	59	151
2022			
Current	-	23	23
Non-current	92	36	128
	92	59	151
2021			
Current	-	8	8
Non-current	83	33	116
	83	41	124

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 include future regulatory payments in connection with the modification of the UK Resort Theme Parks leases and agreements that were entered into to secure their tenure until 2077 (see note 5.4) that may become payable at the start of the additional 35 year period. Remaining balances 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.

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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.

	26 December 2021 £m	Acquisitions through business combinations £m	Net cash flows ⁽¹⁾ £m	Non-cash movements ⁽²⁾ £m	Effect of movements in foreign exchange ⁽³⁾ £m	31 December 2022 £m
Cash and cash equivalents	185	1	73	-	7	266
Interest-bearing loans and borrowings	(3,554)	-	228	(209)	(272)	(3,807)
Lease liabilities	(1,458)	(10)	98	(223)	(19)	(1,612)
Net debt	(4,827)	(9)	399	(432)	(284)	(5,153)

	27 December 2020 £m	Net cash flows ⁽¹⁾ £m	Non-cash movements ⁽²⁾ £m	Effect of movements in foreign exchange ⁽³⁾ £m	25 December 2021 £m
Cash and cash equivalents	306	(133)	-	12	185
Interest-bearing loans and borrowings	(3,677)	189	(173)	107	(3,554)
Lease liabilities	(1,364)	106	(228)	28	(1,458)
Net debt	(4,735)	162	(401)	147	(4,827)

⁽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.

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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 'Financial Instruments'.

Interest-bearing loans and borrowings

	Current liabilities		Non-current liabilities		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
£400 million floating rate revolving credit facility due 2026	-	-	-	-	-	-
Floating rate bank facilities due 2026	11	10	2,352	2,186	2,363	2,196
€500 million fixed rate notes due 2025	-	-	440	418	440	418
\$400 million fixed rate notes due 2026	-	-	340	311	340	311
€370 million fixed rate notes due 2027	-	-	321	304	321	304
\$410 million fixed rate notes due 2027	-	-	332	297	332	297
Other loans	1	2	-	1	1	3
Interest payable	10	25	-	-	10	25
	22	37	3,785	3,517	3,807	3,554

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.

At 31 December 2022, the Group's senior facilities are the following:

Senior secured debt

- €1,460 million and \$1,342 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 31 December 2022 were at a margin of 3.0% (2021: 3.0%) for EUR borrowings and 3.25% (2021: 3.25%) for USD borrowings over the floating interest rates when drawn. The relevant floating interest rates are USD LIBOR, which was 4.73% at 31 December 2022 (0.13% at 25 December 2021), and EURIBOR, which was 2.20% at 31 December 2022 (nil% at 25 December 2021).
- €500 million of 7.0% senior secured notes due 2025 entered into by the Company's subsidiary Motion Finco S.à r.l. The notes are listed on The International Stock Exchange.
- \$400 million 5.75% senior notes due 2026 entered into by the Company's subsidiary Merlin Entertainments Limited. The notes are listed on The International Stock Exchange.
- A £400 million revolving credit facility to mature in May 2026. £30 million was utilised by way of establishing certain ancillary facilities, including letters of credit. The relevant floating rate used for the facility was amended on 1 January 2022 from GBP LIBOR to the Sterling Overnight Index Average (SONIA).

Other senior debt

- €370 million 4.5% senior notes due 2027 and \$410 million 6.625% senior notes due 2027 entered into by the Company's subsidiary Motion Bondco DAC. The notes are listed on The International Stock Exchange.

The terms of the floating rate debt facility require a repayment of 0.25% of the outstanding principal amount of the USD borrowings every three months.

Other loans of £1 million (2021: £3 million) have been taken out in respect of specific capital projects.

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5.2 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Covenants

A financial covenant has existed from 30 September 2020 but is only required when the revolving credit facility is drawn by 40% or more (net of cash and cash equivalents). The covenant requires the Group to maintain adjusted consolidated senior secured leverage below 10x.

Effective June 2021, the Group agreed with its revolving facility lenders to waive the leverage covenant until Q3 2023. As part of this agreement the Group is required to maintain a minimum liquidity of £75 million (to include amounts undrawn from the revolving credit facility, and cash and cash equivalents), over the period of the waiver.

The Group complied with the financial covenants in the year. 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 year.

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 31 December 2022 the Group had £266 million of cash and cash equivalents (2021: £185 million) and access to a £400 million revolving credit facility, of which £30 million was utilised in 2022 (2021: £28 million) by way of establishing certain ancillary facilities, including letters of credit, in order to meet its obligations and commitments that will fall due.

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 to <10 years £m	10 to <20 years £m	20 years and over £m	Contractual cash flows £m
2022							
Floating rate bank facilities due 2026	(169)	(129)	(2,789)	-	-	-	(3,087)
€500 million fixed rate notes due 2025	(31)	(32)	(458)	-	-	-	(521)
\$400 million fixed rate notes due 2026	(19)	(19)	(360)	-	-	-	(398)
€370 million fixed rate notes due 2027	(15)	(15)	(372)	-	-	-	(402)
\$410 million fixed rate notes due 2027	(23)	(23)	(408)	-	-	-	(454)
Other loans	(1)	-	-	-	-	-	(1)
Lease liabilities	(110)	(111)	(311)	(470)	(841)	(2,682)	(4,525)
Derivatives	6	5	17	-	-	-	28
Trade payables	(73)	-	-	-	-	-	(73)
	(435)	(324)	(4,681)	(470)	(841)	(2,682)	(9,433)

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5.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

	0 to <1 year £m	1 to <2 years £m	2 to <5 years £m	5 to <10 years £m	10 to <20 years £m	20 years and over £m	Contractual cash flows £m
2021							
Floating rate bank facilities due 2026	(82)	(82)	(2,541)	-	-	-	(2,705)
€500 million fixed rate notes due 2025	(27)	(27)	(413)	-	-	-	(467)
\$400 million fixed rate notes due 2026	(17)	(17)	(343)	-	-	-	(377)
€370 million fixed rate notes due 2027	(14)	(14)	(43)	(327)	-	-	(398)
\$410 million fixed rate notes due 2027	(21)	(21)	(62)	(326)	-	-	(430)
Other loans	(2)	(1)	-	-	-	-	(3)
Lease liabilities	(107)	(129)	(289)	(453)	(799)	(1,573)	(3,350)
Trade payables	(60)	-	-	-	-	-	(60)
	(330)	(291)	(3,691)	(1,106)	(799)	(1,573)	(7,790)

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, interest rate swaps, and interest rate caps.

At 31 December 2022 the Group had £1,441 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.

If required, to achieve the desired balance of fixed and floating interest rates across currencies, the Group may use floating to fixed interest rate swaps and caps (which are part of cash flow hedging relationships) and fixed to floating interest rate swaps and caps (which are part of fair value hedging relationships).

In 2022, the Group entered into hedging arrangements on USD 600 million of floating rate USD debt to swap the floating interest rate to a fixed rate and on EUR 700 million of floating rate EUR debt to cap the floating interest rate to a capped rate on the drawn floating rate facilities.

In aggregate, at the end of the reporting period, 67% (2021: 37%) of the Group's interest-bearing loans and borrowings is at a fixed/capped rate for a weighted average period of 4 years (2021: 5 years). At 31 December 2022 the fair value of interest rate derivative assets was £39 million (2021: £nil). These interest rate derivatives are designated as cash flow hedges.

Interest rate swaps and caps 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 instrument, 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.

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 cash flow hedge 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.

