Registered number 12057312

MOTION JVCO LIMITED
ANNUAL REPORT AND ACCOUNTS 2023

CONTENTS

At the end of 2023 the Group operated:

141

attractions

with

5,342

rooms

in

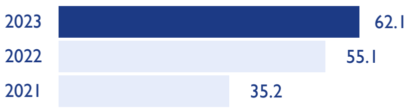
23

countries

KPIs

62.1m

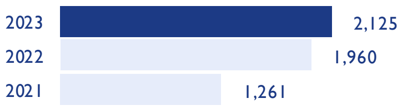
VISITORS +12.8%



2022: 55.1m (53 weeks(1): 56.4m)

£2,125m

REVENUE +8.4%



2022: £1,960m (53 weeks(1): £2,006m)

£382m

UNDERLYING OPERATING PROFIT

2022: £385m (53 weeks(1): £415m)

£172m

TOTAL OPERATING PROFIT

2022: £356m (53 weeks(1): £386m)

£(214)m

LOSS BEFORE TAX

2022 (53 weeks(1)): profit before tax of £136m

GUEST SATISFACTION

Delivering uplifting experiences with exceptional guest service is a core element of our purpose, so we are proud that we again maintained the same high guest satisfaction score of 94% as in 2022, where our target is a score over 90%.

We also showed improved scores on the percentage of surveys showing the 'Top Box' level of satisfaction, and on our 'Net Promoter' metric that measures whether a guest would recommend our attractions.

See more on page 6.

HEALTH AND SAFETY

Health, safety and security is our number one priority, and we have an unwavering commitment to health, safety and security as the bedrock of our operations.

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 again measured 0.01 for 2023, consistent with 2022.

See more on pages 24 to 25.

EMPLOYEE ENGAGEMENT

In 2023 nearly 20,000 staff (87%) completed our 'Wizard Wants to Know' engagement survey, a 3% increase over 2022's record response rate of 84%.

Our overall engagement score of 68% was consistent with 2022. We are grateful to our teams for completing the survey and pleased that they have given us so much valuable feedback to take forward.

See more on page 26.

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 17.
- Terms used throughout this document are defined in the Glossary on pages 111 to 112.

(1) In 2022 we reported on the 53 weeks to 31 December 2022. Profit metrics were 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 it will provide a more direct comparison of performance.

AT A GLANCE

A GLOBAL LEADER IN BRANDED ENTERTAINMENT DESTINATIONS

MERLIN BRINGS TREASURED BRANDS TO LIFE, CREATING JOYFUL EXPERIENCES FOR GUESTS AT 141 ATTRACTIONS AND THEME PARKS, SPANNING 23 COUNTRIES AND FOUR CONTINENTS.

Our purpose We bring joy, create connections and make memories.

Our vision To be the global leader of branded entertainment destinations and the greatest place to work and play.

Our strategy

Continue to be the partner of choice for owners of the world's most beloved brands
We drive long term success by co-creating with the owners of iconic IP to bring their brands to life. Using our 'idea-to-experience' expertise, we create immersive attractions that blend physical construction, digital innovation and exceptional guest service.

Elevate guest experiences and premiumise our portfolio
We are attracting more guests to spend more time with us and enjoy a wider range of attractions by elevating our estate, creating world class short break resorts, growing our city centre attraction clusters and developing powerful IP on a global scale.

Transform our operating model to unlock growth
We are making Merlin a globally integrated company, adept at scaling successful formats at speed, and skilled at using deep customer insights, AI and data to drive effective pricing, marketing and operations.

Our portfolio of destinations is diversified across geography, attraction type, brand and customer demographic, giving us a unique expertise that has made us a trusted partner for world class IP owners including: the LEGO brand, Marvel, Hasbro, Lucasfilm, Sony Pictures Entertainment, Ferrari, the BBC and Warner Bros.

We bring our family of branded destinations to life through the work of our three Operating Groups.

LEGOLAND Parks bring the LEGO brand to life on an epic scale. We currently operate ten LEGOLAND resorts, and are actively developing further new LEGOLAND projects in China. Merlin holds exclusive global rights to the LEGOLAND brand, and we are realising the huge growth potential of these destinations by expanding our parks into 'mega-resort' short break destinations, offering our guests themed accommodation, second gate attractions and LEGO themed experiences that are rich in interactive features. We also operate 29 LEGO/LEGOLAND Discovery Centres (the ultimate indoor LEGO playgrounds), within the Gateway Attractions Operating Group.

Resort Theme Parks offer unforgettable adventures for families, teenagers and young adults, with high brand and customer awareness in their regional markets. The resorts offer a wide range of original and third party IP-focused rides and attractions as well as themed accommodation to provide an immersive, multi-day experience. Currently, our portfolio includes leading theme parks in the UK – Alton Towers Resort, Thorpe Park Resort, Chessington World of Adventures Resort, and Warwick Castle – as well as Gardaland Resort in Italy and Heide Park Resort in Northern Germany.

Gateway Attractions offer tourists and city residents some of the world's most exciting and recognisable entertainment brands, including Madame Tussauds, SEA LIFE and Peppa Pig. These are predominantly indoor attractions, located in the world's most important tourist cities, family-dense residential cities, and other locations across the UK, Europe, North America and Asia Pacific regions. We continue to introduce new brands and formats, developed in-house and with industry-leading partners, and are the only company to successfully operate this model on a global scale.

Formerly known as Midway Attractions, we have renamed this Operating Group as Gateway Attractions to signal our strategic focus on growing in the world's most significant tourist and residential locations, where there is demand for premium entertainment experiences centred around world famous brands.

Our strategy for our priority markets is to unlock further growth by 'clustering' multiple attractions around a co-located anchor attraction, delivering operational and commercial synergies through economies of scale, as has been so successfully executed at our London 'mega-cluster'. Residential clusters also have future potential growth as we increasingly look to leverage our current clusters, adding brands and experiences to scale management talent and deepen commercial real estate relationships.

Our Operating Groups are supported by **Merlin Magic Making**, our powerhouse of creative innovation, design, project management and production. Merlin Magic Making creates the extraordinary experiences of tomorrow by bringing together the world's greatest builders, dreamers and makers and unleashing their talents. This global team is responsible for: driving innovation across Merlin and creating compelling propositions for our attractions; developing new concepts into commercially viable attractions; producing compelling content and attraction theming; and constructing new attractions and investment projects.

AT A GLANCE

A GLOBAL LEADER IN BRANDED ENTERTAINMENT DESTINATIONS

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

	UK	Continental Europe	Americas	Asia Pacific	Total	Brand Demographics
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**	Families
RESORT THEME PARKS						
	Alton Towers Resort, UK (694 rooms)	Gardaland Resort, Italy (475 rooms)				Families, teenagers and young adults
		Heide Park Resort, Germany (329 rooms)				
	Chessington World of Adventures Resort, UK (254 rooms)					Families
	Warwick Castle, UK (67 rooms)					
	Thorpe Park Resort, UK (90 rooms)					Teenagers and young adults
Total					**6 parks 1,909 rooms**	
GATEWAY ATTRACTIONS (Global brands)						
SEA LIFE	10	15	10	11	**46**	Families and city centre tourists
LEGO/LEGOLAND Discovery Centres	2	5	15	7	**29**	Families
Madame Tussauds	2	4	6	10	**22**	Families and city centre tourists
Dungeons	6	3	-	1	**10**	Teenagers, young adults and city centre tourists
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 112)*	-	-	1	-	**1**	Pre-school families
Other	4	2	-	3	**9**	
Total	**26**	**30**	**35**	**34**	**125**	

CHIEF EXECUTIVE'S INTRODUCTION

TRANSFORMATION TO DRIVE GROWTH

Introduction

It's a crisp autumn day at Chessington World of Adventures Resort and I am a few hours into my 'Frontline Focus' shift: a programme that gives our leaders the opportunity to assume a frontline position for the day, with the goal of better understanding our most important teammates' roles and getting closer to our guests.

I had been assigned to the janitorial team that day and while working in the park, out of the corner of my eye, a young girl is racing towards me with an enormous smile stretched across her face. A split second later, her arms wrapped around my leg, she looks up at me and squeals, "Scott!! We just went on the Mandrill Mayhem coaster in Jumanji again! It is AWESOME!!". I recognise her in an instant; not too long ago we were celebrating her family's inspiring story at a Merlin's Magic Wand event. She and her parents had devastatingly lost her brother to cancer, so our brilliant LEGO Master Model Builders created a LEGO model replica, fit with minifigures of the entire family, riding her brother's favourite rollercoaster. We then installed the model in LEGOLAND Windsor's Miniland for all to enjoy.

"Just another day at the office", I smiled and said to myself, as I walked up to the family for hugs, smiles and stories about their fun day out. As I returned to my work in making the park sparkle, I felt, once again, the powerful reminder of why we do what we do and the role we play in bringing joy, creating connections and making memories.

People. Purpose. Scale. Growth. These qualities attracted me to Merlin Entertainments, and now, just over a year into my role as Chief Executive, these same qualities are both what makes me even more bullish about our future, and what fuels our shared ambition: to be the global leader of branded entertainment destinations and the greatest place to work and play.

Transformation to drive growth

I am proud to say in 2023 we welcomed 62 million visitors to our attractions and achieved revenue of £2,125 million, a respective 12.8% and 8.4% increase over 2022 *(52 week basis).* These results are a strong foundation for us as 2023 was a year in which we embarked on an exciting transformation. We reset our go forward strategy and recruited talented and diverse executives to set a structure for success that would build core capabilities to fuel the next phase of Merlin Entertainments' growth – all while maintaining a laser focus on being the industry standard for health and safety.

Building upon Merlin's strong foundations and principles, we will crawl, walk and then run to push for further value creation, leading Merlin to the forefront of our sector.

We have assessed four key transformations to ruthlessly focus and prioritise:

- A globally integrated operating model
  Leveraging our skill and scale to proliferate great ideas, best practices and new business models efficiently, we have initiated a process to re-evaluate how we organise our structures, processes, capabilities, locations and management systems to be agile and dynamic so that we can respond swiftly to changing market conditions and deploy capabilities at pace. With an optimal framework in place, we will be investing our resources effectively on everything from staffing, systems and management of people to the way we operate our attractions, shows and rides, with each initiative being actively measured by a robust performance framework. There will be more to come as we iterate and evolve.
- Unrivalled commercial excellence
  To achieve our ambitions, we will continue to grow and refine our commercial skills. We have begun increasing the sophistication of revenue management practices for admissions pricing and are currently deploying these at scale across the estate, and plan to enhance these same test-and-learn models to accommodation revenue and commercial spends such as retail and food and beverage, to increase overall profitability per guest. The ability to optimise and grow our revenues, volumes and capacities will be even more impactful on our bottom line as we deepen our focus on international trade in key cities and sites through our trade and affiliate partners to drive audiences in peak, off-peak and shoulder periods.
- Creativity and innovation
  Innovation is about redefining the boundaries of what branded entertainment destinations can be, and our creative powerhouse, Merlin Magic Making, has brought in new talent and processes to deliver ever-better guest experiences across new formats and brands and improve the customer journey. But creativity and innovation does not start or stop with just Merlin Magic Making; we are developing ambidextrous leaders and enterprise-wide thinkers who are applying creative ways of thinking to every facet of Merlin from our joyful attractions, to the ways we work together as colleagues and engage our guests.
- Digital and data
  Our ambitions for our digital and data transformation are about harnessing the power of current and emergent technologies to improve every aspect of our business, starting with deeper customer relationships via personalised AI powered marketing, digital tooling for revenue management and operational excellence, as well as a modern, flexible ecommerce booking experience and a seamless in-venue experience for guests.

With these transformational workstreams now launched, our executives are focused on sequencing capital and operational investments across a portfolio of initiatives that balance short term success and long term growth.

How these transformation workstreams are being brought to life across our three Operating Groups is as follows:

LEGOLAND Parks

At a macroeconomic level we have seen consumers' 'flight to quality', prioritising their discretionary spend on their favourite premium brands. With ten LEGOLAND resorts across the globe, we are taking advantage of this shift towards premium by elevating the guest experiences at our resorts in a way that inspires deeper customer loyalty and offers us the ability to command premium pricing, all delivered with digitally led creativity and innovation at its core.

Our investments to increase capacity, whether through uniquely themed accommodation, second gates or rides and entertainment, will continue to be driven towards resorts we have assessed to have sizeable growth headroom. In addition to our existing resorts, we also continue to develop ambitious projects in China, including LEGOLAND Shanghai, which is planned to open in 2025.

CHIEF EXECUTIVE'S INTRODUCTION

TRANSFORMATION TO DRIVE GROWTH

Resort Theme Parks

Similar to our LEGOLAND Parks, the development of our Resort Theme Parks locations into 'mega-resorts' with themed accommodation incentivises guests to stay longer at our attractions, improving our opportunity to deliver guests a seamlessly immersive experience from sunup to sundown. We continue to invest in expanding the scale and breadth of our resorts with themed accommodation and 'put the theme back in theme parks' by leveraging digitally enabled creative tools to deliver ever more immersive experiences.

Gateway Attractions

Formerly known as Midway Attractions, we have renamed this Operating Group as Gateway Attractions to signal our strategic focus on growing in the world's most significant international tourist cities and residential locations alike, where there is demand for premium entertainment experiences centred around world famous brands. Our Gateway attractions encompass both our most successful owned brands such as Madame Tussauds, SEA LIFE, the London Eye and the Dungeons, as well as premium partner brands' attractions, like LEGO Discovery Centres and Peppa Pig World of Play. Leveraging operational and commercial synergies when co-located, we will identify new brands and content to expand our most successful locations. For our targeted list of tourist cities across the world, and particularly in North America, we will look to replicate the success of our 'mega-cluster' in London by building, acquiring and/or developing a cluster of attractions centred around a 'must do' anchor experience, driving increased market penetration rates.

2023 investments to drive growth

We are investing in our power brands

We opened new LEGO Discovery Centres in Atlanta and Washington D.C., both constructed to house new digitally immersive and interactive building activities, and expanded on our successful Ferrari partnership, launching 'LEGO Ferrari Build & Race' experiences at LEGOLAND Billund and LEGOLAND Windsor. In partnership with Sony Pictures Entertainment, we also brought to life an award-winning Jumanji-themed land at Chessington World of Adventures.

We are investing in new concepts and brands

Cadbury World in the UK became part of the Merlin family, guests got to enjoy the first-ever Gruffalo & Friends Clubhouse on Blackpool's seafront, and we rolled out a new 'competitive socialising' concept with Immersive Gamebox in Sydney.

We are investing in marketing

We engaged new tactics within performance marketing, social and digital media to deliver award-winning campaigns and connect with prospective and existing customers, driving actionable metrics that allowed us to optimise towards where, how and when to place media spend to catalyse demand more effectively and efficiently.

We are investing in our teammates

We launched 'Ticket to Lead': our new global 'first-time leader' development programme recognising that the most effective way to drive guest experience is through our teammates.

We are investing in our sustainability agenda

We have developed three environmental, social and governance (ESG) strategy pillars – 'Inspiring People', 'Protecting Nature, and 'Caring for the Planet', creating an approach to sustainability that best represents our commitment to the communities we operate in.

We have recently developed our plan to be Scope 1 and 2 carbon neutral by 2030 and will be setting further targets in each of these three ESG focus areas during 2024.

We are investing in our technology

We are embracing generative AI and digital capabilities across Merlin's operations, creative departments and revenue management teams, optimising the speed and performance of our processes and end results.

We are investing in our future returns

In 2023 we reset the next seven years of our capital allocation strategy to focus on destinations with future headroom, making the big, bigger and planning new concepts and clusters that will supercharge our business' performance in the leading cities of the world.

Conclusion

As we close our 2023 chapter, I am grateful for our teams and the millions of guests who choose our destinations to make joyful memories at. I am proud of our organisation's progress (even if the best is yet to come) and our willingness to Go Together as we Drive and Discover towards an even brighter future.

Our vision as the global leader of branded entertainment destinations and the greatest place to work and play sets the tone for our ambitions: we don't want to just be a player in this industry, we want to set the pace. Together, we're not shaping our future; we're transforming it. I look forward to enjoying the ride.

Scott M O'Neil
Chief Executive Officer
15 March 2024

BUSINESS MODEL

DRIVING GROWTH THROUGH BRANDED ENTERTAINMENT DESTINATIONS

OUR COMPETITIVE STRENGTHS

The entertainment sector's enduring appeal is rooted in a global cultural shift toward experiences, where consumers increasingly value unique, immersive entertainment options over traditional goods. This trend has created a sustained demand for innovative attractions and experiences, and Merlin, with its diverse portfolio of iconic brands and attractions, is strategically positioned to meet and capitalise on this demand. The industry's continual growth is also fuelled by global tourism trends, and Merlin's extensive global footprint in key tourist destinations ensures access to a broad and diverse customer base. As Merlin continues to adapt in this evolving landscape, we will become an admired, globally integrated, digitally empowered company.

We bring premium brands to life

As one of the world's largest attraction operators, we bring iconic brands to life for the owners of premium IP including, but not limited to, the LEGO brand, Marvel, Hasbro, Lucasfilm, Sony Pictures Entertainment, Ferrari, the BBC and Warner Bros.

The variety of our branded formats makes us unique, spanning our theme parks and Gateway attractions. Our family of brands have global relevance, resonating with people from every culture and every corner of the world. There is significant untapped potential for our branded entertainment destinations to grow across the world, including the extension into innovative new formats.

Global expertise, locally owned

Across our portfolio, our global community of teammates bring a unique combination of 'idea-to-experience' capabilities. We conceive, build and run world class attractions and resorts. Our operational skills cover every aspect of our attractions and mean we can give our guests a consistently excellent experience across a wide diversity of sites and attractions.

Every Merlin destination is an intrinsic part of its local community, celebrating its local culture. Visit our sites across the world and you'll meet local teams with deep insights into the needs and preferences of their guests.

Scale and global footprint

We have a unique global footprint, operating in many of the world's most important tourist markets across the US, China, Western Europe and Asia Pacific. Our portfolio of destinations and brands is highly diversified across geography, attraction type, brand and customer demographic.

Our Gateway attractions operate in major cities including London, New York, Amsterdam, Las Vegas, Orlando, Sydney, Shanghai, Hong Kong, Bangkok and Singapore.

Our ten existing LEGOLAND resorts currently operate across eight countries, and we continue to develop ambitious projects in China, including LEGOLAND Shanghai, which is planned to open in 2025.

OUR CULTURAL FOUNDATIONS

Safety is our number one priority

Safety is ingrained in everything we do and is central to our ethos and ways of working. We are dedicated to going beyond legal compliance to deliver best-in-class health, safety and security (HSS) standards that are embedded in our organisation through protocols, processes and communications, supported by a central team of health and safety experts.

In 2023, we maintained these high standards, as evidenced by continued strong HSS KPI scores.

More details are set out on pages 24 to 25.

A relentless focus on the guest experience

In 2023 we maintained our focus on providing a high quality of experience for our guests, and continued to monitor their views, engaging with them to drive improvements. We have again reported a combination of strong customer metrics:

- Touchscreens at our attractions measure our guest satisfaction scores, and we are proud that we maintained the same score of 94% as in 2022, ahead of our 90% benchmark.
- Our 'Top Box' measure that indicates when guests are 'very satisfied' increased compared to 2022.
- 'Net Promoter' scores (NPS) also increased in the year for the Group. NPS measures whether a guest would recommend our attractions and is increasingly a key metric, to ensure we are delivering greater guest happiness and recommendations.

An engaged team

In 2023 we again ran our 'Wizard Wants to Know' staff engagement survey, which was completed by nearly 20,000 staff (87%), a 3% increase over 2022's record response rate of 84%.

Our overall engagement score remained consistent at 68%. 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 improve and evolve as a company.

More details are set out on page 26.

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 37 to 42.

BUSINESS MODEL

DRIVING GROWTH THROUGH BRANDED ENTERTAINMENT DESTINATIONS

OUR STRATEGIC PRIORITIES

In the next phase of our growth we have defined four strategic priorities. Collectively, these aim to make Merlin a market leader, moving first on industry-driving trends via our experiences, brands, IP and new formats. These priorities are shared across our three Operating Groups.

Elevate our guest experiences and estate
With 141 attractions across 23 countries, it is essential that we continue to invest in our destinations and teams to ensure we deliver outstanding guest experiences in a competitive context. Consumers recognise quality. We must therefore drive quality to exceed their expectations, drive word of mouth, increase guest numbers and expand margins. Impeccable service and immaculate presentation pave the way for commercialising products, offering premium experiences and commanding premium pricing. Ongoing improvement helps grow our reputation as expert brand partners.

In the months and years ahead, we will continue to make significant investments to elevate the quality and presentation of our estate and deliver even better guest experiences.

Grow our short break offering
Multi-day propositions attract short break tourists, who want to spend more of their travel budget with us. Guests who stay with us overnight report higher satisfaction scores than guests who visit for day trips as they enjoy immersing themselves in uniquely themed environments that offer a sense of adventure and escapism.

We are therefore growing our short break offering so that guests spend longer at our destinations and enjoy a wider range of attractions each time they visit us. We are expanding our resorts to offer compelling multi-day propositions, themed accommodation and a wider array of experiences.

Build value in our brands
We are proud to bring some of the world's most famous entertainment brands to life, as our strategy is to continually build the value, quality and prestige of our brand-led destinations. Each of our brands has a set of values, describing its attributes and qualities. We will align all of our destinations to brand values, bringing our attractions and resorts to life with passion, creativity and brand consistency.

Partnering with iconic IP-powered brands drives Merlin's growth through licensing, merchandising and interactive attractions, accompanying food and beverage and retail sales, and overall boosting the brand power of our destinations. Attractions underpinned by premium brands paves the way for premiumisation across our portfolio.

Developing the Merlin 'masterbrand' will grow our reputation on the world stage, underscoring the quality and confidence of our attractions, and help attract brilliantly talented people to Merlin.

Develop more 'Mega-Cluster' city destinations
'Mega-cluster' destinations follow a successful business model where tourists visit a number of co-located attractions in one trip, driving incremental revenue at highly competitive margins through our built in operational and commercial synergies.

Our London attractions already form a thriving 'mega-cluster' – our ambition is to replicate this success across further locations to make Merlin the market leader in ten of the world's top tourist cities by 2030.

'Mega-cluster' destinations have four hallmarks;

- Based in key tourist cities – London is a 'must visit' city thanks to its cultural significance, hospitality and density of attractions. Our strategy is to focus on growing markets with 'must visit' appeal.
- Anchors – attractions such as The London Eye are powerful 'anchors', drawing tourists to our destinations and allowing us to cross sell to adjacent attractions. We are actively seeking opportunities to acquire and/or develop anchor attractions in our target locations.
- Commonality – the ability for guests to visit multiple attractions aimed at a clear audience demographic. Grouping our attractions around shared characteristics is central to our cluster proposition.
- Co-located attractions – where attractions are geographically close to one another, making it easy to visit multiple attractions in one trip.

We are continually seeking acquisition opportunities to bolster our existing clusters and city destinations, bringing new brands and attractions into our sites, in line with our strategic plan.

BUSINESS MODEL

DRIVING GROWTH THROUGH BRANDED ENTERTAINMENT DESTINATIONS

OUR VALUES

The beauty of the branded entertainments business is shared in our purpose statement; 'We bring joy, create connections and make memories'. Guiding, powering, and inspiring the success of our teammates around the world are Merlin's values;

- We Care – we go above and beyond for our guests and our people – no gesture is too thoughtful. We are uncompromising about safety, security and welfare, setting the highest standards. We work hard to have a positive impact, both on the planet and in our local communities.
- Own your Craft – we constantly sharpen our skills, we seek to become deep subject experts, and help others to grow in their roles. We listen closely to others, learning from feedback. We take inspiration from our industry and world, to stay at the forefront of entertainment.
- Drive and Discover – we give our best every day, owning our work and seeing it through until it's done brilliantly. We focus on the things that make the biggest difference: do less but do it better. We explore untapped opportunities to delight more guests in more ways, embracing calculated risks.
- Go Together – we work on our relationships daily, building teamwork and trust. We collaborate with people from other teams and sites around the globe, to solve problems together and draw on diverse perspectives. We commit to our decisions and move at speed to make progress happen.
- Enjoy the Ride – we bring fun and optimism to our work – because happiness helps us be at our best. We support each other through challenges and turn missteps into opportunities to learn. We cultivate a warm, welcoming environment where people feel a strong sense of belonging.

OUR POSITIVE SOCIAL AND ENVIRONMENTAL IMPACT

At Merlin, we have always been committed to including more people in uplifting experiences that change their world. Caring wholeheartedly for people and nature drives everything we do. Our social and environmental strategy is designed to create joyful experiences that spark positive change.

We structure our activities under our three environmental, social and governance (ESG) strategy pillars, more details of which are set out on pages 26 to 35.

Inspiring People – by shaping more belonging, growth and hope through diversity and wellbeing.

Our staff represent around 90 nationalities around the world, making diversity, equity and inclusion a pillar of our company's greatest strengths and an intrinsic enabler of our culture's celebration of belonging.

Merlin's Magic Wand, our charity partner, provides magical experiences to children.

Protecting Nature – by exciting more curiosity, care and discovery through conservation, animal welfare and education.

Our SEA LIFE attractions develop new and exciting guest experiences that aim to inspire future generations, and our charity partner, The SEA LIFE TRUST, works globally to protect the world's oceans and the amazing marine life that lives within them.

Caring for the Planet – by reimagining more fun, joy and adventure through reducing our environmental footprint.

We are committed to climate action and plan to achieve carbon neutrality in Scope 1 and 2 targets by 2030. More details are set out on page 35.

We will be setting further targets under each of our ESG strategy pillars during 2024.

BUSINESS MODEL

DRIVING GROWTH THROUGH BRANDED ENTERTAINMENT DESTINATIONS

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. As set out at the time of the transaction, the consortium work together in accordance with a formal Shareholders Investment Agreement, which details 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 40 to 41.

- 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, which seeks to create positive economic impact and long term value for our investors by relying on extraordinary people and flexible capital to help strengthen the companies they invest in. Blackstone's asset management businesses had over $1 trillion in assets under management as at 31 December 2023 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 2023, the Fund had net assets of C$591 billion, including approximately C$25 billion of assets invested in the United Kingdom, and net investments of over C$140 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.

FINANCIAL AND OPERATING REVIEW

INVESTING FOR FUTURE GROWTH

	Total 52 weeks ended 30 December 2023 £m	Total 52 weeks ended 24 December 2022 £m	Total 53 weeks ended 31 December 2022 £m	Underlying 52 weeks ended 30 December 2023 £m	Underlying 52 weeks ended 24 December 2022 £m	Underlying growth (actual currency)
Revenue	**2,125**	**1,960**	**2,006**	**2,125**	**1,960**	**8.4%**
Adjusted EBITDA	**662**	**662**	**692**	**662**	**662**	**(0.1)%**
Depreciation, amortisation, impairment and share-based payments	(490)	(306)	(306)	(280)	(277)	(0.8)%
Operating profit	172	356	386	382	385	(0.8)%
Net finance costs	(386)	(250)	(250)	(350)	(250)	
(Loss)/profit before tax	(214)	106	136	32	135	
Taxation	(3)	(38)	(47)	(48)	(42)	
(Loss)/profit for the year	**(217)**	**68**	**89**	**(16)**	**93**	

See 'How we report our results' on page 17 for details of how we report our financial performance.

Introduction

Merlin Entertainments has reported continued revenue growth for the year, reflecting the opening up of trading and recovery within our Asia Pacific divisions following the COVID-19 pandemic, and a strong recovery in international tourism more broadly. However, this positive trajectory was tempered across the portfolio by a normalisation of the elevated post-pandemic consumer demand that had driven trading in the previous year, combined with generally poor and occasionally extreme weather at certain locations.

As we build for the future, our continued investment in strategic initiatives, combined with wider inflationary pressures, have resulted in operating costs increasing in the year, and as a result Adjusted EBITDA is flat compared to 2022. However, in 2022 we recognised governmental support payments totalling £35 million, primarily in respect of COVID-19 and including where claims were settled for previous years. Excluding the impact of this government support, Adjusted EBITDA would be 5.4% ahead of 2022.

LEGOLAND New York and LEGOLAND Korea, which opened in 2021 and 2022 respectively, have traded below initial expectations to date, aggravated by short term external factors. While we are confident in the long term success of these resorts, we believe that it will take significantly longer to reach base operating maturity and accordingly have recognised impairment charges of £195 million in the period in respect of those attractions.

During the year the Group completed a debt refinancing exercise, repaying €500 million of senior secured notes due to mature in 2025 and issuing €700 million of new senior secured notes to mature in 2030. The Group used the excess proceeds, net of fees, to repay floating rate facilities due to mature in 2026 and extended the maturity of €821 million of drawn floating rate facilities due to mature in 2026 to 2029.

We have shown positive operating cashflows and the Group's liquidity position is strong. At the end of the year we reported £164 million of cash and cash equivalents. Subsequent to the period end, we completed a further debt refinancing exercise, extending the maturity profile of our debt and raising an additional approximately £170 million to support our long term growth ambitions.

As of Q3 2023, following a period when a covenant waiver applied, a financial covenant has been reinstated. This covenant requires the Group to maintain the consolidated senior secured debt ratio below 10:1, when the revolving credit facility is drawn by 40% or more (net of cash and cash equivalents). The Group complied with all its covenants in the year.

Presentation of results

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

Underlying results and exceptional items

Unless otherwise stated, the commentary below refers to underlying results.

The underlying results include share-based payment charges of £13 million *(2022: £21 million)*, in respect of our management incentive plans. This charge is excluded from our measure of Adjusted EBITDA.

To present the underlying performance of the business more accurately, the impacts of certain activities are reported within exceptional items. More details can be found on page 14.

Period under review

In most years we report on a '52 week' period. In certain years an additional week is included and for the period ending 31 December 2022, the consolidated Group financial statements were prepared on a '53 week' basis. 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.

On page 17 we explain in more detail how we adopt certain alternative performance measures to help present our trading performance in the most helpful and meaningful way.

FINANCIAL AND OPERATING REVIEW

INVESTING FOR FUTURE GROWTH

Performance summary

Reported revenue for the 52 weeks to 30 December 2023 increased to £2,125 million *(53 weeks to 31 December 2022: £2,006 million)*.

On a comparable 52 week basis, revenue increased by £165 million (8.4%) from £1,960 million. The revenue growth for the year reflects the opening up of trading and recovery within our Asia Pacific divisions following the COVID-19 pandemic, and a strong recovery in international tourism more broadly. Over the peak summer trading period, revenues overall were in line with 2022. There have been variations by Operating Group and by territory, which reflect these positive factors, offset by a normalisation of the elevated post-pandemic consumer demand that had driven trading in the previous year, combined with generally poor and occasionally extreme weather at certain locations.

Our Gateway Attractions Operating Group continued to deliver strong revenue growth, with revenue of £748 million increasing by £138 million compared to 2022. This reflects the ongoing recovery in international tourism that has driven growth in gateway city clusters, most notably London. The Asia Pacific division has also recovered strongly overall, although the pace of post-pandemic recovery in China has been slower than was seen elsewhere.

The LEGOLAND Resorts Operating Group reported revenue of £914 million, an increase of £11 million compared to 2022, driven by positive early season trading. The North American resorts had a challenging peak season, impacted by poor weather patterns combined with a normalisation of post-pandemic demand. Our resorts in Europe and Asia have shown year on year growth overall. LEGOLAND Korea Resort has struggled to build momentum since opening in 2022, compounded by poor weather in key trading periods in the 2023 season.

The Resort Theme Parks Operating Group reported revenue of £453 million, an increase of £7 million compared to 2022, and reflecting a strong early season performance at our resorts in Italy and Germany. Summer season trading was impacted by generally poor weather across each of our key geographies.

In Q1 2023 the LEGOLAND resorts in California and Florida transitioned to having food and beverage services provided by our partner Aramark, following the implementation at our UK theme parks in 2022. For these attractions Merlin reports food and beverage revenues on a ‘net’ basis, and no longer records the total value of revenue received from customers. The resulting reduction in reported revenue in 2023 is circa £38 million, with a negligible impact on EBITDA.

Within our central and support functions, revenues of £10 million *(2022: £1 million)* primarily related to sales of LEGO models to the LEGOLAND resorts currently under construction in China by our third party development partners.

Gross profit margins have remained stable overall at 82%, with revenue mix impacts between sales channels and the effect of promotional activities being offset by the positive impact of the food and beverage outsourcing arrangements.

Staff expenses increased from £510 million to £546 million, reflecting higher trading activity compared to the comparative period, the impact of new attractions, and (similar to other businesses in the leisure and hospitality sector) ongoing employment cost pressures in a number of locations, with increases in regulatory minimum wage levels and tight labour markets. We have also invested in our central functions to support the business.

Marketing costs increased from £74 million to £90 million as marketing activity transitioned back towards more normal levels.

Other operating expenses increased from £363 million to £439 million. This reflects increased levels of trading activity compared to the comparative period, the full year impact of new attractions opened in the previous year, and higher utility costs due to increases in wholesale prices and distribution costs.

Included within central costs are charges of £13 million in respect of consulting fees, strategic initiatives and restructuring costs, as we continue to invest in our capabilities and build for the future.

Adjusted EBITDA

Adjusted EBITDA totalled £662 million (*2022: £662 million on a 52 week basis).* In 2022 we reported governmental support payments for operating costs and staff expenses totalling £35 million (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. Excluding the impact of the government support, Adjusted EBITDA would be 5.4% ahead of 2022.

Adjusted EBITDA excludes share-based payment charges which totalled £13 million *(2022: £21 million)*, in respect of our management incentive plans, which are aligned to the strategic objectives of our shareholders. Further detail is provided in note 5.6 to the financial statements.

Operating profit

Underlying depreciation and amortisation charges increased by £11 million from £256 million to £267 million for the year. Depreciation charges have increased in respect of ongoing investment in new openings and our existing estate.

Underlying operating profit reduced from £385 million in 2022 to £382 million in 2023.

Foreign exchange

Merlin is exposed to fluctuations in foreign currency exchange rates on transactions and the translation of our non Sterling earnings. Retranslating 2023 performance at 2022 rates would result in a £2 million increase in revenue and a £1 million decrease in Adjusted EBITDA. We set this out in more detail by major currency on page 113.