Fair value changes in interest rate caps attributable to changes in the intrinsic value are accumulated in the cash flow hedge reserve, and reclassified from the cash flow hedge reserve to the income statement as a reclassification adjustment in the same period or periods during which the hedged future cash flows affect profit or loss. Changes in the time value of interest rate caps are accumulated in the cost of hedging reserve and recycled to the income statement on a systematic basis over the life of the instrument.

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5.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

Based on the net debt position as at 31 December 2022 a 100 basis points rise in market interest rates would result in an increase in net interest paid of £10 million (2021: £14 million) and a 100 basis points fall in market interest rates would result in a decrease in net interest paid of £14 million (2021: increase of £1 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 31 December 2022 the fair value of foreign currency swap assets was £5 million (2021: £1 million) and of foreign currency swap liabilities was £7 million (2021: £3 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 facilities (excluding lease liabilities) are therefore denominated in Euros, US Dollars and Sterling and at 31 December 2022 the amounts drawn consisted of €2,330 million and \$2,152 million. There are forward foreign exchange contracts in place in respect of JPY 16,065 million (2021: JPY 14,900 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 year (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:

	Closing rate for 2020	Weighted average rate for 2021	Closing rate for 2021	Weighted average rate for 2022	Closing rate for 2022
US Dollar	1.36	1.38	1.34	1.25	1.21
Euro	1.11	1.17	1.18	1.18	1.13

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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	
2022					
Cash and cash equivalents	157	16	29	64	266
Floating rate bank facilities due 2026	5	(1,274)	(1,094)	-	(2,363)
€500 million fixed rate notes due 2025	-	(440)	-	-	(440)
\$400 million fixed rate notes due 2026	-	-	(340)	-	(340)
€370 million fixed rate notes due 2027	-	(321)	-	-	(321)
\$410 million fixed rate notes due 2027	-	-	(332)	-	(332)
Other loans	-	(1)	-	-	(1)
Lease liabilities	(993)	(288)	(92)	(239)	(1,612)
	(831)	(2,308)	(1,829)	(175)	(5,143)
2021					
Cash and cash equivalents	133	12	11	29	185
Floating rate bank facilities due 2026	7	(1,209)	(994)	-	(2,196)
€500 million fixed rate notes due 2025	-	(418)	-	-	(418)
\$400 million fixed rate notes due 2026	-	-	(311)	-	(311)
€370 million fixed rate notes due 2027	-	(304)	-	-	(304)
\$410 million fixed rate notes due 2027	-	-	(297)	-	(297)
Other loans	-	(3)	-	-	(3)
Lease liabilities	(953)	(172)	(93)	(240)	(1,458)
	(813)	(2,094)	(1,684)	(211)	(4,802)

Sensitivity analysis on foreign currency risk

A 10% strengthening of all currencies against Sterling would increase net debt by £383 million (2021: £359 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 £5 million (2021: £13 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 (2021: £nil).

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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	2022		2021	
		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	(2,363)	(2,277)	(2,196)	(2,200)
€500 million fixed rate notes due 2025	Level 1	(440)	(443)	(418)	(443)
\$400 million fixed rate notes due 2026	Level 1	(340)	(310)	(311)	(313)
€370 million fixed rate notes due 2027	Level 1	(321)	(272)	(304)	(300)
\$410 million fixed rate notes due 2027	Level 1	(332)	(293)	(297)	(310)
Other loans	Level 3	(1)	(1)	(3)	(3)
<i>Held at fair value</i>					
Derivative financial instruments	Level 2	37	37	(2)	(2)
Minority equity investments	Level 3	11	11	14	14
		(3,749)	(3,548)	(3,517)	(3,557)

The fair values shown above for the bank facilities and fixed rate notes have been calculated using market values. There is no difference between the carrying value and the fair value of minority equity investments. These are accounted for as 'fair value through other comprehensive income' and are valued by reference to EBITDA multiples or discounted cash flows, as appropriate to each investment.

There have been no transfers between levels in 2022 or 2021.

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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 subsequently modified as subsequent index or rates changes occur) and amounts expected to be payable by the lessee under residual value guarantees. In relation to variable lease payments that depend on an index or rate, the total lease liability recognised in the statement of financial position includes the impact of any index or rate changes that have already occurred, but does not include the impact of any future index or rate changes that have not yet taken place.

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 'Leases' 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

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.

The lease liability is adjusted for interest on the liability, contractual lease repayments and any reassessment of the lease as a result of a contract modification, such as changes to the contractual rent amounts, or changes to the term of the lease.

Upon lease modification, the discount rates used in the present value calculations are adjusted to reflect the appropriate rates at the date of modification for the remaining term of the lease, with resulting adjustments to the liability and ROU asset balances. Discount rates are then not revisited during the remaining life of the lease.

When a lease is terminated earlier than the contractual end date within the lease agreement, the remaining balances on the lease liability after any final payments due, the ROU asset gross cost and the ROU asset accumulated depreciation are removed. Any difference between the liability balance removed and the net ROU asset balance removed are reflected in the income statement.

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.

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

5.4 LEASE OBLIGATIONS (CONTINUED)

Rent reductions and deferrals

In response to the COVID-19 pandemic, in 2020 the International Accounting Standards Board (IASB) 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. On 31 March 2021 the IASB extended their amendments to IFRS 16 beyond 30 June 2021. Therefore, as a lessee we have applied the practical expedient for the whole of the financial year 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. The total recognised in the income statement was £1 million (2021: £1 million).

Lease arrangements

The Group's most significant lease arrangements are set out below.

There is a portfolio of leases that relate to the United Kingdom attractions within the Resort Theme Parks Operating Group, and Heide Park Resort in Germany. Each of these lease agreements was initially for a period of 35 years from inception until 2042, and allowed for annual rent increases based on the inflationary index in the United Kingdom and fixed increases in Germany. The Group had the option, but was not contractually required, to extend each agreement individually for two further terms of 35 years, to 2077 and then to 2102, subject to an adjustment to market rates at that time. At the end of 2021 the agreements were modified and new agreements were entered into to secure tenure for an additional 35 years from 2042 to 2077. The second extension option from 2077 to 2102 still remains available for the Group to exercise in the future for each site.

For the United Kingdom sites the modification was completed before the end of the 2021 reporting period and the relevant balances were adjusted accordingly in the 2021 financial statements. The transaction was treated as a lease modification. It did not meet the criteria to be treated as a separate lease. The Group did not exercise the lease option unilaterally; instead the Group and the lessor entered into a binding agreement to extend the leases in 2042, and agreed certain lease changes. As part of these changes the United Kingdom sites are now subject to annual rent increases from 2022 linked to CPI +0.5% (with a floor of 1%, and a maximum increase of 4%). Under the previous agreement the sites were subject to RPI based annual upwards only increases without any maximum. The minimum 1% per annum was reflected in the modification calculation. As part of the transaction the Group received a cash payment of £25 million from the landlord in 2021. A further £3 million was received in 2023, after the reporting date. The modification and securing of tenure of the UK sites resulted in an increase to the lease liability of £149 million in 2021.

For the Heide Park Resort, the terms of the modification were agreed and completed at the start of the 2022 reporting period. Under the extension agreement the park and hotel leases at this site will continue to be subject to fixed annual rent increases, and these have been reflected in the modification calculation. The extension resulted in a modification to the associated leases, with an increase to the lease liability of £98 million recognised in 2022. As part of the transaction the Group received a payment of £6 million from the landlord during 2022.

At the time of the acquisition of the Merlin Group by the investor consortium in November 2019, it was determined that the implicit rate of interest for the leases noted above was not readily determinable, and accordingly an incremental borrowing rate (IBR) was used that reflected the Group's financing arrangements at that time. For the modifications above the IBR was calculated by reference to the mid yield on a composite index of debt at an appropriate duration and the same (or similar) long term credit rating as the Company, adjusted where relevant for the sovereign yield for a similar duration to the index being used in the country/geography of that index.