FINANCIAL AND OPERATING REVIEW

INVESTING FOR FUTURE GROWTH

Gateway Attractions

	2023 52 weeks	2022 52 weeks	2022 53 weeks	Growth (actual currency)	Like for like growth
Visitors (m)	34.1	27.9	28.7	22.3%	
Revenue (£m)	748	610	631	22.7%	20.5%
Adjusted EBITDA (£m)	284	236	251	20.2%	
Adjusted EBITDA margin	*37.9%*	*38.7%*	*39.8%*		
Operating profit (£m)	161	115	130	40.0%	

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

Gateway Attractions delivered strong revenue growth in 2023, reflecting the opening up of trading and recovery within our Asia Pacific divisions following the COVID-19 pandemic, and a strong recovery in international tourism more broadly.

Trading in the Gateway North America attractions was broadly in line with 2022, the result of positive early season trading and some parts of the division having fully recovered, offset by a normalisation of the elevated demand we saw in 2022. In August we opened a second attraction with the new 'next generation' LEGO Discovery Centre format, at Springfield Town Center in Washington D.C.

In the Gateway UK division, the ongoing recovery in inbound international tourism, primarily to our attractions in London, continued to drive positive trading, with continued strong revenues per guest. Reported growth also reflects the impact of the Cadbury World attraction which was acquired in late 2022.

Our Continental Europe attractions have seen similar trends to the UK and strong growth overall compared to 2022, where early season trading was impacted by COVID-19 related attraction closures and restrictions in a number of locations.

Within the Gateway Asia Pacific estate, trading has recovered strongly overall as the region has opened up following the COVID-19 pandemic and reported revenues are significantly ahead of 2022. In China, the pace of recovery has slowed following a less marked recovery than we have seen elsewhere. Our attractions in Australia and New Zealand have continued to perform well, albeit impacted to some extent by limited outbound Chinese tourism.

Adjusted EBITDA margins have decreased to 37.9% compared to 38.7% (52 weeks) in 2022. This decrease reflects the impact of the primarily COVID-19 related government support received of £12 million in 2022 but not in 2023, revenue mix impacts between sales channels, the impact of more normal levels of marketing expenditure, and higher fixed and variable property related costs. We also see ongoing wage and utility cost pressures across our divisions. In aggregate these factors have outweighed the positive margin impact from the recovery in trading.

LEGOLAND Parks

	2023 52 weeks	2022 52 weeks	2022 53 weeks	Growth (actual currency)	Like for like growth
Visitors (m)	16.7	15.8	16.2	5.9%	
Revenue (£m)	914	903	924	1.1%	2.1%
Adjusted EBITDA (£m)	307	320	333	(4.1)%	
Adjusted EBITDA margin	*33.6%*	*35.4%*	*36.0%*		
Operating profit (£m)	221	234	247	(5.7)%	

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. Both of the recently opened resorts at LEGOLAND New York and LEGOLAND Korea operate seasonally, closing over parts of the winter period.

Revenues within the LEGOLAND Parks Operating Group increased over 2022, driven by growth at LEGOLAND Japan and in our European resorts overall, and positive early season trading in North America. This was offset by a normalisation of elevated consumer demand in North America as the year progressed.

In North America, the established resorts in California and Florida benefited from elevated post-pandemic demand in 2022 and reported very strong trading performances in the prior period. This was particularly the case in Florida, which was also supported by the successful opening of the Peppa Pig Theme Park adjacent to the resort. This momentum carried forward into positive early season trading in 2023. However, across the year all three North American resorts were impacted by the normalisation of consumer demand, exacerbated by periods of extreme weather across several key trading periods. Trading at LEGOLAND New York was similarly impacted by these factors in 2023. The resort has failed to build momentum since its launch in 2021, and as a result we now believe that it will take significantly longer to reach its base operating maturity.

Our LEGOLAND resorts in Europe continued to trade strongly, particularly LEGOLAND Deutschland, which benefited from the launch of the 'LEGO MYTHICA' themed land in 2023.

In Asia, LEGOLAND Japan continued its strong recovery and by the end of the year was trading ahead of pre-pandemic levels. However, in its first full year of trading after opening in May 2022, LEGOLAND Korea continued to struggle to build momentum, further impacted by poor weather during the 2023 peak trading period. We now believe that the resort will take significantly longer to reach its base operating maturity.

The Operating Group has recognised attraction development revenue from our third party partners developing LEGOLAND resorts in China which we will operate under management contract arrangements. We currently expect LEGOLAND Shanghai to open in 2025.

FINANCIAL AND OPERATING REVIEW

INVESTING FOR FUTURE GROWTH

Adjusted EBITDA margins have decreased to 33.6% compared to 35.4% (52 weeks) in 2022. This decrease reflects the impact of the primarily COVID-19 related government support received of £8 million in 2022 but not in 2023, the impact of the normalisation of demand in North America, more normal levels of marketing expenditure, and increased utilities costs.

Resort Theme Parks

	2023 52 weeks	2022 52 weeks	2022 53 weeks	Growth (actual currency)	Like for like growth
Visitors (m)	11.3	11.4	11.5	(0.8)%	
Revenue (£m)	453	446	450	1.5%	0.6%
Adjusted EBITDA (£m)	143	156	158	(8.7)%	
Adjusted EBITDA margin	*31.6%*	*35.1%*	*35.3%*		
Operating profit (£m)	90	107	109	(16.1)%	

The main trading period for the Resort Theme Parks attractions, all of which are located 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.

Revenues for the Operating Group overall have increased slightly on what was a very strong performance in 2022.

Gardaland Resort in Italy and Heide Park Resort in Germany both reported solid revenue growth compared to 2022, reflecting strong early season trading, offset slightly by the impact of adverse weather over the summer.

The UK resorts, particularly Alton Towers Resort, had delivered a very strong result in 2022, which saw elevated post-pandemic customer demand driving strong revenues per guest and high accommodation room rates. During 2023, UK trading was impacted by a normalisation of demand, an increase in outbound travel from the UK, and poor weather over peak trading periods. Chessington World of Adventures Resort benefited from the launch in Q2 of the IP-led 'World of Jumanji' themed land and ride. This was voted best new attraction at the 2023 UK Theme Park Awards, where Chessington was also UK Theme Park of the Year.

Adjusted EBITDA margins have fallen to 31.6% compared to 35.1% (52 weeks) in 2022. This decrease reflects the impact of the primarily COVID-19 related government support received of £15 million in 2022 but not in 2023, increased utilities costs, and more normal levels of marketing expenditure, offset by lower repairs and maintenance expenditure compared to 2022.

Finance costs

Net finance costs of £350 million were incurred in 2023 *(2022: £250 million)*, an increase of £100 million.

The increase in net interest expense of £62 million was predominantly due to increases in interest rates on the Group's unhedged interest-bearing loans and borrowings. In addition, there was a £38 million movement in net foreign exchange impacts on non Sterling internal loan structures. These totalled losses of £11 million in 2023 compared to a gain of £27 million in 2022.

In addition there were £36 million of exceptional finance costs in connection with the refinancing activities in the year. During the period the Group repaid €500 million of senior secured notes due to mature in 2025 and issued €700 million of new senior secured notes at a fixed rate of 7.375% to mature in 2030. The Group used the excess proceeds, net of fees, to repay a net €63 million and $108 million of drawn floating rate facilities due to mature in 2026 and extended the maturity of a further €821 million of drawn floating rate facilities due to mature in 2026 to 2029.

Further detail on net finance costs is provided in note 2.3 to the financial statements.

FINANCIAL AND OPERATING REVIEW

INVESTING FOR FUTURE GROWTH

Exceptional items

	2023 52 weeks £m	2022 53 weeks £m
Underlying (loss)/profit for the year	**(16)**	**114**
Exceptional items:		
Within depreciation, amortisation and impairment	(210)	(29)
Within finance costs	(36)	-
Income tax credit on exceptional items above	45	4
(Loss)/profit for the year	**(217)**	**89**

Exceptional items reported within depreciation, amortisation and impairment totalled £210 million *(2022: £29 million before tax credits)*.

£195 million of this charge related to impairment charges of property, plant and equipment in respect of LEGOLAND New York and LEGOLAND Korea. Both of these recently opened attractions have traded below initial expectations to date. Trading has also been aggravated by short term external factors such as extreme weather during peak trading periods, in addition to the impact of softening consumer demand and ongoing underlying operating cost pressures. Taking this recent performance into account, we have reassessed our expectations as to the pace of growth at these two locations over the medium term. While we are confident in the long term success of these resorts, we believe that they will take significantly longer to reach their base operating maturity.

In addition, £15 million of impairment charges have been reflected in respect of certain Gateway attractions, that take into account reviews of the market and economic conditions at those locations.

Within finance costs there were £36 million of exceptional finance costs in connection with the refinancing activities in the year. The Group recognised a one-off charge reflecting amended terms that adjusted the carrying value of modified debt, and charges incurred upon debt extinguishment.

Tax credits of £45 million have been recognised where appropriate in respect of these exceptional impairment and finance charges.

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

Profit before tax

As a result of the factors noted above, reported total loss before tax for the 52 weeks to 30 December 2023 was £214 million *(2022: profit of £136 million for the 53 weeks to 31 December 2022)*.

Taxation

The total tax expense for the year was £3 million *(2022: £47 million)* which represents a reported effective tax rate (ETR) of (1.5)%. The underlying ETR, excluding exceptional items, was 149.3%.

The difference between this rate and the UK standard tax rate of 23.5% is primarily attributable to £14 million relating to the correction of an error in prior periods in respect of the tax treatment of certain German long term leases where the local tax base had not been correctly identified. Management has concluded that this was not qualitatively material for adjusting as a prior year restatement and therefore recognised the charge fully within this year. Other factors include the derecognition of tax losses in certain jurisdictions, the effect of tax rates in foreign jurisdictions and certain non-deductible expenditure offset by movements in uncertain tax positions.

In 2022 the effective tax rate was 34.6%. The difference between the underlying rate of 30.8% and the UK standard tax rate of 19.0% was primarily attributable to the effect of tax rates in foreign jurisdictions and certain non-deductible expenditure, offset by movements in uncertain tax positions.

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, 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.

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

INVESTING FOR FUTURE GROWTH

Cash flow

	2023 52 weeks £m	2022 53 weeks £m
Adjusted EBITDA	**662**	**692**
Working capital and other movements	(53)	(50)
Tax paid	(55)	(20)
Net cash inflow from operating activities	**554**	**622**
Capital expenditure – existing estate	(206)	(140)
Capital expenditure – new business development (NBD)	(92)	(55)
Other investing activities	-	(31)
Interest paid, net of interest received	(318)	(275)
Other	3	2
Net cash (outflow)/inflow before changes in borrowings	**(59)**	**123**
Net changes in borrowings	(11)	(16)
Net capital repayments of leases	(37)	(33)
Net cash (outflow)/inflow for the year	**(107)**	**74**

Operating cash flow

Net cash flow from operating activities for the year was an inflow of £554 million *(2022: £622 million)*, resulting from Adjusted EBITDA of £662 million, a working capital outflow of £53 million and net tax payments of £55 million.

Working capital and other movements in the year reflect timing differences in payment cycles; increased retail inventory holdings as activity has increased; the settlement of certain provisions made in previous periods; and other upfront contract payments and deposits as we enter new energy and utility contracts.

Overall, we believe that the working capital cycle has now largely normalised following the COVID-19 pandemic.

Tax payments in the year primarily relate to the improved trading seen in 2022.

Operating free cash flow (being Adjusted EBITDA less existing estate capital expenditure) was an inflow of £456 million in 2023 *(2022: inflow of £552 million)*.

Investing activities

A total of £298 million was incurred on capital expenditure in 2023 *(2022: £195 million)*.

In our existing estate, we make regular, targeted investments to update and refresh the estate, to grow demand and, where applicable, to increase capacity at our attractions. 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. Gateway attractions require relatively lower capital expenditure due to the smaller scale of the attractions.

Existing estate capital expenditure totalled £206 million *(2022: £140 million)*. Existing estate capital expenditure for the year has returned to more normal levels and includes spend on projects that launched in 2023, such as Chessington World of Adventures Resort's themed land 'World of Jumanji', and at LEGOLAND Deutschland, the Group's second 'LEGO MYTHICA' themed world, together with spend on projects launching in 2024.

New business development (NBD) capital expenditure totalled £92 million *(2022: £55 million)*. This included completion payments relating to LEGOLAND Korea Resort, spend on LEGO Discovery Centre Washington D.C that opened in the year, new 2024 accommodation projects including the LEGOLAND Woodland Village at LEGOLAND Windsor Resort, and spend on our 2024 openings including new Peppa Pig Theme Parks at LEGOLAND Deutschland and Dallas Fort-Worth.

In 2022 other investing activities related to the acquisition of the COEX Aquarium in Seoul, South Korea.

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.

The higher level of interest payments in the year is due to the increases in interest rates on the Group's unhedged interest-bearing loans and borrowings, as noted above.

Financing activities – changes in borrowings

2023

The net change in borrowings relates to the mandatory quarterly repayments of £10 million under the terms of the Group's banking facilities together with £1 million relating to other loans taken out in respect of specific capital projects.

Cashflows in respect of the debt refinancing in the period included £601 million in respect of new borrowings, repayments of £570 million, £23 million of transaction costs and £8 million of early redemption fees.

Capital repayments of leases are stated net of £3 million received from the landlord relating to the three UK Resort Theme Park locations. The timing of payments reflects the factors noted above.

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 were stated net of £6 million received from the landlord as part of the agreement to secure tenure at the Heide Park Resort.

FINANCIAL AND OPERATING REVIEW

INVESTING FOR FUTURE GROWTH

Net assets

	2023 £m	2022 £m
Property, plant and equipment	2,437	2,664
Right-of-use assets	1,604	1,633
Brands	1,315	1,319
Goodwill and other intangible assets	2,281	2,366
Investments	11	11
Working capital	(183)	(265)
Net external debt	(3,548)	(3,541)
Lease liabilities	(1,633)	(1,612)
Net derivative financial assets	15	37
Corporate and deferred tax	(353)	(414)
Employee benefits	3	2
Other assets and liabilities	(209)	(200)
Net assets	**1,740**	**2,000**

Property, plant, and equipment decreased by £227 million, primarily reflecting depreciation and impairment charges and the retranslation of assets at different foreign exchange rates, offset by capital additions.

The reported values of goodwill and other intangible assets; and net external debt, also reflect the impact of foreign exchange movements.

The net derivatives value of £15 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 2022 to hedge interest rate exposures.

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 at 30 December 2023 are summarised as follows.

Senior secured debt

- €575 million and $1,220 million drawn facilities to mature in November 2026 entered into by the Company's subsidiary Motion Finco S.à r.l.
- €821 million drawn facilities to mature in November 2029 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 30 December 2023 were at a margin of 3.0% *(2022: 3.0%)* for the €575 million borrowings; 4.0% for the €821 million borrowings and 3.25% *(2022: 3.25%)* for USD borrowings over the floating interest rates when drawn. The relevant floating interest rates are Term SOFR, which was 5.61% at 30 December 2023 *(31 December 2022: USD LIBOR of 4.73%)* and EURIBOR, which was 3.93% at 30 December 2023 *(2.20% at 31 December 2022).* 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.
- $400 million 5.75% senior notes due 2026 entered into by the Company's subsidiary Merlin Entertainments Limited.
- €700 million 7.375% senior secured notes due 2030 entered into by the Company's subsidiary Motion Finco S.à r.l.
- 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.

Subsequent to the year end, we completed a further debt refinancing exercise, extending the maturity profile of our debt and securing net cash proceeds of approximately £170 million. Further details are set out in the financial statements in note 5.2.

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 $1,220 million of drawn floating rate facilities. During 2022, the Group entered into $600 million of interest rate swaps, hedging USD floating rate debt to 2026, at an average fixed rate of c.3.15%. During Q3 2023, the relevant floating rate used for the drawn floating rate facilities and the interest rate swaps was amended from USD LIBOR to Term Secured Overnight Financing Rate (Term SOFR). As a result of this change the average rate on the interest rate swaps changed to c.2.93%.

At the end of the reporting period the Group had €1,070 million of fixed interest rate notes and €1,396 million of drawn floating rate facilities. During 2022, the Group entered into €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, 72% *(2022: 67%)* of the Group's interest-bearing loans and borrowings is at a fixed/capped rate for a weighted average period of 4 years *(2022: 4 years)*.

FINANCIAL AND OPERATING REVIEW

INVESTING FOR FUTURE GROWTH

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 the consolidated senior secured debt ratio below 10:1.

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 was 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. As of Q3 2023, the financial covenant has been reinstated.

The Group complied with the financial covenants in the year. The Group is also required to comply with certain non-financial covenants in its 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 22.

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.

How we report our results

Financial Key Performance Indicators (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 Adjusted EBITDA. This is defined as profit before finance income and costs, taxation, depreciation and amortisation, share-based payments and is after taking account of attributable profit after tax of joint controlled entities. This is the 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 Adjusted EBITDA.*
- *We refer to operating free cash flow, which is Adjusted 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 *– 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. The prior period's consolidated Group financial statements were prepared on a '53 week' basis for the period ending 31 December 2022. 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.*

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 57 to 60. Those areas requiring significant judgement in the preparation of the financial statements are summarised on page 56.*

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 our corporate values, which we believe should drive good behaviours and actions by all employees.