LEGOLAND Japan was opened during 2017. The park was developed under an '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. KIRKBI Invest A/S holds KIRKBI's investment as a shareholder of the Group. The lease is for a period of 50 years to 2067. The Group does not have any right to request the renewal of the lease agreement, however it may be extended subject to agreement of terms with the lessor. For further details see note 6.3.

In addition to the above leases, the Group also enters into other leasing arrangements 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. 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. Options to renew leases will vary from site to site in line with local market practice in the territories concerned. Not all of these leases will necessarily have extension options available to them.

On certain leases the Group is required to make variable lease payments in addition to, or instead of, any fixed or minimum rent amounts, usually in the form of rent based on a percentage of the turnover generated by the relevant attraction. These payments are charged directly to the income statement and do not result in any adjustment to the lease liabilities or ROU assets as they are contingent on performance. As such there is no future obligation until that performance occurs. As noted below, the expense relating to these variable lease payments was £23 million in 2022 (2021: £12 million).

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

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CAPITAL STRUCTURE

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

5.4 LEASE OBLIGATIONS (CONTINUED)**Right-of-use assets**

	Land and buildings £m	Plant and equipment £m	Total £m
<i>Cost</i>			
At 27 December 2020	1,405	114	1,519
Additions	185	16	201
Movements in asset retirement provisions	12	(11)	1
Disposals	(7)	(1)	(8)
Effect of movements in foreign exchange	(21)	(4)	(25)
Balance at 25 December 2021	1,574	114	1,688
Acquisitions through business combinations (note 3.1)	16	-	16
Additions	146	2	148
Movements in asset retirement provisions (note 4.5)	2	-	2
Disposals	(4)	-	(4)
Transfer from other intangible assets (note 4.2)	4	-	4
Effect of movements in foreign exchange	31	1	32
Balance at 31 December 2022	1,769	117	1,886
<i>Depreciation</i>			
At 27 December 2020	99	6	105
Depreciation for the year	72	5	77
Impairment	(1)	-	(1)
Disposals	(3)	(1)	(4)
Effect of movements in foreign exchange	(1)	-	(1)
Balance at 25 December 2021	166	10	176
Depreciation for the year	67	3	70
Impairment	3	-	3
Disposals	(2)	-	(2)
Transfer from other intangible assets (note 4.2)	1	-	1
Effect of movements in foreign exchange	5	-	5
Balance at 31 December 2022	240	13	253
<i>Carrying amounts</i>			
At 26 December 2020	1,306	108	1,414
At 25 December 2021	1,408	104	1,512
At 31 December 2022	1,529	104	1,633

During the year 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 £3 million, in respect of two of the Group's Midway attractions, arising from a review of market and economic conditions at those locations where the carrying value exceeded the recoverable amount. An impairment credit was recorded in 2021 of £1 million in respect of one Midway location that was subject to impairment in 2020.

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CAPITAL STRUCTURE

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

5.4 LEASE OBLIGATIONS (CONTINUED)**Lease liabilities**

	2022 £m	2021 £m
Current	42	34
Non-current	1,570	1,424
	1,612	1,458

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

	2022 £m	2021 £m
Expense relating to variable lease payments	23	12
Depreciation expense of right-of-use assets	70	77
Interest expense on lease liabilities	76	52
	169	141

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 Merlin Board 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**

	2022 Number	2022 £m	2021 Number	2021 £m
Ordinary shares of £0.01 each	28,759,359	-	28,759,359	-
Preference shares of £0.01 each	2,847,137,139	29	2,847,137,139	29
On issue and fully paid at end of year	2,875,896,498	29	2,875,896,498	29

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CAPITAL STRUCTURE

AND FINANCING CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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

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

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 of £6 million treated as a capital contribution. The capital reserve was eliminated through retained earnings in 2021.

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 year ended 31 December 2022 (2021: £nil).

Translation reserve

The translation reserve of £(30) million (2021: £(17) 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.

Cost of hedging reserve

The cost of hedging reserve of £(10) million (2021: £nil) comprises accumulated changes in the time value of interest rate caps.

Cash flow hedge reserve

The cash flow hedge reserve of £38 million (2021: £nil) comprises accumulated changes in the intrinsic value of interest rate caps and the fair value of interest rate swaps. They are reclassified from the cash flow hedge reserve to the income statement as a reclassification adjustment in the same period or periods during which the hedged future cash flows affect profit or loss.

Reserve for own shares

The Group has made share grants under three employee share incentive plans relating to the Company's subsidiary Motion TopCo Limited (see note 5.6). Preference B shares, ordinary B shares and ordinary C shares of the subsidiary were issued to senior management and other employees in exchange for consideration. The total employee investment is £4,545,262 (2021: £4,362,865) with the nominal value of the shares subscribed for as at the reporting date being £117,793 (2021: £108,019). Upon the vesting date of the incentive plans, employees will hold a non-controlling interest in Motion TopCo Limited of 0.16% (2021: 0.16%). Until vesting, Motion TopCo Limited recognises these as treasury shares that result in a reduction to equity; this reduction is eliminated on consolidation.

3,929,200 (2021: 3,650,900) of the shares issued to employees as part of the share incentive plans are held in an employee benefit trust, with a nominal value of £39,292 (2021: £36,509).

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CAPITAL STRUCTURE

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

5.6 SHARE-BASED PAYMENT TRANSACTIONS

Accounting policy

The fair value of share plans is recognised as an expense over the expected vesting period with a corresponding entry to either share-based payment liabilities for cash-settled plans and cash-settled elements relating to compound instruments, or retained earnings for equity-settled plans and equity-settled elements relating to compound instruments. All entries are net of deferred tax. The fair value of share plans is determined at the date of grant. The fair value of awards granted is measured based on observable market data, taking into account the terms and conditions upon which awards were granted. For all cash-settled awards and cash-settled elements relating to compound instruments, the fair value is re-measured at each accounting date up to the vesting date by applying an option pricing model. Non-market based performance conditions (including most likely exit events) are taken into account for all plans in estimating the number of awards likely to vest, which is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or are not exercised.

Share awards

The Group operates three employee share incentive plans:

- Senior Management Long Term Bonus plan (LTB)
- Senior Management Equity Investment (EI)
- Management Share Scheme (MSS)

The Group has issued share awards to employees, with all plans being in respect of the Company's subsidiary entity Motion Topco Limited. Some of these share awards issued are held in an employee benefit trust (see note 5.5).

Analysis of share-based payment charge

The total charge for the year for all plans is £21 million (2021: less than £1 million), and at the reporting date, liabilities in respect of share-based payment transactions in the year were £20 million (2021: less than £1 million). The Group has not directly measured the fair value of services received from individuals within the plans in the year, as it cannot be reliably estimated.

Plan	2022 £m	2021 £m
LTB	5	-
EI	-	-
MSS	16	-
	21	-

Analysis of awards

	LTB	EI	MSS
Performance condition ⁽¹⁾	Y	Y	Y
Method of settlement accounting	Cash-settled	Compound instrument	Part compound instrument, part equity-settled, part cash-settled
Number of allocated awards	-	4,970,113 ⁽²⁾	7,696,425 ^{(3),(4)}
Date of grant	11 November 2021	November 2021-July 2022	November 2021-July 2022
Weighted average award life (years) ⁽¹⁾	3.0	3.0	4.7

A reconciliation of award movements during the year is shown below. The exercise price for all plans is £nil and hence no weighted average exercise prices are presented.