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:
  - (i) assess whether new compelling experiences and attractions in development are progressing according to schedule;
  - (ii) identify new ideas and assess fit with our brand portfolio; and
  - (iii) assess the expected commercial returns.

  Business objectives and performance measures are set annually together with budgets and forecasts. Regular business performance reviews are conducted at 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.
- Executive 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 Adjusted 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 2023 were effective.

Plans for 2024

During 2024 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, as we seek to be the greatest place to work; 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 potential threats emanating from increasing cyber related activity and the absence of economically viable opportunities to acquire or develop locations or businesses to meet strategic growth targets. In addition, the Board believes that the uncertainty surrounding the potential impact on business operations from climate change and the ongoing transition to a low carbon economy is now sufficiently significant that it warrants inclusion as a new principal risk. 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 (Stable)	Serious incidents leading to guests, staff members or contractors being harmed or becoming ill because of: • 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.	• 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 (Stable)	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.	• 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 (Stable)	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.	• 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 (Stable)	Our growth potential could be impacted if guests: • 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.	• 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	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: • guest satisfaction; or • the successful delivery of planned future expansion.	• 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)	Competition – for leisure time; from new or existing providers of location based entertainment; and for IP around which compelling propositions are created. 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.	• Diversification of the portfolio. • Ongoing investment to ensure continued appeal to visitors. • Competitor research and monitoring. • Dedicated in-house creative team to deliver new and innovative compelling propositions and IP. • Proactive management of IP partnerships.
7. Availability and delivery of new sites and attractions	The ability of the Group to grow in line with strategic objectives could be inhibited by the lack of: • economically viable sites to locate Gateway attractions and LEGOLAND parks; and • timely approval of planning consent required for building new rides, attractions and accommodation.	• 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 strategy.
8. Animal welfare	Incidents or staff behaviours leading to animals in our care being harmed as a result of: • a failure to follow prescribed welfare protocols; or • inadequate maintenance and management of buildings, infrastructure and vegetation.	• External zoo licence audits / accreditation audits. • Third Party Animal Welfare Audits and responding to associated action plans. • 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 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	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. 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. 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.	• 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	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. 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.	• 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	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. Any such incident could lead to criminal or civil prosecution, fines and cause reputational damage to the Group.	• 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	A lack of liquidity could inhibit the ability of the Group to grow in line with strategic objectives if: • insufficient cash is generated during peak trading periods to cover fixed costs, interest and tax payments and capital investments (including strategic acquisitions, the addition of new Gateway attractions, the development of new LEGOLAND parks and new accommodation offerings). • changes in global credit markets 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. In extremis, adverse events may lead to a requirement to seek extra sources of liquidity.	• 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	Merlin generates its main profits in Sterling, Euros and US Dollars and has debt in Euros and US Dollars. Merlin reports its results in Sterling and is therefore subject to translation risk from exchange rate fluctuations when reporting its consolidated results.	• 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.

PRINCIPAL RISKS

RISKS AND UNCERTAINTIES

	Risk	Description	How risks are managed
14.	Climate change and environmental responsibility *New*	The combination of not managing the transition to a low carbon economy and the physical effects from climate change on the factors noted below must be managed carefully to reduce potential negative impacts on future business performance: • guest and staff attitudes and behaviours; • attraction operations and site management; • the availability of raw materials and products; • the geography of the locations from which we source and work; and • the condition of our buildings.	• Targets set by the Board, with monitoring and reporting overseen by the Executive Committee. • Clear operational accountabilities in place for achieving environmental aims. • Environmental responsibility and regulatory requirements considered alongside commercial outcomes. • Responding early to changes in guest and staff sustainability preferences. • Managing the cost impact to guests by introducing new sustainable materials and recycling operations. • Conscious inclusion of design features to address climate related impacts (e.g. shading or water misters). For more details on the activities we employ to identify and manage climate-related risks, please see pages 29 to 35.

HEALTH, SAFETY AND SECURITY

DEDICATED TO DELIVERING HIGH STANDARDS

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 help 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 aid good governance and the application of robust rigour, this Committee is chaired by an independent specialist in the field of HSS.

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.

Protecting the Magic

Health, safety and security is our number one priority. It's reflected in our corporate values and culture, together with the training our people receive and our day-to-day safe working practices. We have a dedicated programme called 'Protecting the Magic' to sustain awareness, drive workforce engagement and uphold a positive and proactive safety culture. This helps our management teams and employees manage risks, prevent accidents and deliver truly memorable guest experiences. It means that everybody at Merlin plays a crucial role in safeguarding guests, colleagues and the animals in our care.

Supporting this, we have systems and procedures to effectively assess and mitigate risk, whilst fostering strong health, safety and security expertise across Merlin. We remained focused in 2023 on ensuring that HSS is fully hard-wired into our organisational 'DNA' following the turbulent COVID-related period. For example, in 2023 our 'Six Spells for Safety' were actively recommunicated and nurtured throughout our business. They have helped form an important cornerstone to embedding an effective approach to health, safety and security into the culture of success and fun that runs through our attractions.

At Merlin, we have a full lifecycle approach to safety – from initial design, through construction to engineering maintenance and to day-to-day operations where our teams deliver amazing experiences and ensure our attractions remain safe on an ongoing basis. Our safe and successful launch of new products in 2023, such as the 'World of Jumanji' land at Chessington World of Adventures Resort and the 'LEGO MYTHICA' ride at LEGOLAND Deutschland, provide testament to these collaborative and structured safety processes.

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.

Merlin's HSS audit programme fully resumed following the COVID-related period. 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 in 2023 focused on the communication of potential HSS risks facing our front-line colleagues and the associated control measures. With notable enthusiasm and participation across our attractions, many engagement, learning and best practice sharing activities took place, all serving to ensure our HSS protocols 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;

  (i) *Leading indicators* – which monitor the activities we undertake as part of our HSS governance and monitoring processes. Our approach includes arrangements by attractions for near-miss/unsafe condition reporting, trend analysis and corrective action management.

  (ii) *Lagging indicators* – which capture incident rates for both guests and employees.

HEALTH, SAFETY AND SECURITY

DEDICATED TO DELIVERING HIGH STANDARDS

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

Leading indicators	2023	2022
Safety Inspection Certificates – Rides(1)	100%	100%
Safe Operating Procedures – Rides(2)	100%	100%
Food Safety Audits(3)	90%	88%
Safety Culture Survey Results(4)	73%	74%
HSS Committee Meetings(5)	100%	90%
Lagging indicators		
Medical Treatment Case Rate (Guests)(6)	0.01	0.01
Medical Treatment Case Rate (Employees)(6)	0.04	0.04

(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 and time limited extension granted to such an annual inspection.

(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.

(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.

(6) A Medical Treatment Case (MTC) is defined as an injury which requires external medical treatment (i.e. ambulance attendance to the site or hospital visit directly from the site). The rates referenced are the number of MTCs relative to either 10,000 guest visitations or 10,000 employee hours worked.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

MERLIN – MORE FOR YOUR WORLD

Our approach

At Merlin, we have always committed to including more people in magical experiences that change their world. We recognise the global footprint of our business, and we're committed to making a positive impact. We are forever evolving, pushing ourselves to do better across the attractions and geographies in which we operate.

We structure our activities under our three environment, social, and governance (ESG) strategy pillars. Details on these are set out below. These sections include information on the five specific areas required under the non-financial reporting requirements under s414CB(1) of the Companies Act 2006.

Operating ethically

A foundation of our commitment to operating ethically includes maintaining and monitoring compliance with key policies as set out below. Further details, and Merlin's Modern Slavery Statement can be found on Merlin's corporate website (**www.merlinentertainments.biz**).

- Anti-corruption and anti-bribery matters – Merlin's approach regarding the management of anti-bribery and corruption risks is set out on page 22. Merlin has a zero tolerance approach in this area, with regular reports on whistleblowing being provided to the Audit Committee.
- Ethical sourcing – we have a responsibility to the workers in our supply chain and seek to ensure our products are made in an appropriate environment and the products we source are produced in accordance with international laws and legislation. More details on this area are available on our website.
- Human rights – Merlin 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.

INSPIRING PEOPLE

Employee engagement

In 2023 almost 20,000 staff completed our 'The Wizard Wants to Know' employee engagement survey, a response rate of 87%, and an increase of three percentage points compared to 2022.

Our overall engagement score held strong at 68% with the highest responses relating to three questions:

- I know what I need to be successful in my role.
- I know how my work contributes to the goals of my attraction/site.
- My line manager genuinely cares about my wellbeing.

We have looked at and driven forward the recognition and rewards available to employees, introduced a new frontline team bonus and established clearer communications around total rewards.

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

In 2023 we started to look towards more digital communications to inspire and engage frontline team members. This included trialling the use of a new app, 'Actimo', in over 20 attractions in the UK and across Europe.

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.

Diversity, equity and inclusion

Our staff represent around 90 nationalities around the world, making diversity, equity and inclusion a pillar of our Company's greatest strengths and an intrinsic enabler of our culture's celebration of belonging. Regional task forces and internal champions bring to life education and events such as International Men's / Women's Days and other notable events.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

MERLIN – MORE FOR YOUR WORLD

Gender reporting

At December 2023, one of the Company's eight Directors and two of the eight Executive Committee members were female.

At December 2023, of the Group's senior management positions (being attraction general managers up to and including the Executive Committee), 166 / 38% *(2022; 135 / 36%)* were female and 272 / 62% *(2022; 243 / 64%)* were male.

The percentage of female permanent employees is 52% *(2022: 49%)* totalling 3,837 *(2022: 4,268)*.

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 2023, 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 16.3% *(2022: 18.2%)*. The median gender pay gap (the difference between the hourly pay of an employee in the middle of the range of male wages and an employee in the middle of the range of female wages), was 3.0% *(2022: 4.0%)*.

The gender pay gap is not derived from intentional inequality but reflects the composition and nature of our workforce. Within Merlin, a greater proportion of senior positions are currently held by men. In our pursuit of gender equality, we are intensifying our focus on encouraging and engaging more women to pursue roles within our organisation, and are pleased that the gender pay gap continues to narrow.

These efforts are overseen by our Diversity and Inclusion strategy and steering group. For example, to address gender imbalances in technical and engineering roles, we have set up Merlin's Engineering Academy, nurturing our talent pipeline with a strategic, long term vision of getting more young and female employees into engineering roles.

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. We operate a blended mix of online learning and development, combined with 'in person' programmes for leadership development and critical skills such as marketing, engineering and commercial training.

Accessibility

At Merlin we are working to inspire people, shaping more belonging, growth and hopes through inclusivity. Accessibility is a core value for us because everyone should have access to magic. In 2023 we continued our commitment to disability inclusion. 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 2023 were:

- Our employee resource group 'The Internal Intelligence Group' grew to over 40 members globally and was recognised in the Shaw Trust's Disability Power 100 for its impact on disability inclusion.
- We became autism certified at several key attractions across the globe, including all three US LEGOLAND resorts, with more to come in 2024.
- We increased sign language tours at several attractions and provided sign language training to our teams.
- We opened more Changing Places Toilets.
- We won the gold award for Alton Towers Resort in the Accessible & Inclusive Tourism category at the 2023 Enjoy Staffordshire Tourism and Good Food Awards.
- We won the Access Champion award for LEGOLAND Windsor Resort at the 2023 Blue Badge Access Awards.

Merlin's Magic Wand

We take immense pride in our dedicated children's charity partner, Merlin's Magic Wand (MMW), which celebrated its 15th year of operation in 2023. The charity is getting closer to pre-pandemic levels of demand for its services and delivered over 88,000 Magical Days Out tickets during the year to children and their families who are facing challenges of serious illness, disability, and adversity. The charity also completed repairs and maintenance tasks for several of the existing Merlin's Magic Spaces projects and drove the introduction of the Group's new Global Volunteering Policy so that more attraction teams can get involved with the charity's programmes, including Magic On Tour.

To date we have donated over £16 million worth of Merlin tickets to more than 900,000 children and their families facing challenges of serious illness, disability and adversity.

In 2024, the charity aims to provide more Magical Days Out tickets; deliver on Magic Spaces project commitments; pursue more Magic on Tour activities; and continue to raise awareness of the charity's aims.

Risk management

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

MERLIN – MORE FOR YOUR WORLD

PROTECTING NATURE

Conservation

In 2023 we funded 17 different conservation programmes, including seed funding to help develop projects on habitats including kelp, seagrass and crayweed restoration, whilst also developing new projects on sharks, eels, and freshwater turtles. One of the most exciting things this year has been witnessing the next stage of the programmes funded in previous years; crayfish have been relocated, zebra sharks have been released successfully into the wild, and many corals are now part of a rescue effort at our US sites. Following successful applications in 2023, funding for more sites will now feature in the marine turtle, coral and zebra shark programmes for the future.

This year we also launched the second part of our online conservation training which focuses on team members who would like to go that step further and set up a conservation project. It provides live examples from around the globe and highlights all the things that should be considered to make a successful conservation project for SEA LIFE and The SEA LIFE TRUST.

Animal conservation and welfare

Through our extensive animal care and habitat conservation efforts, we connect more people to nature and educate millions of guests every year. It's our team of passionate animal experts that make it all possible.

Our SEA LIFE aquariums and attractions develop new and exciting guest experiences that provide a view into the underwater world and aim to inspire future generations to care for our oceans and the marine life within it. At the core of this is our commitment to maintaining and achieving the same standards of care and welfare across all our sites globally, and our continued mission is to review and enhance what is best practice for all the animals in our care.

SEA LIFE has achieved accreditation with nationally and internationally recognised bodies at sites globally and seeks to be an active partner in welfare related activities, from breeding and conservation initiatives, responsible sourcing initiatives, to the creation of care guidelines as well as sharing our wealth of information as the largest aquarium attraction brand.

In 2023, we have dedicated more time and money than ever to animal rescues, rehabilitation and releasing or rehoming, habitat protection and breeding programmes, which have a direct impact on wild species. For example, over 90 grey and harbour seals were rescued across the SEA LIFE and The SEA LIFE TRUST seal rescue facilities in northern Europe and the UK. Over 40 turtles were rescued in the UK, the US, Europe and Australia.

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

The SEA LIFE TRUST

The SEA LIFE TRUST continue to provide a forever home for the beluga whales Little Grey and Little White, as well as rescuing over 300 puffins from the surrounding area in Iceland. The charity also helped with confiscations of animals at international borders, rehomed animals that can no longer be cared for by members of the public, and provided help and support for many other projects.

CARING FOR THE PLANET

Climate change

At Merlin, we are working to protect the planet through reducing our environmental footprint. As a business whose purpose is to bring more people together, we are taking action to tackle something that is a threat to us all – climate change.

We are doing more to reduce emissions throughout our operations, and have set ourselves a target to achieve carbon neutrality in Scope 1 and 2 by 2030.

On the following pages we describe the risk management activities we employ to identify and manage climate-related risks and opportunities, conforming to the UK Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

We are committed to improving the sustainability of our operations as we continue to embed sustainability in everything we do. We look to proactively manage our climate-related risks and provide transparent reporting to our stakeholders of climate-related information.

2023 activities

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. We continue to drive awareness in our staff and guests around environmental issues, promoting 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, roof solar PV and the optimisation of building management and life support systems. 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 continue installing electric vehicle chargers across our UK resorts.

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 2024 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 of our marine environment and its creatures.

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 locations around the world, engaging more local teams and their communities in 2023 than ever before. In addition to the Global Beach Clean, SEA LIFE centres and SEA LIFE TRUST sanctuaries undertook cleans of beaches, lakes, canals, and rivers throughout the year. Across some of our UK sites we also saw over 120,000 bottles recycled via reverse vending machines in our ongoing Coca-Cola partnership, which sees guests recycling plastic bottles to redeem special prizes and special offers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CLIMATE-RELATED REPORTING

GOVERNANCE

Describe the organisation's governance around climate-related risks and opportunities

Board oversight of climate-related risks and opportunities

The Merlin Board has ultimate responsibility for managing our environmental impact and ensuring our business operations are resilient to climate-related risks. It takes into account these considerations when carrying out its duties, which include;

- setting the Group's carbon strategy;
- approving the sustainability aspects of annual capital expenditure budgets and major capital projects; and
- reviewing financial reports and ESG performance metrics.

The Merlin Board oversees and monitors those climate-related issues that feature within our principal risks. Significant risks (including climate-related risks) identified by the Executive Committee are reported to the Merlin Board at least annually. During the year the Merlin Board approved our new carbon strategy which sets out our target to become carbon neutral for Scope 1 and 2 by 2030. We are planning to achieve this target by reducing our Scope 1 and 2 carbon emissions through energy efficiency projects, onsite renewable energy generation, offsite renewable energy generation, green tariffs and high-quality carbon offsets.

The Merlin Board receives an annual update from the Group Sustainability Director on progress with achieving our sustainability goals and targets.

Management's role in assessing and managing climate-related risks and opportunities

The Executive Committee oversees the development of our sustainability strategy and supports the presentation of the strategy to the Merlin Board for their approval. The Executive Committee is also responsible for reviewing the sustainability elements of all new significant capital expenditure projects.

We communicate sustainability related issues to the business through Townhall meetings, sustainability presentation meetings with targeted stakeholders (e.g. project teams, procurement teams, engineering teams and general managers), and internal communication boards.