	EI Number	MSS Number
At 26 December 2021	4,770,951	6,547,400
Granted during the year	199,162	1,890,025
Forfeited during the year	-	(741,000)
At 31 December 2022	4,970,113⁽²⁾	7,696,425^{(3),(4)}

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CAPITAL STRUCTURE AND FINANCING CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

5.6 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

- (1) *Weighted average award life / performance conditions – the Group has exercised its judgement to conclude there is sufficient parity between all MSS awards granted to both senior management and other employees to account for all MSS awards in the same manner, and accordingly have concluded that for all awards there is a non-market based performance condition that the awards will vest on the earlier of a defined interim trigger event or exit. Using the Group's approved five-year business plan and considering ongoing future strategies of both the Group and the Group's shareholders, the most likely vesting period for each scheme has been estimated, with the maximum length of award expected to be nine years. The blend of compound, cash-settled or equity-settled instruments within each scheme therefore impacts the calculated weighted average award life.*
- (2) *Comprising 4,823,468 preference B shares and 146,645 ordinary B shares (2021: 4,630,182 preference B shares and 140,769 ordinary B shares).*
- (3) *Ordinary C shares.*
- (4) *Inclusive of 1,619,225 awards entitling the employee to a cash bonus equivalent in value to a notional number of shares and 6,077,200 allocated shares (2021: 516,500 awards and 6,030,900 allocated shares).*

Senior Management Long Term Bonus plan (LTB)

The LTB plan was granted on 11 November 2021 to eligible employees. The designated individuals of the plan are entitled to a gross cash bonus corresponding to a percentage of the equity value of Motion Topco Limited upon vesting, which is expected to occur upon an interim trigger event. Executive retirements occurring in the period ended 31 December 2022 have resulted in the reduction of this maximum percentage since the prior year to 0.55%. The cash payment is based on the value of equity instruments of Motion Topco Limited (there are no equity settlement alternatives) and continuity of service, and hence falls in scope to be cash-settled.

The fair value of this award is estimated at £14 million following consideration of future uncertainties and the potential volatility of business values, and it could change in future years should the value of the Group rise over time. As the award is cash-settled, valuations calculating the expected fair value of awards are re-performed on an annual basis.

Senior Management Equity Investment (EI)

The Senior Management Equity Investment (EI) plan was granted from Motion Topco Limited on 11 November 2021 and 22 July 2022 following eligible employee investment, resulting in 4,823,468 preference B shares and 146,645 ordinary B shares being issued. The eligible employee investment for the EI plan varies in comparison to the Management Share Schemes (MSS) as the awards are a different share category (B shares versus ordinary C shares awarded in MSS schemes). The preference shares carry a right to a discretionary fixed, cumulative preferential dividend, which accrues (but is not payable) on each preference share on a daily basis from 1 April 2021. Payment of these dividends is at the discretion of the Board of Motion Topco Limited. Accordingly, these awards have been classified as equity and hence fall under the scope of IFRS 2 'Share-based Payment'.

There is a put option for cash on up to 100% of the shares at fair market value, exercisable at the expected vesting date, which is the earlier of the interim trigger event or exit. As the interim trigger event is expected to occur prior to an exit event, this has been used to estimate the vesting period of the plan. The option is subject to non-market based performance conditions, being exit events which create obligations on the Group, and continuity of employment. Individuals with continued employment until exit will retain shares to the extent the put option is not exercised; hence, the potential appreciation of value of the EI plan is treated as a compound instrument.

Management Share Scheme (MSS)

The MSS's are accounted for as part equity-settled, part cash-settled and part compound instruments. MSS plans were granted for senior management and other employees on several dates from 11 November 2021 to 14 November 2022. The plans can be subdivided into two tranches. The first tranche includes 5,577,200 ordinary C shares following eligible employee investment in Motion Topco Limited, and 1,619,225 awards which entitle the employee to a cash payment equivalent to the fair value of a notional number of shares upon vesting. All such awards are classified as cash-settled. 2,803,575 awards remain unissued and unallocated. Prior to an exit event all unallocated awards must be allocated; the Group has exercised its judgement and assumed that all awards will be allocated before an interim trigger event. Hence, the total value of this tranche of MSS awards will always be equal to 10,000,000 shares regardless of staff attrition over the vesting period. The value of 10,000,000 share awards has therefore been considered when calculating the fair value of the MSS plans.

The second tranche relates to 500,000 ordinary C shares issued on 22 July 2022 following conversion of ordinary A shares of Motion Topco Limited. This tranche remains separate to the 10,000,000 share awards described above, but the terms of the awards are otherwise identical. Whilst in the case of the senior management issues, the Board has retained some flexibility on the terms of settlement, the Group has exercised its judgement to conclude there is sufficient parity between MSS awards granted to both senior management and other employees to account for all MSS awards in the same manner.

For MSS share awards, from December 2021 onwards, 12% per annum of the total award becomes eligible for cash-settlement at the expected vesting date, with the maximum cash-settlement crystallising at 60% in December 2025 of the total value of the MSS share awards. For the purposes of calculating the accounting entries, the full 60% is assumed to become eligible for cash-settlement ('the cash settlement option'). Should the vesting event occur at an earlier date than estimated, the number of MSS share awards eligible for cash settlement decreases.

The 60% of MSS share awards which have a cash settlement option are subject to a put option; this option requires Motion JVco Limited to purchase the shares at fair market value for cash upon exercise at an interim trigger event. If the put option is not exercised, ordinary C shares in Motion Topco Limited would be retained by the employee and hence 60% of MSS share awards issued are treated as compound instruments. The equity component of the instrument is deemed to have an expected value of £nil at vesting (as the expected benefit relating to this portion of the award is identical to the expected cash benefit), and hence the entire share-based payment expense relating to 60% of MSS share awards issued relates to expected cash-settlement.

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CAPITAL STRUCTURE

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

5.6 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

For the remaining 40% of MSS share awards issued, should the put option requiring Motion JVco Limited to purchase the other 60% at fair market value for cash be exercised, the employee's ordinary C shares would automatically convert to E1 ordinary and preference B shares in quantities equivalent to fair market value at the point of exercise. If the put option is not exercised, ordinary C shares in Motion Topco Limited would be retained by the employee and would no longer be the obligation of the Group to settle. The awards are therefore treated as equity-settled and employees would receive the benefit of these shares at a final exit event following an interim trigger event, assuming continuity of service. Amounts due to tax authorities in respect of shares issued are the obligation of the employee to settle. Taxes due on cash bonus awards, equivalent to the value of a notional number of shares, will be settled via payroll.

Should the employee leave service after an interim trigger event but prior to a final exit event, they will receive a cash-settlement equivalent to the fair market value of their converted E1 shares at the date of leaving (or the lower of cost and fair market value if the individual is a competing leaver). Historic attrition data for all levels of management has been reviewed in approximating the proportions of the 40% MSS awards that will be either equity or cash settled.

Fair value calculation

The fair value per award granted and the assumptions used in the calculations are as follows:

Plan	Settlement accounting	Number of awards	Date of grant	Exercise price (£)	Weighted average share price at grant date (£)	Weighted average fair value per award at measurement date (£)	Expected dividend yield (%)	Expected volatility (%)	Risk free rate (%)
LTB	Cash-settled	n/a	11/11/2021	-	n/a	13,873,021	0.0%	54.9%	3.2%
E1	Compound	4,970,113 ⁽¹⁾	11/11/2021 22/07/2022	-	0.824	-	0.0%	54.9%	3.2%
MSS	Compound	3,346,320 ⁽²⁾	11/11/2021 23/12/2021 21/02/2022 22/07/2022	-	0.072	9.63	0.0%	54.9%	3.2%
MSS	Equity-settled	1,743,704 ⁽²⁾	11/11/2021 23/12/2021 21/02/2022 22/07/2022	-	0.072	5.19	0.0%	37.7%	3.2%
MSS	Cash-settled	487,176 ⁽²⁾	11/11/2021 23/12/2021 21/02/2022	-	0.072	8.37	0.0%	46.3%	3.2%
MSS	Cash-settled (other)	1,619,225 ^{(2),(3)}	23/12/2021 21/02/2022 14/11/2022	-	n/a	11.21	0.0%	54.9%	3.2%

⁽¹⁾ Comprising 4,823,468 preference B shares and 146,645 ordinary B shares (2021: 4,630,182 preference B shares and 140,769 ordinary B shares).

⁽²⁾ Ordinary C shares. 2,803,575 MSS awards remain unallocated as at 31 December 2022.

⁽³⁾ These awards entitle the employee to a cash bonus equivalent in value to a notional number of shares.

The key assumptions in calculating the share-based payments were as follows:

- The Monte-Carlo option pricing model was used to value all plans at the date of grant.
- The expected volatility is based on broadly comparable quoted companies and takes into account the expected life of the relevant award.
- The risk-free rate is equal to the prevailing UK Gilts rate at grant date, which is commensurate with the expected term.
- Expected dividend yield assumes that preference shares will roll forward any accrued dividend on the basis that distributions are discretionary. Therefore, dividend yield is assumed to be 0.0%.
- The grant date has been determined for each plan following consideration of when there was mutual understanding between the Group and the employee on the plan's key terms; this date has been deemed to be the date of share issuance.
- The Group has exercised its judgement to conclude there is sufficient parity between MSS awards granted to both senior management and other employees to account for all awards in the same manner.

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OTHER NOTES

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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 'Financial instruments'. This applies to the investments in IDR Resorts Sdn. Bhd., Gangwon Jungdo Development Corporation Ltd, Shanghai LEGOLAND Co., Ltd 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.

	Gangwon Jungdo				Total £m
	IDR Resorts £m	Development Corporation £m	Shanghai LEGOLAND Co £m	LL Dubai Hotel £m	
Balance at 26 December 2021	4	3	7	10	24
Net change in fair value - included in OCI	2	-	-	-	2
Transfer to non-current other receivables	-	-	(5)	-	(5)
Share of reserves in joint ventures	-	-	-	(3)	(3)
Impairment	-	-	-	(7)	(7)
At 31 December 2022	6	3	2	-	11

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).

Gangwon Jungdo Development Corporation

The Group has a minority equity investment in Gangwon Jungdo Development Corporation Ltd, the local company that has provided funding and infrastructure support to the development of LEGOLAND Korea (see note 6.3).

Shanghai LEGOLAND Co.

The Group has a minority equity investment in Shanghai LEGOLAND Co., Ltd., the company developing the LEGOLAND Shanghai Resort. This is being developed under the Group's management contract model, where we manage the resort under a management contract. During 2022 £5 million of the investment made in 2021 was reallocated to non-current other receivables.

Big Bus Tours

The Group has an investment in Big Bus Tours Group Holdings Limited (BIG BUS), held substantially all in the form of loan notes. The value of the investment was adjusted to £nil in 2020, when the BIG BUS city tour business was severely impacted by the COVID-19 pandemic, and a capital restructuring exercise took place whereby the priority of the Group's investment reduced compared to other investors. The investment is valued adopting a market-based approach (based on EBITDA multiples). Following a review of the value at the reporting date, the value has been retained at £nil (2021: £nil). Positive value adjustments could occur in the future.

The Group also holds a minority equity investment valued at £nil (2021: £nil).

Investments in associates and joint ventures

LL Dubai Hotel

The Group holds a 40% equity interest in LL Dubai Hotel LLC. This is the company that developed the hotel at LEGOLAND Dubai, which opened in January 2022. The negative share of reserves of £3 million reflects the Group's share of that company's retained losses for the period. Impairment charges have been made in the year of £7 million, reflecting an assessment of market and economic conditions in that location.

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.1 INVESTMENTS (CONTINUED)

Summarised financial information in respect of LL Dubai Hotel LLC is set out below and is based on 100% of their results.

	2022 £m	2021 £m
Non-current assets	64	62
Current assets	9	8
Total assets	73	70
Non-current liabilities	45	41
Current liabilities	10	6
Total liabilities	55	47
Revenue	8	-
Expenses	17	1
Loss for the year	(9)	(1)

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.

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 year was £13 million (2021: £11 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 2021 and updated to 30 September 2022 due to material changes in market conditions. As a result, it was agreed to pay annual deficit reduction contributions of £544,000, increasing at 3% per annum, payable monthly from 1 January 2023 to 30 November 2028.

The Group expects £1 million in ongoing contributions to be paid to its defined benefit schemes in 2023. The weighted average duration of the defined benefit obligation at 31 December 2022 was 10 years (2021: 17 years).

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OTHER NOTES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.2 EMPLOYEE BENEFITS (CONTINUED)

The assets and liabilities of the schemes are:

	2022 £m	2021 £m
Equities	12	19
Corporate bonds	17	13
Cash	1	4
Pooled investment funds (property)	2	2
Fair value of scheme assets	32	38
Present value of defined benefit obligations	(30)	(45)
Net pension surplus/(liability)	2	(7)

Movement in the net pension surplus/(liability)

	Present value of scheme assets £m	Present value of defined benefit obligations £m	Net pension surplus/ (liability) £m
At 27 December 2020	35	(46)	(11)
Contributions by employer	1	-	1
Benefits paid	(1)	1	-
Remeasurement gain	3	-	3
At 25 December 2021	38	(45)	(7)
Contributions by employer	1	-	1
Benefits paid	(1)	1	-
Remeasurement (loss)/gain	(6)	14	8
At 31 December 2022	32	(30)	2

The amount recognised in the income statement was £nil (2021: £nil). The amount recognised in the statement of other comprehensive income was a profit of £8 million (2021: £3 million).

Actuarial assumptions

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

	2022	2021
Discount rate	5.0%	1.8%
Rate of price inflation	3.3%	3.5%

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 S3PxA. 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.

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

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).

Transactions with shareholders (and connected parties)**Goods and services**

Transactions including the purchase and sale of goods, the payment of fees and royalties, and trading balances outstanding at 31 December 2022 and 25 December 2021 were as follows:

	Goods and services			
	Sales £m	Amount owed by related party £m	Purchases and royalties £m	Amount owed to related party £m
2022				
KIRKBI Invest A/S	4	-	20	7
LEGO Group	-	3	92	2
	4	3	112	9
2021				
KIRKBI Invest A/S	1	1	14	4
LEGO Group	-	2	59	4
	1	3	73	8

Loans and borrowings

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 31 December 2022 are KIRKBI Invest A/S £479 million (2021: £451 million) and funds advised by parties related to Blackstone £32 million (2021: £26 million). Interest is paid and accrued on the same terms as described in note 5.2.

Lease arrangements

As set out in note 5.4 the Group has entered into a lease with LLJ Investco K.K (a subsidiary of KIRKBI Invest A/S). The term of this lease is 50 years, with 44 years remaining at the reporting date. The Group's annual obligations consist of fixed rental payments, turnover rent and service charges totalling £6 million (2021: £6 million). The total undiscounted commitment relating to fixed rental payments is £245 million over the remaining lease term (2021: £259 million).