The Group Sustainability Director is responsible for ensuring that our sustainability strategy and standard of climate risk management is consistently embedded across our global operations. The sustainability team, led by the Group Sustainability Director, is responsible for working with business operations to deliver the Group's sustainability and climate change strategic objectives.

Bi-annual reports are provided to the Executive Committee which include progress updates on meeting our carbon reduction targets and insight on managing climate-related risks and opportunities across the business.

During 2023 we conducted a groupwide climate risk assessment facilitated by a third-party consultancy, following which we integrated our material climate-related risks into the Group risk register. The Group risk register is reviewed by the Executive Committee at least annually, ensuring that the Executive Committee has full oversight of how climate-related risks are being mitigated.

Approach to climate risk management

We take a 'top down' and 'bottom up' approach to climate risk management. At all our attractions, climate-related risks are managed by local senior operational management supported by members of the sustainability team.

Other teams with specific climate-related responsibilities are as follows:

- *Capital project teams* – ensure the integration of sustainability initiatives to manage climate risks into new development projects.
- *Engineering and facilities teams* – support the sustainability team in identifying energy efficiency opportunities and obtaining internal 'green capex' funding for energy efficiency projects.
- *Finance teams* – ensure that capital allocation programmes consider the impact of climate risks in decision making. They also support the sustainability team with the green capex fund annually to ensure that energy efficiency opportunities are identified and actions to deliver such efficiencies are implemented.
- *Procurement teams* – work with the sustainability team to ensure that we are engaging our suppliers on climate risks and opportunities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CLIMATE-RELATED REPORTING

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Climate-related risks and opportunities identified over the short, medium, and long term

Our strategy is underpinned by the commitment to manage climate-related issues in the short, medium, and long term, and identifying that the attractions we develop and occupy now will still be here far into the future. Without appropriate risk management, climate-related risks could have serious financial and reputational implications to our business.

We have conducted a climate risk assessment across two climate scenarios, RCP 4.5 and RCP 8.5 (see page 33), created by the Intergovernmental Panel on Climate Change (IPCC), to identify the top climate-related risks and opportunities to our business over the short term (2020-2030), medium term (2030-2040) and long term (beyond 2040).We have selected time horizons aligning with climate policy, available data, and relevance to our business, taking into consideration the useful life of our assets and our knowledge that climate-related issues manifest over the medium to longer term.

Short term: 2020-2030	Medium term: 2030-2040	Long term: beyond 2040
Plans and resilience measures need to be put in place in the more immediate term to mitigate the largest impacts in the current decade. We are aware of the need to implement climate risk mitigation immediately; hence we plan to achieve carbon neutrality (Scope 1 and 2) by 2030.	The medium term time horizon reflects scientific data that indicates by 2040, global temperatures will rise 1.5 degrees above pre-industrial levels. To demonstrate our proactive action to manage our climate impacts, we plan to maintain our carbon neutrality, initiate a programme on the decarbonisation of heat and engage with our supply chain to manage their carbon emissions.	We understand the importance of considering long term climate-related risks, as inaction in the near term could result in reputational damage or reduced asset values if we operate in at-risk areas, particularly as climate risk awareness matures in the coming years. Physical climate risks are also more likely to materialise in their most severe form in the latter half of the century. We plan to accelerate the decarbonisation of heat in our estate as well as engage our supply chain to manage their carbon emissions.

Scenario analysis

Our research-led climate risk assessment covered a broad range of climate-related risks, selected as appropriate to the geography and type of our in-scope assets. This exercise identified the top eight climate-related risks to our business across each time horizon, together with certain climate-related opportunities. The climate-related risks assessed included physical risks and transition risks, across the RCP 4.5 and RCP 8.5 emissions scenarios.

We recognise that climate change's impact manifests in diverse ways geographically. We therefore identified our top climate-related risks at a site/business level and a regional level. The assessment qualitatively considered the impact and likelihood of a range of physical and transition climate-related risks by analysing the most up-to-date, peer-reviewed scientific literature, such as that published by the IPCC, CDP, the World Health Organisation and the International Energy Agency. To assess projected likelihood and frequency under each climate scenario, we utilised return period data (e.g., '1 in 50' year return) published by the IPCC to inform our scoring methodology.

The impact assessment considered hazard impact, financial impact and ease/cost of mitigation. Scoring ranged from minimal/no impact to catastrophic impact threatening the future of the business.

The likelihood assessment was based on the probability, frequency, duration of impact and the speed at which the risk materialises, ranging from risks with a short duration that materialise gradually, to risks that materialise rapidly and endure over a significant period.

Asset type vulnerabilities to each climate hazard were also accounted for in the scoring methodology to reflect whether the asset, as an indoor or outdoor entertainment location, possessed an inherent vulnerability to specific risks. For example, outdoor assets in our theme parks are inherently more vulnerable to heatwaves and will require innovative adaptation solutions to protect our infrastructure and customers as we will be unable to rely on air conditioning. The impact score was therefore elevated appropriately.

When assessing financial impact, we factored in how each risk could impact our brand value and reputation, revenue, asset values, operational expenditure and capital expenditure, to understand the financial risk that climate-related risks pose to our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CLIMATE-RELATED REPORTING

Our top climate-related risks

We have identified the following top climate-related risks to our business, the implication of these risks, and have set out the actions being taken to manage the impacts below.

Time horizon	Risk type	Risk	Risk description	Risk impacts	Actions
Short term: (2020-2030)	**Transition**	**Fuel source transition**	Energy mix shifts from fossil fuels to renewable energy, implying the reallocation of investment towards the uptake of and demand for low-carbon technologies.	• Reduced asset values. • Costs of quicker than intended equipment upgrades due to shifts in demand/legislative requirements. • Capital expenditure to implement low carbon technologies.	• We have developed a carbon neutrality strategy for our Scope 1 and 2 emissions. Onsite energy generation using solar and driving energy efficiency across the estate are vital pillars of the strategy. • Our new development projects will prioritise air source heat pumps over natural gas boilers.
Short term: (2020-2030)	**Transition**	**Higher energy demand/cost**	Changes to seasonal patterns, temperature extremes and carbon taxation could each increase the operational costs of infrastructure.	• Rise in energy prices due to support for low carbon generation and taxation. • Increased operational costs, fuelled by price increases and rising demand for cooling. • Increase in material and procurement costs due to supply chain disruptions and carbon tax on embodied carbon. • Increased uptake and expectation of use of circular economy principles.	• Invest in onsite renewable energy. • Identify energy efficiency opportunities within our estate and use our green capex and infrastructure capex funds to implement energy efficiency recommendations. Examples include LED lighting, variable frequency drives, activated filter media filtration systems at our aquariums, efficient pumps and building management systems.
Medium term: (2030-2040)	**Physical**	**Heatwave**	A heatwave is an extended period of hot weather relative to the expected conditions of the area at that time of year, which may be accompanied by high humidity.	• Degradation of plant and equipment leading to increased energy demand and capital expenditure associated with replacement. • Increased operational costs. • Interrupted business operations and reduced workforce productivity. • Negative health and wellbeing impacts, which can also lead to reputational risks. • Reduced demand for sites without energy efficient cooling and/or ventilation.	• Invest in shading at our resorts and increase the number of misters, to help manage health and wellbeing impacts. • Engage our suppliers on UV radiation/heatwave resistant materials.
Medium term: (2030-2040)	**Physical**	**Extreme weather events**	Extreme weather events are more frequent and incur greater impact from storms and heavy winds, exacerbated by changes to sea temperatures and seasonal patterns.	• Repair costs and loss of access impacting revenues during extreme weather events. • Interrupted business operations and reduced workforce productivity.	• Implement extreme weather strategies, such as hurricane emergency response plans, at our at-risk assets. • Ongoing review of natural catastrophe insurance requirements at key at-risk sites.
Medium term: (2030-2040)	**Physical**	**Fluvial flooding**	Flood events which are caused by a river exceeding the capacity of the channel and overflowing.	• Repair costs and loss of access impacting revenues in a flood event. • Capital expenditure to install flood defence measures. • Reductions in regional investment and footfall. • Decline in asset value or stranded asset risk.	• Installation of flood mitigation solutions at our sites prone to flooding. For example, at Thorpe Park Resort we have a flood mitigation area.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CLIMATE-RELATED REPORTING

Time horizon	Risk type	Risk	Risk description	Risk impacts	Actions
Medium term: (2030-2040)	**Physical**	**Water stress and drought**	Water becomes increasingly scarce, with supply unable to meet demand. As temperatures rise, average drought lengths could increase, with implications on water costs, supply chains and public health.	• Rise in operational costs and downward pressure on asset values for water inefficient assets. • Capital expenditure to improve efficiency. • Increased operational costs.	• Promote water saving initiatives like low water aerator faucets, waterless urinals and low flow showers across the Group for water efficiency. • Introduce low water maintenance gardens.
Long term: (beyond 2040)	**Physical**	**Sea level rise and coastal flooding**	Flood events that occur due to increase in projected sea surface height, including tidal flooding.	• Capital expenditure to install flood defence measures. • Interrupted business operations and reduced workforce productivity. • Heightened risk of stranded assets.	• Installation of flood mitigation solutions at our sites prone to flooding.
Long term: (beyond 2040)	**Transition**	**Supply chain and resources**	Physical impacts cause widespread disruption to production within supply chains.	• Higher construction and procurement costs. • Business disruption causing loss of income.	• Our Environmental Policy encourages responsible business relationships, supply chains and procurement strategies. • We will engage our supply chain to commit to low carbon operation and resilience planning to mitigate disruption to production and/or logistics.

Opportunities

We have identified several climate-related opportunities that we can leverage to provide climate-related performance to our stakeholders and customers. In the short and medium term, by investing in renewable technologies, we intend to harness continual improvements in our energy efficiency performance and secure progress towards achieving our carbon neutral goals, enhancing our reputation, and building resilience. We are committed to investing in climate adaptation measures, to secure the opportunities associated with future-proofing our business to physical climate-related risks, such as ensuring the continued safety of our customers and longevity of our attractions.

Impact of identified climate-related risks and opportunities on the business, strategy, and financial planning

The Merlin Board recognises that climate change will have an impact on our business. Therefore, we intend to ensure that our business, strategy and financial planning fully account for climate-related issues.

We have integrated climate-related considerations into our business strategy in several ways. Environmental and sustainability issues relating to building materials, lighting, water and energy efficiency systems are accounted for within our 'New Development Checklist' and 'Sustainability Good Practice Guide' which offer detailed sustainability specifications intended for use across all our business lines. These include requirements around renewable energy, energy efficiency and water efficiency minimum standards as examples.

To minimise our impact on the environment, we aim to align all our activities with our business goals through our Environmental Policy, which promotes environmental responsibility, awareness and communication initiatives across the business.

Our energy and carbon strategy includes four core delivery streams that demonstrate our growing aspiration around carbon neutrality, as set out below:

- *Onsite renewable energy generation* – we are currently working on solar photovoltaic projects at LEGOLAND Windsor Resort, LEGOLAND California Resort and Gardaland Resort, and exploring similar projects at Heide Park Resort and Thorpe Park Resort, with a combined power of approximately 10MWp across these five sites.
- *Energy efficiency capital projects* – utilising our 2023 'green capex' fund, we carried out energy efficiency projects that create savings of 1,650,947 kWh per annum. We plan to continue to invest in projects using this fund through to 2030 and beyond.
- *Green energy procurement* – we have a contract for green tariff for all our UK sites where we are responsible for energy procurement. We will be transitioning on a phased basis in other territories.
- *Training and carbon awareness* – we have a 'Good Practice Guide' available in digital and print formats to all our facilities teams and general managers.

Sustainability and climate-related issues are considered in our annual financial planning processes, including long term planning for larger sustainability projects. In the event of extreme weather events materialising at our sites, short term capital funding is reallocated as required.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CLIMATE-RELATED REPORTING

Resilience of Merlin's strategy, taking into consideration different climate-related scenarios

From conducting the comprehensive climate risks assessments in the RCP 4.5 and RCP 8.5 scenarios, we have gained a clear understanding of our climate-related risks and opportunities. We have then conducted scenario analysis using these climate scenarios as they span a range of likely emissions scenarios and associated risks and align with leading climate science and best practice. Obtaining this information has enabled us to identify a variety of mitigation measures to reduce our vulnerability and exposure to climate-related risks, as set out below.

Scenario	Average temperature rise	Transition	An overview of what the operating environment could look like in this scenario	How we secure resilience
Scenario 1: RCP 4.5 – characterised by significant policy action and market forces to decarbonise and meet the Paris Climate Agreement	1.7 – 3.2°C by 2100	Lower emissions scenario where there is increasing policy action to meet the Paris Climate Agreement. Transition risks dominate.	Economic – substantial regulatory and market pressure to decarbonise and associated costs to meet these demands. Environmental – less physical risk, although c.2°C warming still presents substantial physical climate risks.	Implementing our carbon neutrality Scope 1 and 2 strategy, championing policies to drive decarbonisation of heat, and engaging our supply chain to reduce their carbon emissions.
Scenario 2: RCP 8.5 – characterised by significant changes in weather patterns and severe physical hazards	3.2 – 5.4°C by 2100	Higher emissions, business as usual scenario where policy action is negligible and warming rises drastically. Physical risks dominate.	Economic – permanently stunted GDP growth and severe economic and social shifts. Environmental – chronic changes to weather patterns and ecosystems causing severe impacts on a global scale.	Introducing stringent mitigation measures onsite at our most at-risk assets to support climate adaptation and resilience across our portfolio. Carrying out appropriate due diligence on climate risks for acquisitions and to support capital deployment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CLIMATE-RELATED REPORTING

RISK MANAGEMENT

Disclose how the organisation identifies, assesses, and manages climate-related risks

Processes for identifying and assessing climate-related risks

As set out above, by adopting a dual-scale approach we have identified and assessed climate-related risks and opportunities for the business and assessed their potential likelihood and impact, relative to each other. Our Group risk register is reviewed annually and categorises risks under: Health, safety and security risk; Commercial and strategic risk, Climate risk and Financial risk. It outlines the likelihood (L) and impact (I) score (1-4), residual risk (L x I) and mitigation measures, with scores for climate-related risks determined by the Group Sustainability Director via a formalised methodology set out in our risk management framework, and further reviewed by the Executive Committee.

Processes for managing climate-related risks

We have integrated several risk management procedures into our operations to ensure material risks facing our business are identified, assessed and managed effectively. Two notable procedures are the review of the Group's risk appetite and the management of the Group risk register.

The Group's risk appetite falls into two distinct categories. Firstly, compliance risk, whereby the Group must comply with legislative or regulatory requirements in all territories where the Group operates. Secondly, commercial risk, which is defined as the risks taken to maximise profitable growth and sustainable returns. These must be aligned with the Group's environmental policy.

The Group uses quantitative and qualitative measures to ensure effective governance of the Group's risk appetite. Quantitative measures can broadly be defined as those relating to financial and non-financial targets, including Adjusted EBITDA and operating profit, whilst qualitative elements are our reputational impact and compliance with laws and regulations.

Our internal control and risk management frameworks are designed to manage risk by setting out clear communication channels, accountabilities and authority levels, formalising responsibilities for overseeing, monitoring and reporting on our material climate risks. The Merlin Board are responsible for reviewing these frameworks annually, alongside strategic planning and business performance monitoring to ensure that our 'top down' and 'bottom up' risk management approach remains robust and effective.

We appreciate that climate-related risks can materialise with little warning, therefore we are committed to adopting an agile approach with response plans in place across our attractions to enable us to limit damage to our assets caused by climate change events. Furthermore, our approach to decarbonise heat using air source heat pumps in new developments will enable us to mitigate numerous climate-related risks, such as the increased cost of carbon taxation.

Overall risk management

By developing a full understanding of the material climate-related risks facing our business through the groupwide climate risk assessment, we have now embedded processes for identifying, assessing and managing individual climate-related risks within our Group internal control and risk management frameworks. In doing so, we have created a climate risks section in our corporate risk register containing the risks as set out on pages 20 to 23. The process to review, manage and mitigate these risks remains as described in this disclosure, with input from the sustainability team and oversight by the Executive Committee.

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Metrics used to assess climate-related risks and opportunities in line with Merlin's strategy and risk management processes

Our ESG metrics are determined by the Merlin Board, which we track and review using a rolling base year approach. Each year we report this data with the previous year adopted as the base year. Metrics include:

- Energy consumption (MWh);
- GHG emissions (tCO_2e/£1 million) of Scope 1 and Scope 2 emissions for our UK and Global (excluding UK) operations; and
- Scope 3 business travel emissions (UK operations only).

We report our GHG emissions under Scope 1 and Scope 2 as set out below. The methodology we have taken for calculating CO_2 emissions aligns with the GHG Protocol - Corporate Standard, and the 2019 HM Government Environmental Reporting Guidelines.

Targets used to manage climate-related risks and opportunities and performance against targets

We have set ourselves a carbon neutral target by 2030 for our Scope 1 and 2 emissions.

In our case, carbon neutrality means that we expect to reduce our emissions predominantly by energy efficiency measures, onsite and offsite renewable projects and green electricity procurement, followed by high quality offsets for residual carbon.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CLIMATE-RELATED REPORTING

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 2023 for electricity by country and UK Government GHG Conversion Factors for Company Reporting 2023 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 progressed a series of energy efficiency initiatives such as life support system filtration optimisation, LED lighting optimisation, variable frequency drives and solar photovoltaic across our estate. Together these projects are expected to save 1,650,947 kWh annually. In this period, we purchased 66,429 MWh of renewable energy attributes through our energy procurement contracts in the UK and green certificate contracts in China and Germany. The attributes are backed by Renewable Energy Guarantees of Origin (REGOs), Guarantees of Origin (GoOs) and International Renewable Energy Certificates (iRECs)

Our carbon reporting period for 2023 is from September 2022 to August 2023 *(2022: 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 CO_2 equivalent (CO_2e) as compared to revenue, decreased from 49 to 48 gross tCO_2e per £1 million of revenue. This is a 1% carbon intensity decrease (market-based) on our 2022 figure.

Our target is to achieve carbon neutrality in Scope 1 and 2 by 2030.

	2023		2022	
	UK	Global (excluding UK)	UK	Global (excluding UK)
Energy consumption used to calculate emissions (MWh)	114,785	285,664	117,972	265,005
Emissions from combustion of natural gas, oil and LPG in tCO_2e (Scope 1)	7,496	12,643	7,527	11,103
Emissions from combustion of fuel for transport purposes in tCO_2e (Scope 1)	666	1,476	83	356
Emissions from use of CO_2 for food and beverage purposes in tCO_2e (Scope 1)	11	33	6	48
Refrigerant emissions from refrigeration systems in tCO_2e (Scope 1)	647	1,539	686	3,615
Emissions from purchased electricity and district heating (Scope 2, location-based)	14,399	79,489	14,337	72,182
Emissions after applying purchased green emissions in tCO_2e (Scope 2, market-based)	2,200	76,071	2,144	72,182
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel in tCO_2e (Scope 3)	144	Not reported	2	Not reported
Total gross in tCO_2e	11,164	91,762	10,448	87,304
Group total in tCO_2e	102,926		97,752	
Group revenue (£m)	2,125		2,006	
Intensity ratio: Group gross tCO_2e / £1 million revenue	**48**		**49**	

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, GoOs and iRECs for our UK operations, LEGOLAND Deutschland and Chang Feng Ocean World respectively.*
- *Under Scope 3 emissions we report UK business travel mileage (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.*
- *Defra carbon reporting factors 2023 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).*
- *1MWh is equivalent to 1,000kWh.*

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, an independent Chairman and an independent Non-executive Director. The same shareholder representative Directors, independent Chairman and independent Non-executive Director, 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 37.

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 2024. See page 40 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 to 5	Principal risks	20 to 23
	Business model	7	Environmental, social and governance	28 to 34
	Financial and operating review	10	Corporate governance	40
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	20 to 23
	Chief Executive's introduction	5	Environmental, social and governance	26 to 27
	Business model	6	Corporate governance	39 to 40
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	Principal risks	20 to 23
	Chief Executive's introduction	4 to 5	Environmental, social and governance	27 to 35
	Business model	6 to 7	Corporate governance	39 to 40
	Financial and operating review	17		
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.	Chief Executive's introduction	5	Principal risks	21 to 23
	Business model	6, 8	Environmental, social and governance	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	18 to 23
	Business model	6	Environmental, social and governance	26
	Financial and operating review	14, 17	Corporate governance	37 to 39, 45
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	9		
	Corporate governance	38 to 39		

On pages 37 to 40 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 corporate governance framework is fundamental to achieving Merlin's strategic objectives.

Merlin's overriding purpose is to bring joy, create connections and make memories and we work with our stakeholders to create truly memorable experiences for guests as well as long term value for our investors. Our corporate governance framework has been developed to safeguard these objectives.

Merlin Board

The responsibilities of the Merlin Board are as follows:

- Establishes and maintains an effective corporate governance framework in conjunction with the Board and ensures our culture is aligned with our purpose, vision and strategy.
- Approves the business strategy and major Group policies.
- Approves the budget, capital plan, major capital projects and strategic transactions.
- Determines the optimal capital structure for the Group.
- Oversees operational and financial performance as well as environmental, social and governance (ESG) performance metrics.
- Oversight of risk management, including climate-related risks.
- Approves the appointment of key members of executive management.
- Maintains effective engagement with shareholders and other stakeholders.

Executive Committee

- Manages the Group's day-to-day operations and performance.
- Develops strategic plans for consideration by the Merlin Board.
- Implements the Group's strategy, approving major capital expenditure projects and evaluating new business opportunities.
- Ensures that the business complies with all applicable legal and governance requirements.
- Management of the Group's commercial and strategic risks.
- Establishes an effective risk management framework to manage risks and opportunities.
- Oversees the delivery of the Group's sustainability strategy and management of climate-related risks.

Board Committees

Health, Safety and Security Committee (HSS)

- Ensures HSS matters are managed effectively and proactively throughout the Group.
- Oversees the efficacy and implementation of HSS policies and procedures.
- Monitors processes for identifying and managing HSS risks.
- Reviews the skills, effectiveness and levels of resource within our HSS teams.
- Oversees HSS aspects of climate-related risks such as an increasing probability of extreme weather.

Audit Committee

- Oversees the effectiveness of the Group's system of internal controls and overall risk management.
- Monitors the integrity of financial and non-financial reporting disclosures, including climate-risk reporting.
- Reviews external and internal audits, including monitoring and reviewing the effectiveness of the internal audit function and overseeing the performance and independence of external auditors.
- Monitors the effectiveness of our whistleblowing and fraud policies.

Remuneration Committee

- Makes recommendations in relation to the remuneration and performance objectives of the Chief Executive Officer and Executive Committee members, including financial, operational and ESG-related performance targets.
- Reviews Merlin's executive remuneration policy with reference to independent remuneration research and professional advice.
- Reviews remuneration arrangements for outgoing Executive Committee members.

GOVERNANCE

CORPORATE GOVERNANCE

The Board and the Merlin Board

The Company is managed by its Board of Directors (the Board) which comprises representatives of its principal shareholders, an independent Chairman and an independent Non-executive Director. The Board meets as required by the Shareholder Investment Agreement (see page 9), to provide governance over the Group and to consider those matters requiring specific approval by the Company.

The same shareholder representative Directors, independent Chairman, and independent Non-executive Director, 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 summarised on page 37.

2023 priorities

During 2023 the main areas of focus for the Merlin Board were as follows;

- Development of the new Merlin purpose, vision and strategy.
- Approval of target to achieve carbon neutrality in Scope 1 and 2 by 2030.
- Reviewing potential acquisitions.
- Approval of major capital projects.
- Refinancing of the Group's long term debt.
- Approval of the 2024 budget and seven year plan.
- Appointments of a new Non-executive Director and members of the Executive team.

Board Committees

The following Committees have been in operation during the year and unless otherwise stated, remain. The responsibilities of the Committees are summarised on page 37 above.

Health, Safety and Security Committee

The Committee membership comprises an independent chair, representatives from each of the investor consortium, two of whom are Board members, and the independent Non-executive Director. Meetings are also attended by the Group's Chief Executive Officer and Chief Financial Officer, together with the Group Safety, Engineering and Security Director and the Chief Operating Officer of the Gateway Attractions and Resort Theme Parks Operating Groups.

Audit Committee

The Committee membership comprises representatives from two members of the investor consortium, one of whom is a Board member with recent and relevant financial experience who chairs the Committee.

Remuneration Committee

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

Other Committees

In addition to the Board Committees, there is the following non-Board Committee.

Executive Committee

Chaired by the Chief Executive Officer, the Committee membership comprises all members of the Executive team who report into the Chief Executive Officer.

During the year and following an operational restructure, the Executive Committee disbanded the Commercial and Strategic Risk Management Committee, the Development Board and the Investment Board.

The Executive Committee now directly reviews and approves the management of commercial and strategic risks, initial proposals for development projects and major capital expenditure projects, responsibilities which were previously delegated to these sub-committees.

GOVERNANCE

CORPORATE GOVERNANCE

Corporate governance framework

During 2023 the Board and the Merlin Board maintained a strong corporate governance framework and they continued 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 purpose is to bring joy, create connections and make memories. The business is based on strong brands and a global portfolio which is naturally balanced against the impact of external factors. Our purpose is aligned with our vision to be the global leader in branded entertainment destinations and the greatest place to work and play.

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.

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 of the Group is outlined in pages 6 to 9.

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. During the year an additional, independent Non-executive Director was appointed to the Board. 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 40 to 41.

The Audit Committee, Remuneration Committee and Health, Safety and Security Committee have been in operation throughout the year. The Chairman of the Board and the Chair 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 37.

By the end of 2023, the Board, Merlin Board and Executive Committee together was comprised of 13 men and three women. Details of the gender mix of the Group and its senior management are set out on page 27, 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 seven times during 2023, of which four 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 representative directors 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.

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. Three Committees have specific responsibilities for risk management:

- 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.
- Executive Committee – oversight and guidance on management of commercial and strategic risk.

GOVERNANCE

CORPORATE GOVERNANCE

The Board retains overall responsibility for risk management and the Merlin Board approves the risk management framework and material risks on a regular basis. Further details regarding the approach to risk management are set out on pages 18 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 together with all matters relating to executive remuneration are considered by the Remuneration Committee 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 Group.

During the year the Remuneration Committee ensured awards under the management 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 172 statement on page 36. The Group's business model also focuses on our interactions with customers, employees and investors; more information can be found on pages 6 to 9.

Our Board paper guidance requires all new proposals for major 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, a Non-executive Director 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's Chief Executive Officer and 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, 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. Moller – 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 during 2017-2023.

Jørgen also holds positions as a Member of the Board of Starbucks, a Member of IMD Supervisory Board and as Chairman of BrainPOP. Jørgen is a member of the KIRKBI Group leadership team with responsibility for brand and business development and further serves as a Partner and Executive Advisor to the venture fund Innovation Endeavors LLC. 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.

GOVERNANCE

CORPORATE GOVERNANCE

Damir Hamzic, KIRKBI Shareholder Representative

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.

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.

Sidsel Marie Kristensen, KIRKBI Shareholder Representative

Sidsel resigned from the Board and other Merlin companies on 1 February 2023.

Joseph Baratta, Blackstone Shareholder Representative

Joseph was appointed as a Director on 4 November 2019. Mr 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 former 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 Tinicum Incorporated and McCown De Leeuw & Company. Mr. Baratta also worked at Morgan Stanley in its mergers and acquisitions department. Mr. Baratta graduated magna cum laude from Georgetown University.

Peter Wallace, Blackstone Shareholder Representative

Peter was appointed as a Director on 26 June 2019. Mr Wallace is the 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), Chamberlain Group, CommNet Celluar, Encore Global, GCA Services, International Data Group, LocusPoint Networks, Merlin Entertainments, Michaels Stores, New Skies Satellites, Pinnacle Foods/Birds Eye Foods, PSSI, SeaWorld Parks & Entertainment (formerly Busch Entertainment Corporation), Servpro, Sirius Satellite Radio, Universal Orlando, Vivint, Vivint Solar and the Weather Channel. He currently serves on the Board of Directors of Chamberlain Group, CoreTrust, International Data Group, PSSI, and Servpro. He is a trustee of Children's Aid Society, one of America's oldest and largest children's nonprofits.

Mr. Wallace received an A.B from Harvard College, where he graduated magna cum laude.

Ricardo Caupers, CPPIB Shareholder Representative

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, a 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.

Amy McPherson, Non-executive Director

Amy was appointed as a Director on 29 November 2023 and is also a member of the Health, Safety and Security Committee. Formerly the President and Managing Director of Europe for Marriott International, responsible for hotel operations and development, Amy has over 30 years' experience in the hospitality industry. Prior to her Europe position, Amy was Executive Vice President of Global Sales and Marketing for Marriott with responsibilities including Marriott Rewards, digital/ecommerce, global sales, worldwide reservations and customer care.

Previous Marriott appointments include the role of Senior Vice President of Global Revenue Management and Vice President of Finance and Business Transformation. She is currently a primary investor and consultant for KidsKnowBest, a London based media company.

Amy also serves as Non-executive Director of the board positions with PVH Corporation and the Royal Caribbean Group. She holds a Bachelor of Business Administration Degree in Management and Economics from James Madison University, and has an MBA in Finance from the College of William & Mary.

GOVERNANCE

CORPORATE GOVERNANCE

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, 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 awards and global acclaim in innovation and culture. Scott shares his perspective on life and leadership in his best-selling book entitled 'Be Where Your Feet Are', which was published by St. Martin's Press in 2021.

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

Alistair Windybank, Chief Financial Officer

Alistair was appointed 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 and Assurance.

On 2 October 2023 it was announced that Alistair would be retiring during 2024. Following the appointment of Karim Hajjar as Chief Financial Officer, Alistair resigned from the Merlin Board on 15 February 2024, Alistair will remain at Merlin to ensure an orderly and smooth handover.

Karim Hajjar, Chief Financial Officer

Karim was appointed on 15 February 2024.

Karim has more than 30 years of financial experience with international companies across the energy, resources, and chemicals industries. More recently, Karim has been Chief Financial Officer for ten years at the Belgian company, Solvay, and previously held various senior positions with Shell and Tarmac Group. He has a wealth of expertise with proven knowledge in mergers and acquisitions and capital market transactions, cost and cash management strategies.

GOVERNANCE

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 30 December 2023. Comparative figures relate to the 53 week period ended 31 December 2022.

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 and sustainability reporting

The Companies Act 2006 requires the Company to disclose certain non-financial and sustainability information within the Annual Report and Accounts. Information regarding Merlin's approach to climate-related matters and our climate-related financial disclosures conforming to Paragraphs a) to h) of s414CB (A1), (2A) of the Companies Act 2006 are set out in the environmental, social and governance section on pages 26 to 35.

Our disclosures relating to carbon dioxide emissions are set out on page 35.

Further information regarding Merlin's approach to the five non-financial reporting requirements of s414CB(1) of the Companies Act 2006 is also set out in the environmental, social and governance section, as follows:

- Employees – see pages 26 to 27.
- Social matters – see pages 26 to 28.
- Respect for human rights and anti-corruption and anti-bribery matters – see page 26.
- Environmental matters – see page 28.

Other information

Other information is set out as follows:

- Business review and future developments – see pages 1 to 35.
- Research and development – details about Merlin Magic Making are on page 2.
- Directors – details of Directors that served during the year and up to the date of this Annual Report are on pages 40 to 41.
- Directors' responsibilities statement – see page 45.

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 39 to 40.

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, including how we foster business relationships with suppliers, customers and others – see page 36.
- Corporate governance – see pages 37 to 42.

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 6.7.

Directors' Report

The Directors' Report itself contains the sections detailed below.

Share capital and related matters

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

Amendment to the Company's Articles of Association

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

Appointment and removal of Directors

The Company is governed by its Articles of Association, 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 provided an indemnity in favour of the Directors and other Group company directors during the year. In addition, 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

Subsequent events

Subsequent to the year end, in February 2024, the Group completed a debt refinancing exercise as follows:

- Issued $500 million of new senior secured notes to mature in 2031.
- Extended $1,220 million of drawn floating rate facilities due to mature in 2026 to 2029, increasing the size to $1,385 million.
- Extended €215 million of drawn floating rate facilities due to mature in 2026 to 2029.
- Used some of the proceeds to repay €376 million of drawn floating rate facilities due to mature in 2026 and 2029, decreasing the size to €1,020 million.

The refinancing secured cash proceeds, net of fees, of approximately £170 million. The Group's revolving credit facility was also increased from £400 million to £428 million with an extension to the maturity to 2029.

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 52 weeks ended 30 December 2023.

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 15 March 2024.