The Group leases land, buildings and car parking areas from KIRKBI Invest A/S (a shareholder). The term of this lease is 25 years, with 17 years remaining at the reporting date. The Group's annual obligations consist of fixed rental payments, turnover rent and service charges totalling £1 million (2021: less than £1 million). The total undiscounted commitment relating to fixed rental payments is £6 million over the remaining lease term (2021: £6 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 19 years remaining at the reporting date. The Group's annual obligations consist of fixed rental payments, turnover rent and service charges totalling less than £1 million (2021: less than £1 million). The total undiscounted commitment relating to fixed rental payments is £8 million over the remaining lease term (2021: £8 million).

The Group also previously entered into lease agreements with parties that are related parties of the Blackstone Investment Funds, who are shareholders in the Company. These are as follows:

- Multi Corporation B.V. in relation to SEA LIFE and LEGOLAND Discovery Centre Istanbul;
- Shopcore in relation to LEGOLAND Discovery Centre Chicago; and
- NEC Group Ltd, in relation to The Bear Grylls Adventure and LEGOLAND Discovery Centre attractions in Birmingham.

The Group's annual obligations for these agreements consist of fixed rental payments, turnover rent and service charges totalling £2 million (2021: £2 million). The total undiscounted commitment relating to fixed rental payments on these leases is £22 million over the remaining terms of each lease (2021: £27 million).

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.3 RELATED PARTY TRANSACTIONS (CONTINUED)**Other transactions**

Included in deferred income is an amount of less than £1 million (2021: £2 million) received from a KIRKBI Group company (LEGO Juris A/S) in 2020 to support certain development activities. A further £6 million was received in 2022 to support development activities, of which less than £1 million remains to be spent in future periods.

During 2022 the Group contracted payroll services in North America from UKG, a related party of the Blackstone Investment Funds that are shareholders in the Group. The total paid to this company in the year was less than £1 million.

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% (2021: nil%) of the Company. The remuneration of key management is disclosed in note 2.1.

As at 25 December 2021 two members of key management were provided with loans from the Group equalling £120,000 in aggregate, for use by the individuals in investing in the Senior Management Equity Investment share-based payment plan (see note 5.6). The loans were repaid during 2022. No interest was payable on the loans. As at 31 December 2022, the Company held funds of £38,000 on behalf of KIRKBI Invest A/S relating to the transfer and conversion of 505,876 ordinary A shares in Motion TopCo Limited. Please see note 5.6 for further details.

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 31 December 2022 and 25 December 2021, are as follows:

	2022	2021
	£m	£m
Sales to related party	3	2
Amounts owed by related party	2	2

LEGOLAND Korea

The Group has a minority equity investment in and has entered into transactions with Gangwon Jungdo Development Corporation Ltd, a Korean company which acts under the direction of the Gangwon Province and has provided funding and infrastructure support of KRW 80 billion (£52 million at year end exchange rates) to the development of LEGOLAND Korea. As required under the terms of the funding agreement, the Group has spent this support on costs associated with the project. The conditions of the funding require that following the completion of the park's construction, the Group operates the park for a period of time post-opening.

All of these funds had been received by 25 December 2021 and at the reporting date are recorded within deferred income. Once agreed with Gangwon Jungdo Development Corporation Ltd, this amount will be accounted for as a capital grant and offset against the total project costs, within property, plant and equipment.

6.4 NEW STANDARDS AND INTERPRETATIONS

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

- Amendments to IAS 37 'Onerous contracts – cost of fulfilling a contract'
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IAS 16 'Property, plant and equipment – proceeds before intended use'
- Amendments to IFRS 3 'Reference to Conceptual Framework'

The IASB has also issued the following amendments to standards that will be effective for the Group for the 2023 reporting period. The Group does not expect any significant impact on its consolidated financial statements from these amendments.

- Amendments to IAS 12 'Income taxes – deferred tax related to assets and liabilities arising from a single transaction'
- Amendments to IAS 1 'Presentation of financial statements – disclosure of accounting policies'
- Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors – definition of accounting estimates'

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OTHER NOTES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.5 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 by visiting the Merlin corporate website at www.merlinentertainments.biz.

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.6 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 2022	Ownership 2021
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%
Merlin Entertainments 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%
Merlin Entertainments Hong Kong Limited	China ⁽¹⁰⁾	Ordinary	100.0%	100.0%

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.6 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2022	Ownership 2021
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%
Merlin (Shanghai) Management Advisory Company Limited	China ⁽¹⁵⁾	Ordinary	100.0%	100.0%
Shanghai Chang Feng Oceanworld Co. Ltd	China ⁽¹⁶⁾	Ordinary	100.0%	100.0%
Shanghai LEGOLAND Management Co., Ltd	China ⁽¹⁷⁾	Ordinary	85.0%	85.0%
LEGOLAND ApS	Denmark ⁽¹⁸⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Denmark Holdings ApS	Denmark ⁽¹⁸⁾	Ordinary	100.0%	100.0%
SEA LIFE Helsinki Oy	Finland ⁽¹⁹⁾	Ordinary	100.0%	100.0%
SEA LIFE France SARL	France ⁽²⁰⁾	Ordinary	100.0%	100.0%
Dungeon Deutschland GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
Heide-Park Soltau GmbH	Germany ⁽²²⁾	Ordinary	100.0%	100.0%
LEGOLAND Deutschland Freizeitpark GmbH	Germany ⁽²³⁾	Ordinary	100.0%	100.0%
LEGOLAND Deutschland GmbH	Germany ⁽²³⁾	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Deutschland GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
LEGOLAND Holidays Deutschland GmbH	Germany ⁽²³⁾	Ordinary	100.0%	100.0%
LLD Share Beteiligungs GmbH	Germany ⁽²³⁾	Ordinary	100.0%	100.0%
LLD Share GmbH & Co. KG	Germany ⁽²³⁾	Ordinary	100.0%	100.0%
Madame Tussauds Deutschland GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Deutschland GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
SEA LIFE Deutschland GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
SEA LIFE Konstanz GmbH	Germany ⁽²¹⁾	Ordinary	100.0%	100.0%
Tussauds Deutschland GmbH	Germany ⁽²²⁾	Ordinary	100.0%	100.0%
Tussauds Heide Metropole GmbH	Germany ⁽²²⁾	Ordinary	100.0%	100.0%
Merlin Entertainments India Private Limited	India ⁽²⁴⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 1 Limited ^(a)	Ireland	Ordinary	-	100.0%
Merlin Entertainments Ireland 2 Limited ^(a)	Ireland	Ordinary	-	100.0%
Motion Bondco Designated Activity Company	Ireland ⁽²⁵⁾	Ordinary	100.0%	100.0%
SEA LIFE Centre Bray Limited	Ireland ⁽²⁶⁾	Ordinary	100.0%	100.0%
Gardaland S.r.l.	Italy ⁽²⁷⁾	Ordinary	99.9%	99.9%
Gardaland Holidays S.r.l.	Italy ⁽²⁷⁾	Ordinary	99.9%	99.9%
Merlin Attractions Italy S.r.l.	Italy ⁽²⁷⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Italy S.r.l.	Italy ⁽²⁷⁾	Ordinary	100.0%	100.0%
Merlin Water Parks S.r.l.	Italy ⁽²⁷⁾	Ordinary	100.0%	100.0%
Ronchi del Garda S.p.A.	Italy ⁽²⁸⁾	Ordinary	^(b) 49.4%	^(b) 49.4%
Ronchi S.p.A.	Italy ⁽²⁷⁾	Ordinary	90.4%	90.4%
LEGOLAND Japan Limited	Japan ⁽²⁹⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (Japan) Limited	Japan ⁽³⁰⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group Luxembourg 3 S.à r.l.	Luxembourg ⁽³¹⁾	Ordinary	100.0%	100.0%
Merlin Lux Finco 1 S.à r.l. ^(a)	Luxembourg	Ordinary	100.0%	100.0%
Merlin Lux Finco 2 S.à r.l. ^(a)	Luxembourg	Ordinary	100.0%	100.0%
Motion Finco S.à r.l.	Luxembourg ⁽³¹⁾	Ordinary	100.0%	100.0%