For and on behalf of the Board

Søren Thorup Sørensen
Director
15 March 2024

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 52 weeks ended 30 December 2023 (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 the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards. 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 30 December 2023 and of the Group's loss for the 52 week period 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 United Kingdom Generally Accepted Accounting Practice; 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 45, 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

15 March 2024

PRIMARY STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

		2023			2022		
	Note	Underlying trading £m	Exceptional items [3] £m	Total £m	Underlying trading £m	Exceptional items [3] £m	Total £m
Revenue	2.1	2,125	-	2,125	2,006	-	2,006
Cost of sales	2.1	(388)	-	(388)	(359)	-	(359)
Gross profit		1,737	-	1,737	1,647	-	1,647
Staff expenses	2.1	(546)	-	(546)	(515)	-	(515)
Marketing		(90)	-	(90)	(74)	-	(74)
Other operating expenses		(439)	-	(439)	(366)	-	(366)
Adjusted EBITDA[1]	2.1	662	-	662	692	-	692
Depreciation, amortisation, impairment and share-based payments	2.1	(280)	(210)	(490)	(277)	(29)	(306)
Operating profit		382	(210)	172	415	(29)	386
Finance income	2.3	8	-	8	29	-	29
Finance costs	2.3	(358)	(36)	(394)	(279)	-	(279)
(Loss)/profit before tax		32	(246)	(214)	165	(29)	136
Taxation	2.4	(48)	45	(3)	(51)	4	(47)
(Loss)/profit for the year[2]		**(16)**	**(201)**	**(217)**	**114**	**(25)**	**89**

(1) *Adjusted EBITDA – this is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment, share-based payments and is after taking account of attributable profit after tax of joint controlled entities (see note 6.1). In the consolidated financial statements for the 53 weeks to 31 December 2022 we referred to EBITDA. EBITDA 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. The 2022 comparative has therefore been adjusted to reclassify share-based payments of £21 million from staff expenses to depreciation, amortisation, impairment and share-based payments.*

(2) *Loss for the year for 2023 and profit for the year for 2022 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 52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

	Note	2023 £m	2022 £m
(Loss)/profit for the year		(217)	89
Other comprehensive income			
Items that cannot be reclassified to the consolidated income statement			
Equity investments at FVOCI - net change in fair value		-	2
Defined benefit plan remeasurement gains	6.2	-	8
Income tax on items relating to components of other comprehensive income	2.4	-	(2)
		-	8
Items that may be reclassified to the consolidated income statement			
Exchange differences on the retranslation of net assets of foreign operations		(19)	(17)
Exchange differences relating to the net investment in foreign operations		(9)	4
Cash flow hedges - effective portion of changes in fair value		(6)	36
Cash flow hedges - reclassified to profit and loss		(15)	1
Income tax on items relating to components of other comprehensive income	2.4	5	(9)
		(44)	15
Other comprehensive income for the year net of income tax		(44)	23
Total comprehensive income for the year[1]		**(261)**	**112**

[1] *Total comprehensive income for the year for 2023 and 2022 is wholly attributable to the owners of the Company.*

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 December 2023 *(2022: 31 December 2022)*

	Note	2023 £m	2022 £m
Property, plant and equipment	4.1	2,437	2,664
Right-of-use assets	5.4	1,604	1,633
Goodwill and intangible assets	4.2	3,596	3,685
Investments	6.1	11	11
Employee benefits	6.2	3	2
Derivative financial assets	5.3	18	39
Other receivables	4.4	18	13
Tax receivable	2.4	32	31
Deferred tax assets	2.4	5	5
Non-current assets		7,724	8,083
Inventories	4.4	69	61
Trade and other receivables	4.4	177	165
Derivative financial assets	5.3	1	5
Tax receivable		32	32
Cash and cash equivalents	5.1	164	266
Current assets		443	529
Total assets		8,167	8,612
Interest-bearing loans and borrowings	5.2	18	22
Lease liabilities	5.4	42	42
Derivative financial liabilities	5.3	4	7
Trade and other payables	4.4	429	491
Tax payable		40	42
Provisions	4.5	21	23
Current liabilities		554	627
Interest-bearing loans and borrowings	5.2	3,694	3,785
Lease liabilities	5.4	1,591	1,570
Other payables	4.4	89	62
Provisions	4.5	117	128
Deferred tax liabilities	2.4	382	440
Non-current liabilities		5,873	5,985
Total liabilities		6,427	6,612
Net assets		**1,740**	**2,000**
Issued capital and reserves attributable to owners of the Company		1,736	1,996
Non-controlling interest		4	4
Total equity	5.5	**1,740**	**2,000**

The financial statements were approved by the Board of Directors on 15 March 2024 and were signed on its behalf by:

Søren Thorup Sørensen
Director

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

	Note	Share capital £m	Share premium £m	Translation reserve £m	Cost of hedging reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interest £m	Total equity £m
At 26 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		**29**	**2,956**	**(30)**	**(10)**	**38**	**(987)**	**1,996**	**4**	**2,000**
Loss for the year		-	-	-	-	-	(217)	(217)	-	(217)
Other comprehensive income for the year net of income tax		-	-	(28)	4	(20)	-	(44)	-	(44)
Total comprehensive income for the year		-	-	(28)	4	(20)	(217)	(261)	-	(261)
Equity-settled share-based payments	5.6	-	-	-	-	-	1	1	-	1
At 30 December 2023	5.5	**29**	**2,956**	**(58)**	**(6)**	**18**	**(1,203)**	**1,736**	**4**	**1,740**

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

	Note	2023 £m	2022 £m
Cash flows from operating activities			
(Loss)/profit for the year		(217)	89
Adjustments for:			
Depreciation, amortisation, impairment and share-based payments(1)	2.1	490	306
Finance income	2.3	(8)	(29)
Finance costs	2.3	394	279
Taxation	2.4	3	47
		662	692
Loss on sale of property, plant and equipment		-	1
Movements in working capital		(42)	(69)
Changes in provisions and other non-current liabilities(1)		(11)	18
		609	642
Tax paid		(55)	(20)
Net cash inflow from operating activities		554	622
Cash flows from investing activities			
Interest received		8	2
Acquisition of subsidiaries, net of cash acquired	3.1	-	(31)
Purchase of property, plant and equipment		(298)	(195)
Disposal of property, plant and equipment		3	2
Net cash outflow from investing activities		(287)	(222)
Cash flows from financing activities			
Proceeds from borrowings	5.2	601	-
Repayment of borrowings	5.2	(581)	(16)
Net capital repayment of lease liabilities(2)		(37)	(33)
Interest paid		(326)	(277)
Financing costs		(31)	-
Net cash outflow from financing activities		(374)	(326)
Net (decrease)/increase in cash and cash equivalents		(107)	74
Cash and cash equivalents at beginning of year	5.1	266	185
Effect of movements in foreign exchange		5	7
Cash and cash equivalents at end of year	5.1	**164**	**266**

(1) *The 2022 comparative has been adjusted to reclassify share-based payments of £21 million from changes in non-current liabilities to depreciation, amortisation, impairment and share-based payments.*

(2) *Capital repayments of leases are stated net of £3 million received from the landlord relating to the three UK Resort Theme Park locations. In 2022 they are stated net of £6 million received from the landlord as part of the lease modification at Heide Park Resort (see note 5.4).*

NOTES TO THE ACCOUNTS

SECTION 1

BASIS OF PREPARATION

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

1.1 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 52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*.

These consolidated financial statements refer to Adjusted EBITDA, which is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment, share-based payments and is after taking account of attributable profit after tax of joint controlled entities. The consolidated financial statements for the 53 weeks to 31 December 2022 referred to EBITDA. EBITDA 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.

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

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

Going concern

The Group reported a loss for the year of £217 million *(2022: profit of £89 million)* and generated operating cash inflows of £554 million *(2022: £622 million)*. The Board has assessed the Group and Company's ability to continue as a going concern to the end of Q3 2025 (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 30 December 2023, the Group had a cash balance of £164 million and available undrawn facilities of £370 million relating to the Group's revolving credit facility (RCF). The Group's sources of financing and its net debt at the reporting date are detailed in notes 5.1 and 5.2.

In February 2024 we completed a further debt refinancing exercise (see note 6.6). This secured cash proceeds, net of fees, of approximately £170 million. The RCF was also increased from £400 million to £428 million, with otherwise similar terms to the RCF agreement in place throughout the financial year. Excluding these additional cash proceeds, and 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.

As of Q3 2023, and following a period when a covenant waiver applied, a financial covenant was reinstated 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 the consolidated senior secured debt ratio below 10:1. 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 required 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 2025 are derived from the Group's 2024 budget, completed in Q4 2023, and its longer term strategic plan, both approved by the Merlin Board in December 2023. 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 enhanced revenue management initiatives combined with significant investment in digital and data tools. It also includes the expected impact of management actions to mitigate inflationary cost pressures, while maintaining the customer experience.
- The impact of economic headwinds on guests' disposable incomes has been considered. Data has been utilised derived from forward looking sources and historic trading periods, to consider the potential impact to trading. We do not expect any significant impact to visitation numbers. Marketing strategies to stimulate visitation and manage demand can be implemented as required.

NOTES TO THE ACCOUNTS

SECTION 1

BASIS OF PREPARATION CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

1.1 BASIS OF PREPARATION (CONTINUED)

- Modelled capital expenditure reflects the Group's latest strategic plans, with 2024 in particular expected to be a year of significant investment. Expansionary capital expenditure on planned attractions will continue throughout the assessment period, alongside increased capital expenditure at existing attractions to solidify and premiumise existing estate offerings, whilst continuing 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.
- Over the going concern assessment period, the financial covenant applies should the RCF be drawn by 40% or more. Modelling reflects the renegotiated RCF terms as at February 2024 (see note 6.6). Under the base case, the Group is compliant with the financial covenant throughout the assessment period.
- Interest rates modelled during the assessment period are based on forward market rates, reflect the hedging arrangements in place (see note 5.3), and the Group's updated external debt position following the refinancing in February 2024 (see note 6.6).

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 2025 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 2025. 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 $400 million of 5.75% senior secured notes due 2026.

Downside scenarios

The Directors believe the base case scenario above is reasonable and appropriate, with the potential impact of increasing inflationary and finance costs inbuilt. It also includes the costs of our response to climate change.

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 that could lead to attraction closures. 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. The Group's strategy includes significant planned increased investment in existing attractions, new offerings and strategic initiatives which could be paused or ceased if required. 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 obtain a 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 1

BASIS OF PREPARATION CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

1.1 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 6.7) 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 in 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 1

BASIS OF PREPARATION CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

1.1 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 Gateway 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)*
    - i) 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 the note. Future valuation fluctuations could materially impact share-based payment expenses recognised in subsequent periods.
    - ii) using the Group's approved seven 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. The maximum length of award is expected to be eight years from the reporting date.

NOTES TO THE ACCOUNTS

SECTION 2
RESULTS FOR THE YEAR

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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.

	Gateway Attractions £m	LEGOLAND Parks £m	Resort Theme Parks £m	Segment results £m	Other items [3] £m	Exceptional items [4] £m	Total £m
2023							
Visitor revenue	729	653	366	1,748	-	-	1,748
Accommodation revenue	-	219	78	297	-	-	297
Other revenue	19	42	9	70	10	-	80
Revenue[1]	**748**	**914**	**453**	**2,115**	**10**	**-**	**2,125**
Adjusted EBITDA[2]	**284**	**307**	**143**	**734**	**(72)**	**-**	**662**
Share-based payments (note 5.6)	(1)	-	-	(1)	(12)	-	(13)
Depreciation and amortisation (note 4.1, 4.2, 5.4)	(122)	(86)	(53)	(261)	(6)	-	(267)
Impairment (note 4.1, 5.4)	-	-	-	-	-	(210)	(210)
Operating profit[2]	161	221	90	472	(90)	(210)	172
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**
Adjusted EBITDA[2]	**251**	**333**	**158**	**742**	**(50)**	**-**	**692**
Share-based payments (note 5.6)	(2)	(3)	(1)	(6)	(15)	-	(21)
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

(1) *Revenue is disaggregated into the three categories described below.*
(2) *Performance is measured based on segment Adjusted EBITDA, as included in internal management reports. Adjusted EBITDA is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment, share-based payments and is after taking account of attributable profit after tax of joint controlled entities. In the consolidated financial statements for the 53 weeks to 31 December 2022 we referred to EBITDA. EBITDA 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. 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

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

2.1 PROFIT BEFORE TAX (CONTINUED)

Geographical information

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.

	Revenues 2023 £m	Non-current assets 2023 £m	Revenues 2022 £m	Non-current assets 2022 £m
United Kingdom	648	3,041	593	2,963
Continental Europe	519	1,680	468	1,694
North America	671	2,125	710	2,379
Asia Pacific	287	809	235	959
	2,125	7,655	2,006	7,995
Investments (note 6.1)		11		11
Employee benefits (note 6.2)		3		2
Derivative financial assets		18		39
Tax receivable		32		31
Deferred tax (note 2.4)		5		5
		7,724		8,083

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. Where the Group sells LEGO models to third party development partners, for example in connection with the development of LEGOLAND resorts in China, revenue is recognised at delivery, at the time when control over those models passes to the customer.

Cost of sales

Cost of sales of £388 million *(2022: £359 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

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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:

	2023	2022
Operations	19,937	19,581
Attraction management and central administration	1,820	1,635
	21,757	21,216

Reflecting the seasonality of our operations, and the evolution of the business, we have updated the method by which we calculate average employee numbers and how they are reported between the two categories above. We have re-presented 2022, where we had previously reported a total of 20,561 average employees.

The aggregate payroll costs of these persons were as follows:

	2023 £m	2022 £m
Wages and salaries	474	455
Social security costs	56	49
Other pension costs	16	13
Government support	-	(2)
	546	515
Share-based payments (note 5.6)	13	21
	559	536

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 £nil *(2022: £2 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

The remuneration of the Directors of the Board was as follows:

	2023 £m	2022 £m
Directors' remuneration	0.3	0.3
Share-based payments and other related payments	0.3	-
	0.6	0.3

Directors' remuneration in the table above also represents the remuneration of the highest paid Director. There were no Company pension contributions payable.

Related party transactions with key management personnel

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

	2023 £m	2022 £m
Key management emoluments including social security costs	7.2	7.9
Contributions to money purchase pension schemes	0.1	-
	7.3	7.9

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

2.1 PROFIT BEFORE TAX (CONTINUED)

In addition to the above, charges relating to share-based payments totalled £7.8 million *(2022: £12.6 million)* in relation to the schemes described in note 5.6.

Auditor's remuneration

	2023 £m	2022 £m
Audit of these financial statements	2.4	2.4
Audit of financial statements of subsidiaries	0.6	0.5
Other assurance services	0.6	-
	3.6	2.9

In 2023 fees included within other assurance services related to the debt refinancing undertaken in the year. 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 accessed a number of other support measures. These totalled £nil *(2022: £33 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.

	2023 £m	2022 £m
Within depreciation, amortisation and impairment:		
Impairment of property, plant and equipment and right-of-use assets(1)	210	22
Impairment of investment in joint venture undertaking(2)	-	7
Exceptional items included within operating profit	210	29
Within finance income and costs		
Charges in respect of debt refinancing(3)	36	-
Exceptional items before income tax	246	29
Income tax credit on exceptional items above	(45)	(4)
Exceptional items for the year	201	25

(1) *Impairment charges have been made in the year of £199 million in property, plant and equipment and £11 million in right-of-use assets. £195 million was in respect of two of the Group's LEGOLAND resorts, LEGOLAND New York and LEGOLAND Korea, and £15 million in respect of certain of the Group's Gateway attractions, taking into account reviews of the market and economic conditions at those locations. Both of the recently opened LEGOLAND resorts have traded below initial expectations to date. Trading has also been aggravated by short term external factors such as extreme weather during peak trading periods, in addition to the impact of softening consumer demand and ongoing underlying operating cost pressures. Taking this recent performance into account, we have reassessed our expectations as to the pace of growth at these two locations over the medium term. While we are confident in the long term success of these resorts, we believe that they will take significantly longer to reach their base operating maturity. In accordance with our approach to impairment testing (see note 4.3), we have calculated recoverable amounts using a five year planning period, with cash flows beyond the five year outlook period then extrapolated using long term average growth rates. In 2022 impairment charges were 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 Gateway attractions. They are separately presented as they are not part of the Group's underlying depreciation charge.*

(2) *Impairment charges were made in 2022 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 reflected an assessment of market and economic conditions in that location.*

(3) *As a result of the debt refinancing in the year, the Group recognised a one off charge reflecting amended terms that adjusted the carrying value of modified debt. Charges incurred upon debt extinguishment have also been recognised, including early debt repayment fees and the accelerated amortisation of previous debt issuance costs.*

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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

	2023 £m	2022 £m
Interest income	8	2
Other		
Net foreign exchange gain	-	27
	8	29

Finance costs

	2023 £m	2022 £m
Interest expense on lease liabilities	79	76
Interest expense on financial liabilities measured at amortised cost	262	203
Other interest expense	6	-
Other		
Net foreign exchange loss	11	-
	358	279
Exceptional items		
Charges in respect of debt refinancing	36	-
	394	279

Capitalised borrowing costs amounted to £5 million in 2023 *(2022: £3 million)*, with a capitalisation rate of 7.3% *(2022: 4.9%)*. Tax relief on capitalised borrowing costs amounted to £1 million in 2023 *(2022: £1 million)*.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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

	2023 £m	2022 £m
Current tax		
Current year	46	31
Adjustment for prior periods	3	(5)
Total current income tax	49	26
Deferred tax		
Origination and reversal of temporary differences	(63)	14
Changes in tax rate	(3)	2
Adjustment for prior periods	20	5
Total deferred tax	(46)	21
Total tax expense in income statement	3	47

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

2.4 TAXATION (CONTINUED)

Reconciliation of effective tax rate

	2023 %	2023 £m	2022 %	2022 £m
(Loss)/profit before tax		(214)		136
Income tax using the UK domestic corporation tax rate	23.5%	(50)	19.0%	26
Effect of tax rates in foreign jurisdictions		5		21
Non-deductible expenses		4		7
Movement in uncertain tax provisions		(4)		(12)
Income not subject to tax		(1)		(1)
Effect of changes in tax rate		(3)		2
Effect of recognising deferred tax assets previously unrecognised		-		(5)
Unrecognised temporary differences		29		9
Adjustment for prior periods		23		-
Total tax expense in income statement	(1.5%)	3	34.6%	47

The reported effective tax rate (ETR) is (1.5%). The difference between the underlying ETR (excluding exceptionals) of 149.3% and the UK standard tax rate of 23.5% is primarily attributable to £14 million relating to the correction of an error in prior periods in respect of the tax treatment of certain German long term leases where the local tax base had not been correctly identified. Management has concluded that this was not qualitatively material for adjusting as a prior year restatement and therefore recognised the charge fully within this year. Other factors include the derecognition of tax losses in certain jurisdictions, the effect of tax rates in foreign jurisdictions and certain non-deductible expenditure offset by movements in uncertain tax positions.