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.6 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2022	Ownership 2021
Motion Finco 2 S.à r.l.	Luxembourg ⁽³¹⁾	Ordinary	100.0%	100.0%
LEGOLAND Malaysia Hotel Sdn. Bhd	Malaysia ⁽³²⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Group (Malaysia) Sdn. Bhd	Malaysia ⁽³²⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Studios (Malaysia) Sdn. Bhd	Malaysia ⁽³²⁾	Ordinary	100.0%	100.0%
Amsterdam Dungeon B.V.	Netherlands ⁽³³⁾	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Scheveningen B.V.	Netherlands ⁽³⁴⁾	Ordinary	100.0%	100.0%
Madame Tussauds Amsterdam B.V.	Netherlands ⁽³⁵⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Den Haag B.V.	Netherlands ⁽³⁶⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Holdings Nederland B.V.	Netherlands ⁽³³⁾	Ordinary	100.0%	100.0%
SEA LIFE Centre Scheveningen B.V.	Netherlands ⁽³⁷⁾	Ordinary	60.0%	60.0%
Auckland Aquarium Limited	New Zealand ⁽³⁸⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (New Zealand) Limited	New Zealand ⁽³⁸⁾	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal ⁽³⁹⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Singapore Pte. Ltd	Singapore ⁽⁴⁰⁾	Ordinary	100.0%	100.0%
LEGOLAND Korea LLC	South Korea ⁽⁴¹⁾	Ordinary	100.0%	100.0%
Merlin Entertainments Korea Limited	South Korea ⁽⁴²⁾	Ordinary	100.0%	100.0%
Seoul Ocean Aquarium Co., Ltd.	South Korea ⁽⁴³⁾	Ordinary	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⁾	-	^(c) 48.0%	^(c) 48.0%
Merlin Holdings Limited	UAE ⁽⁴⁹⁾	Ordinary	^(c) 1.0%	^(c) 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%

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53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.6 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2022	Ownership 2021
Madame Tussauds Touring Exhibition Limited	UK ⁽⁵⁰⁾	Ordinary	100.0%	100.0%
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 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 Holidays Limited (formerly Tussauds Attractions 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 ^(a)	UK	Ordinary	-	100.0%
Merlin UK Finance 2A Limited ^(a)	UK	Ordinary	-	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	99.8%	99.8%
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 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%
LEGO Discovery Center Washington D.C. LLC	USA ⁽⁵²⁾	-	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

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.6 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2022	Ownership 2021
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 Theme Parks LLC	USA ⁽⁵²⁾	-	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 2022	Ownership 2021
LL Dubai Hotel LLC	UAE ⁽⁵⁴⁾	Ordinary	40.0%	40.0%

^(a) Companies were dissolved in 2022.^(b) 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.^(c) Motion JVco Limited has 100% of the beneficial ownership of these entities.^(d) Motion Topco Limited is held by the Company. All other subsidiaries are held by intermediate subsidiaries. Upon the vesting date of the share incentive plans, employees will hold a non-controlling interest in Motion TopCo Limited of 0.16% (see note 5.5).

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.6 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Registered offices

(1)	Suite 1, Level 11, 66-68 Goulburn Street, Sydney, New South Wales, 2000, 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)	Room 10-1, 10th Floor, No 2-68 Nanjing West Rd, Huangpu District, Shanghai, China
(16)	189, Daduhe Road, Pu Tuo District, Shanghai, 200062, China
(17)	Room 5668, No. 19, Cao Li Road 38 Lane, Feng Jing Town, Jinshan District, Shanghai, China
(18)	Aastvej 10, 7190 Billund, Denmark
(19)	Tivolitie 10, Helsinki 00510, Finland
(20)	Centre Commercial Val d'Europe, Espace 502, 14 cours du Danube, Serris, 77111 Marne-La-Vallée, France
(21)	Kehrwieder 5, 20457 Hamburg, Germany
(22)	Heidenhof 1, 29614 Soltau, Germany
(23)	Legoland Allee, 89312, Gunzburg, Germany
(24)	606 Suryakiran Building, 19 Kasturba Gandhi Marg, Connaught Place, New Delhi 110001, India
(25)	2 nd Floor, 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland
(26)	6 th Floor, 2 Grand Canal Square, Dublin 2, Ireland
(27)	Via Derna 4, Castelnuovo del Garda, 37014, Verona, Italy
(28)	Loc Ronchi, Castel del Garda Verona, 37014, Verona, Italy
(29)	2-2-1, Kinjofutou Minato-ku, Nagoya-shi, Japan
(30)	Island Mall, Decks Tokyo Beach, 1-6-1 Daiba, Minato-ku, Tokyo, Japan
(31)	2-4, Rue Eugène Ruppert, L-2453, Luxembourg
(32)	Level 13A-6, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia
(33)	Rokin 78, 1012 KW Amsterdam, Netherlands
(34)	Gevers Deynootweg 970, 2586 BW Den Haag, Netherlands
(35)	Dam 20 GEBOUW P&C, 1012 NP Amsterdam, Netherlands
(36)	Jasmijn 13, Leidschendam, 2262AN, Netherlands
(37)	Strandweg 13, 2586 JK Den Haag, Netherlands
(38)	Level 11, 41 Shortland Street, Auckland 1010, New Zealand
(39)	No. 1 Rua Particular do Castelo de Queijo, 4100-379, Porto, Portugal
(40)	12 Marina View, #11-01 Asia Square, Tower 2, 018961, Singapore
(41)	Yoseon-dong, 8F Moorim Building, 16 Joongang-ro, Chuncheon-si, Gangwon-do, Republic of Korea
(42)	266 Haeundaehaebun-ro, Haenudee-Gu, Busan, Republic of Korea
(43)	513, Yeongdong-daero, Gangnam-gu, Seoul, 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 I Road, Pathumwan, Bangkok 10330, Thailand
(46)	B1-B2 Floor Siam Paragon, 991 Rama I 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)	Office 301, Building I, Emaar Square, Burj Khalifa, Sheikh Zayed Road, PO Box 123311, Dubai, United Arab Emirates

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

6.6 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)**UK registered subsidiaries exempt from audit**

The following subsidiaries are taking advantage of an exemption from audit under section 479A of the Companies Act 2006. Motion JVco Limited is providing a statutory guarantee for any outstanding liabilities of these subsidiaries. All subsidiary undertakings have been included in the consolidated financial statements of Motion JVco Limited as at 31 December 2022.

Subsidiary undertaking	Company number	Subsidiary undertaking	Company number
Alton Towers Resort Operations Limited	06127441	Merlin Entertainments (Blackpool) Limited	02429776
Charcoal CLG I Limited	06128422	Merlin Entertainments (Dungeons) Limited	03671067
Charcoal Midco I Limited	06125930	Merlin Entertainments (NBD) Limited	05010879
Charcoal Newco I Limited	06128686	Merlin Entertainments (SEA LIFE) Limited	02182098
Charcoal Newco Ia Limited	06130062	Merlin Entertainments Crown (UK) Limited	09679586
Chessington Hotel Limited	05686193	Merlin Entertainments Group Limited	05022287
Chessington World of Adventures Operations Limited	06128521	Merlin Entertainments Group Operations Limited	03671093
LEGOLAND US Holdings Limited	06273037	Merlin Magic Making Limited	03663168
LEGOLAND Windsor Park Limited	02721728	Merlin UK Finco 1 Limited	08753258
London Aquarium (South Bank) Limited	06553877	Merlin UK Finco 2 Limited	08753263
London Eye Holdings Limited	05686179	Merlin US Holdings Limited	06273035
London Eye Management Services Limited	02896849	SEA LIFE Centre (Blackpool) Limited	02407713
Merlin Entertainments (Asia Pacific) Limited	03767102	Thorpe Park Operations Limited	06127478

MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS

Company statement of financial position at 31 December 2022 (2021: 25 December 2021)

	Note	2022 £m	2021 £m
Non-current assets			
Investments	iii	3,005	2,985
Deferred tax assets		-	1
		3,005	2,986
Current assets			
Amounts owed by Group undertakings		1	-
Total assets		3,006	2,986
Non-current liabilities			
Other payables	iii	20	-
Total liabilities		20	-
Net assets		2,986	2,986
Issued capital and reserves attributable to owners of the Company	iv	2,986	2,986
Total equity		2,986	2,986

The notes on pages 99 to 102 form part of these financial statements.

The Company has elected to take the exemption available under s408 of the Companies Act 2006 not to present the Company statement of comprehensive income. The Company recorded a profit for the year of £nil (2021: profit for the year of £nil).

The parent Company financial statements were approved by the Board of Directors on 17 March 2023 and were signed on its behalf by:

Søren Thorup Sørensen
Director

MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS

Company statement of changes in equity at 31 December 2022 (2021: 25 December 2021)

	Note	Share capital £m	Share premium £m	Capital reserve £m	Retained earnings £m	Total equity £m
At 27 December 2020		29	2,956	6	(5)	2,986
Profit for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-
Transfer to retained earnings	iv	-	-	(6)	6	-
At 25 December 2021		29	2,956	-	1	2,986
Profit for the year		-	-	-	-	-
At 31 December 2022	iv	29	2,956	-	1	2,986

NOTES TO MOTION JVCO LIMITED

COMPANY FINANCIAL STATEMENTS

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

i ACCOUNTING POLICIES

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 principal activity of the Company is to act as a holding company.

These financial statements were prepared in accordance with UK adopted international accounting standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted 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 UK adopted international accounting standards and are available to the public and may be obtained by visiting the Merlin corporate website at www.merlinentertainments.biz. Company financial statements have been prepared and approved by the Directors in accordance with UK adopted 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 53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021).

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 year 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 year 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 year, 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

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

i ACCOUNTING POLICIES (CONTINUED)**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.

Dividends

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

Judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Company'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. Management considers the area of estimation that has the most significant effect on the amounts recognised in the financial statements to be the estimation of the value in use of the Merlin Entertainments Group of companies, which underpins the annual review of the carrying amount of the Company's investment in subsidiaries (see note iii).

ii OPERATING EXPENSES**Staff numbers and costs**

The average number of persons employed by the Company during the year was seven (2021: seven), being the Directors of the Company.

The employment costs of the Directors of the Company have been borne by other Group companies 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 Ernst & Young LLP 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

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

iii INVESTMENT IN SUBSIDIARY UNDERTAKING

	Shares in subsidiary undertaking £m
Cost and carrying value	
At 27 December 2020	2,835
Additions	150
At 25 December 2021	2,985
Additions	20
At 31 December 2022	3,005

The subsidiary undertaking at the year end is as follows:

Company	Activity	Country of incorporation	Shareholding	Description of shares held
Motion Topco Limited	Holding company	UK	99.8%	Ordinary

A full list of Group companies is included in note 6.6 of the consolidated financial statements on pages 90 to 95.

Upon the vesting date of the share incentive plans, employees of the Group will hold a non-controlling interest in Motion Topco Limited of 0.16% (see note 5.5 of the consolidated financial statements). Cash settlements occurring upon vesting of the schemes are the obligation of the Company to settle. Additional investments of £20 million have been recognised in the year with a corresponding liability in other payables (see note 5.6 of the consolidated financial statements).

The carrying amount of the Company's investments in subsidiaries has been reviewed to determine whether there is any indication of impairment.

The approach to impairment testing within the consolidated accounts is set out in note 4.3 to the consolidated accounts which includes details on the key assumptions and estimates used when calculating the net present value of future cash flows from the Group's businesses. A consistent approach is taken for testing the Company's investment in its subsidiary, with this assessment also including value for new business development that is excluded from the goodwill impairment testing until such time as new sites become operational. The approach adopted therefore applies consistent judgements and estimates as set out in the impairment testing note 4.3, other than for new business development.

Impairment reviews are often sensitive to changes in key assumptions. Sensitivity analysis is therefore performed on the calculated recoverable amounts considering incremental changes in the key assumptions, where the balance being tested is material and headroom is limited.

In 2022 there is sufficient headroom such that the valuation is not sensitive to even significant changes in any of the key assumptions. Headroom would remain if pre-tax discount rates used had been higher by a factor of 10%, combined with the long term growth rate used being 2.25% instead of 2.5%.

NOTES TO MOTION JVCO LIMITED

COMPANY

FINANCIAL STATEMENTS CONTINUED

53 weeks ended 31 December 2022 (2021: 52 weeks ended 25 December 2021)

iv EQUITY

Share capital

	2022 Number	2022 £m	2021 Number	2021 £m
Ordinary shares of £0.01 each	28,759,359	-	28,759,359	-
Preference shares of £0.01 each	2,847,137,139	29	2,847,137,139	29
On issue and fully paid at end of year	2,875,896,498	29	2,875,896,498	29

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

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

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 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. 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. The capital reserve was eliminated through retained earnings in 2021.

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 year ended 31 December 2022 (2021: £nil).

Retained earnings

The profit after tax for the year in the accounts of Motion JVco Limited is £nil (2021: £nil).

v 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

Board	Board of Directors of the Company.
Capex	Capital expenditure.
Cluster	A group of attractions located in a city close to one another.
Constant currency	Using 2021 exchange rates.
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.
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.
Group	Motion JVco Limited group of companies.
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)	2022 LFL growth refers to the growth between 2021 and 2022 on a constant currency basis using 2021 exchange rates and includes all businesses owned and operated before the start of 2021.
Listing	Listing on the London Stock Exchange.
LLP	LEGOLAND Parks Operating Group.
Merlin Board	The Board of Directors of Merlin Entertainments Limited.
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.
Peppa Pig	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 IPs in the world.
Peppa Pig Theme Park	A standalone theme park based on the Peppa Pig brand. When located at a Merlin theme park as a second gate attraction the results are reported within the associated Operating Group.
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.
SEA LIFE TRUST	The SEA LIFE TRUST forms a key element of Merlin's Corporate Social Responsibility commitment. Our partner marine conservation charity works to protect the marine environment.
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 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 from touchscreen data at our attractions.
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.
Yext	A platform we used to monitor online guest reviews and help inform how we improve our attractions.

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 2022 52 week revenues and underlying EBITDA of re-translating them at 2021 foreign exchange (FX) rates. The calculation for weighted average EBITDA rates can be affected where foreign currency earnings move between months from being positive or negative.

Currency	2021 average FX rates	2022 average FX rates	%age movement in FX rates	Revenue impact £m
USD	1.38	1.25	(9.8)%	(67)
EUR	1.17	1.18	0.7%	4
Other				4
Decrease in 2022 revenues at 2021 FX rates				(59)

Currency	2021 average FX rates	2022 average FX rates	%age movement in FX rates	EBITDA impact £m
USD	1.38	1.25	(9.4)%	(25)
EUR	1.18	1.17	(0.2)%	1
Other				1
Decrease in 2022 underlying EBITDA at 2021 FX rates				(23)