In 2022, the reported effective tax rate (ETR) was 34.6%. The difference between the underlying ETR (excluding exceptionals) of 30.8% and the UK standard tax rate of 19.0% was primarily attributable to the effect of tax rates in foreign jurisdictions and certain non-deductible expenditure offset by movements in uncertain tax positions. During the course of 2022, the conclusion of tax authority enquiries enabled certain provisions to be released or reassessed.

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 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 subsequently lodged an appeal to the Court of Justice of the European Union. The appeal was heard in January 2024 and the Advocate General's (AG's) opinion is expected on 24 April 2024. The AG's opinion is informative but not determinative: a final decision is expected later in 2024. The Group expects the appeal will 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.

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting published the Pillar Two model rules designed to address the tax challenges arising from the digitalisation of the global economy. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates and will be effective for the Group's 2024 financial year. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure.

The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment is based on the most recent tax filings, country-by-country reporting, and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply, and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions. The Group applies the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two, as provided in the amendments to IAS 12 issued in May 2023.

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

2.4 TAXATION (CONTINUED)

Recognised through the statement of other comprehensive income

	2023 £m	2022 £m
Effective portion of changes in fair value of cash flow hedges	(5)	9
Remeasurement gains on defined benefit plans	-	2
Total tax (credit)/expense in statement of other comprehensive income	(5)	11

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Property, plant and equipment	54	24	(249)	(244)	(195)	(220)
Right-of-use assets	-	-	(190)	(200)	(190)	(200)
Lease liabilities	141	168	-	-	141	168
Other short term temporary differences	39	61	(15)	(24)	24	37
Corporate interest restriction	128	72	-	-	128	72
Intangible assets	7	7	(347)	(351)	(340)	(344)
Tax value of loss carry-forwards	55	52	-	-	55	52
Tax assets/(liabilities)	424	384	(801)	(819)	(377)	(435)
Set-off tax	(419)	(379)	419	379	-	-
Net tax assets/(liabilities)	5	5	(382)	(440)	(377)	(435)

In 2023 the disclosure has been expanded to separately identify deferred tax associated with right-of-use assets and lease liabilities which were previously combined. Additionally, the corporate interest restriction, previously limited to the UK, has been amended to include similar interest restrictions in overseas territories that were previously disclosed within other short term differences. 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

	1 January 2023 £m	Acquisitions through business combinations £m	Recognised in income £m	Recognised in other comprehensive income £m	Effect of movements in foreign exchange £m	30 December 2023 £m
Property, plant and equipment	(220)	-	18	-	7	(195)
Right-of-use assets	(200)	-	10	-	-	(190)
Lease liabilities	168	-	(29)	-	2	141
Other short term temporary differences	37	-	(16)	5	(2)	24
Corporate interest restriction	72	-	57	-	(1)	128
Intangible assets	(344)	-	2	-	2	(340)
Tax value of loss carry-forwards	52	-	4	-	(1)	55
Net tax assets/(liabilities)	(435)	-	46	5	7	(377)

NOTES TO THE ACCOUNTS

SECTION 2

RESULTS FOR THE YEAR CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

2.4 TAXATION (CONTINUED)

In 2023 movements recognised in income were principally due to exceptional impairment costs and interest restrictions imposed by certain territories. These movements are partially offset by prior year adjustments in respect of leases as described above.

Movement in deferred tax during the previous 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 was partially offset by interest disallowances in the UK.

Unrecognised deferred tax assets

	Gross amount 2023 £m	Tax effected 2023 £m	Gross amount 2022 £m	Tax effected 2022 £m
Property, plant and equipment	84	17	23	5
Right-of-use assets / lease liabilities	58	17	54	18
Other short term temporary differences	96	22	94	20
Intangible assets	1	-	1	-
Tax value of loss carry-forwards	410	91	381	86
Net unrecognised tax assets	649	147	553	129

The unrecognised deferred tax assets relating to loss carry-forwards include £21 million *(2022: £15 million)* expiring in 0-5 years and £22 million *(2022: £23 million)* expiring in 6-10 years. The remaining losses and other timing differences do not expire under current tax legislation.

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

NOTES TO THE ACCOUNTS

SECTION 3
BUSINESS COMBINATIONS

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 2022 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 December 2022 the Group took over the operations of the Cadbury World attraction in the UK. Consideration of £8 million was recognised, which was subject to the performance of the attraction and will be paid 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
Acquiree's net assets at the acquisition date	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 arising on these acquisitions of £27 million has been allocated to the Gateway Attractions Operating Group as this is the level at which the synergies associated with these acquisitions will arise. The goodwill arose on these transactions as they support the Group's wider strategy to build clusters of Gateway attractions. 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.

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

4.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Cost				
At 26 December 2021	1,544	1,176	232	2,952
Acquisitions through business combinations	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
Additions	1	20	256	277
Disposals	(1)	(20)	-	(21)
Transfers	69	92	(161)	-
Transfers to other intangible assets (note 4.2) and right-of-use assets (note 5.4)	-	(6)	(5)	(11)
Effect of movements in foreign exchange	(83)	(53)	(4)	(140)
Balance at 30 December 2023	1,916	1,314	210	3,440
Depreciation				
At 26 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
Depreciation for the year	71	115	-	186
Impairment	157	42	-	199
Disposals	-	(18)	-	(18)
Transfers	(4)	4	-	-
Transfers to other intangible assets (note 4.2)	-	(4)	-	(4)
Effect of movements in foreign exchange	(14)	(17)	-	(31)
Balance at 30 December 2023	489	514	-	1,003
Carrying amounts				
At 25 December 2021	1,360	915	232	2,507
At 31 December 2022	1,651	889	124	2,664
At 30 December 2023	1,427	800	210	2,437

Depreciation is calculated in line with the policy stated previously.

During each 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 £199 million *(2022: £19 million)*, materially all in respect of the Group's LEGOLAND New York and LEGOLAND Korea resorts, arising from a review of market and economic conditions at those locations where the carrying value exceeded the recoverable amount.

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 new attractions that are under construction. These commitments are expected to be settled within two financial years of the reporting date. These amount to £135 million *(2022: £62 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 when 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)

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

4.2 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Goodwill and intangible assets

		Intangible assets		
	Goodwill £m	Brands £m	Other £m	Total £m
Cost				
At 26 December 2021	2,432	1,312	35	3,779
Acquisitions through business combinations	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
Additions	-	-	8	8
Disposals	-	-	(1)	(1)
Transfer from property, plant and equipment (note 4.1)	-	-	6	6
Effect of movements in foreign exchange	(98)	(4)	(1)	(103)
Balance at 30 December 2023	2,525	1,317	45	3,887
Amortisation				
At 26 December 2021	258	1	9	268
Amortisation for the year	-	1	5	6
Transfer to right-of-use assets (note 5.4)	-	-	(1)	(1)
Effects of movements in foreign exchange	19	-	-	19
Balance at 31 December 2022	277	2	13	292
Amortisation for the year	-	-	8	8
Disposals	-	-	(1)	(1)
Transfer from property, plant and equipment (note 4.1)	-	-	4	4
Effect of movements in foreign exchange	(11)	-	(1)	(12)
Balance at 30 December 2023	266	2	23	291
Carrying amounts				
At 25 December 2021	2,174	1,311	26	3,511
At 31 December 2022	2,346	1,319	20	3,685
At 30 December 2023	2,259	1,315	22	3,596

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 *(2022: £nil)*.

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

4.2 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Goodwill

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

	2023 £m	2022 £m
Gateway Attractions	353	364
LEGOLAND Parks	1,777	1,852
Resort Theme Parks	129	130
	2,259	2,346

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.

	2023 £m	2022 £m
Gateway Attractions		
Madame Tussauds	428	428
SEA LIFE	205	205
London Eye	213	213
Dungeons	92	92
Other	6	6
	944	944
Resort Theme Parks		
Gardaland Resort	172	175
Alton Towers Resort	92	92
Thorpe Park Resort	30	30
Heide Park Resort	31	32
Chessington World of Adventures Resort	28	28
Warwick Castle	18	18
	371	375
	1,315	1,319

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 in 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 first five years of the Group's internally approved seven year business plan, 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 Adjusted 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 Adjusted EBITDA	Adjusted 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% *(2022: 2.5%)* was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth.

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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	
	2023	2022	2023	2022
Gateway Attractions	11.5%	10.7%	9.1%	8.6%
LEGOLAND Parks	11.2%	10.7%	8.9%	8.5%
Resort Theme Parks	11.5%	10.9%	9.4%	8.6%

Impairment charges

Impairment charges have been made in the year of £199 million in property, plant and equipment (PPE) and £11 million in right-of-use assets. £195 million was in respect of two of the Group's LEGOLAND resorts, LEGOLAND New York and LEGOLAND Korea, and £15 million in respect of certain of the Group's Gateway attractions, taking into account reviews of the market and economic conditions at those locations.

Both of the recently opened LEGOLAND resorts have traded below initial expectations to date. Trading has also been aggravated by short term external factors such as extreme weather during peak trading periods, in addition to the impact of softening consumer demand and ongoing underlying operating cost pressures. Taking this recent performance into account, we have reassessed our expectations as to the pace of growth at these two locations over the medium term. While we are confident in the long term success of these resorts, we believe that they will take significantly longer to reach their base operating maturity.

LEGOLAND New York had an impairment charge of £128 million. If the relevant forecasted cash flows were 5% lower than currently anticipated there would be an incremental impairment charge against PPE of £18 million. If the pre-tax discount rate used in the value in use calculations of 11.3% had been 50 basis points higher (the incremental movement in the rate between 2022 and 2023 for LLP) the Group would have recognised an incremental impairment charge against PPE of £16 million. If the pre-tax discount rate had been 50 basis points lower the impairment charge would have been £19 million lower.

LEGOLAND Korea had an impairment charge of £67 million. If the relevant forecasted cash flows were 5% lower than currently anticipated there would be an incremental impairment charge against PPE of £6 million. If the pre-tax discount rate used in the value in use calculations of 10.7% had been 50 basis points higher (the incremental movement in the rate between 2022 and 2023 for LLP) the Group would have recognised an incremental impairment charge against PPE of £5 million. If the pre-tax discount rate had been 50 basis points lower the impairment charge would have been £5 million lower.

In 2022 impairment charges were 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 Gateway attractions.

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.

In undertaking sensitivity analysis consideration has been given to movements in forecast Adjusted 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 (2028), 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.

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 £174 million *(2022: £550 million)* and the Resort Theme Parks Operating Group where the headroom is £88 million *(2022: £173 million)*.

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

4.3 IMPAIRMENT TESTING (CONTINUED)

The Gateway Attractions Operating Group and the individual brands show considerable headroom and are not sensitive to significant changes in any of the key assumptions.

LEGOLAND Parks (LLP)

- If Adjusted EBITDA for LLP as a whole was forecast to be 5% lower than currently anticipated for 2028 (the perpetuity year), goodwill headroom would be absorbed in full.
- If the pre-tax discount rate used across LLP had been 50 basis points higher at 11.7%, headroom would have been absorbed in full. The rate used in the impairment testing increased by 50 basis points between 2022 and 2023.
- If circumstances caused the long term growth rate to lower from 2.5% to 1.8%, headroom would be absorbed in full.

Resort Theme Parks (RTP)

- If Adjusted EBITDA for RTP as a whole was forecast to be 5% lower than currently anticipated for 2028 (the perpetuity year), goodwill headroom would be absorbed in full.
- If the pre-tax discount rate used across RTP had been 80 basis points higher at 12.3%, headroom would have been absorbed in full. The rate used in the impairment testing increased by 60 basis points between 2022 and 2023.
- If circumstances caused the long term growth rate to lower from 2.5% to 1.5%, headroom would be absorbed in full.

4.4 WORKING CAPITAL

Accounting policies

Inventories

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

	2023 £m	2022 £m
Maintenance inventory	17	13
Work in progress	6	6
Goods for resale	46	42
	69	61

Trade and other receivables

	Current assets		Non-current assets	
	2023 £m	2022 £m	2023 £m	2022 £m
Trade receivables	40	52	-	-
Other receivables	84	65	1	2
Prepayments	34	34	1	1
Contract assets	19	14	16	10
	177	165	18	13

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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:

	2023 £m	2022 £m
Neither past due nor impaired	27	34
Up to 30 days overdue	6	11
Between 30 and 60 days overdue	1	3
Between 60 and 90 days overdue	1	1
Over 90 days overdue	5	3
	40	52

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

Trade and other payables

	Current liabilities		Non-current liabilities	
	2023 £m	2022 £m	2023 £m	2022 £m
Trade payables	60	73	-	-
Accruals	151	179	-	-
Deferred income	176	194	41	15
Other payables	42	45	48	47
	429	491	89	62

Accruals

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

At year end exchange rates, this also includes £49 million *(2022: £52 million)* received in respect of funding and infrastructure support for the development of LEGOLAND Korea. Further details are provided in note 6.3.

£117 million of the deferred income at 31 December 2022 was recognised in revenue in 2023 *(2022: £106 million of £190 million at 25 December 2021 recognised in 2022)*.

Other payables

Non-current other payables includes £31 million in respect of share-based payment transactions *(2022: £20 million)*. Further details are provided in note 5.6.

NOTES TO THE ACCOUNTS

SECTION 4 OPERATING ASSETS AND LIABILITIES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 Group's 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 1 January 2023	92	59	151
Provisions made during the year	11	5	16
Utilised during the year	(1)	(12)	(13)
Unused amounts reversed	(8)	(6)	(14)
Unwinding of discount	2	-	2
Effect of movements in foreign exchange	(4)	-	(4)
Balance at 30 December 2023	92	46	138
2023			
Current	-	21	21
Non-current	92	25	117
	92	46	138
2022			
Current	-	23	23
Non-current	92	36	128
	92	59	151

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 in 2042. 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.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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.

	1 January 2023 £m	Acquisitions through business combinations £m	Net cash flows [(1)] £m	Non-cash movements [(2)] £m	Effect of movements in foreign exchange [(3)] £m	30 December 2023 £m
Cash and cash equivalents	266	-	(107)	-	5	164
Interest-bearing loans and borrowings	(3,807)	-	269	(307)	133	(3,712)
Lease liabilities	(1,612)	-	105	(162)	36	(1,633)
Net debt	(5,153)	-	267	(469)	174	(5,181)

	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)

(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.*

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
£400 million floating rate revolving credit facility due 2026	-	-		-	-	-
Floating rate bank facilities due 2026	10	11	1,432	2,352	1,442	2,363
Floating rate bank facilities due 2029	-	-	711	-	711	-
€500 million fixed rate notes due 2025	-	-	-	440	-	440
$400 million fixed rate notes due 2026	-	-	321	340	321	340
€700 million fixed rate notes due 2030	-	-	598	-	598	-
€370 million fixed rate notes due 2027	-	-	316	321	316	321
$410 million fixed rate notes due 2027	-	-	316	332	316	332
Other loans	-	1	-	-	-	1
Interest payable	8	10	-	-	8	10
	18	22	3,694	3,785	3,712	3,807

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 30 December 2023, the Group's senior facilities are the following:

Senior secured debt

- €575 million and $1,220 million drawn facilities to mature in November 2026 entered into by the Company's subsidiary Motion Finco S.à r.l.
- €821 million drawn facilities to mature in November 2029 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 30 December 2023 were at a margin of 3.0% *(2022: 3.0%)* for the €575 million borrowings; 4.0% for the €821 million borrowings and 3.25% *(2022: 3.25%)* for USD borrowings over the floating interest rates when drawn. The relevant floating interest rates are Term SOFR, which was 5.61% at 30 December 2023 *(USD LIBOR of 4.73% at 31 December 2022),* and EURIBOR, which was 3.93% at 30 December 2023 *(2.20% at 31 December 2022)*.
- $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.
- €700 million of 7.375% senior secured notes due 2030 entered into by the Company's subsidiary Motion Finco S.à r.l. 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.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.2 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

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. £10 million was repaid in 2023 *(2022: £14 million)*.

During the year the Group repaid €500 million (£429 million) of senior secured notes due to mature in 2025 and issued €700 million (£601 million) of new senior secured notes at a fixed rate of 7.375% to mature in 2030. The Group used the excess proceeds, net of fees, to repay a net €63 million (£55 million) and $108 million (£86 million) of drawn floating rate facilities due to mature in 2026 and extended the maturity of a further €821 million of drawn floating rate facilities due to mature in 2026 to 2029.

Subsequent to the year end, in February 2024, the Group completed a further debt refinancing exercise as follows:

- Issued $500 million of new senior secured notes to mature in 2031.
- Extended $1,220 million of drawn floating rate facilities due to mature in 2026 to 2029, increasing the size to $1,385 million.
- Extended €215 million of drawn floating rate facilities due to mature in 2026 to 2029.
- Used some of the proceeds to repay €376m of drawn floating rate facilities due to mature in 2026 and 2029, decreasing the size to €1,020 million.

The refinancing secured cash proceeds, net of fees, of approximately £170 million. The Group's revolving credit facility was also increased from £400 million to £428 million with an extension to the maturity to 2029.

Other loans taken out in respect of specific capital projects have now been repaid *(2022: £1 million)*.

Covenants

As of Q3 2023, and following a period when a covenant waiver applied, a financial covenant has been reinstated in relation to the Group's £400 million revolving credit facility, which applies when the revolving credit facility is drawn by 40% or more (net of cash and cash equivalents). It requires the Group to maintain the consolidated senior secured debt ratio below 10:1.

With effect from June 2021, the Group agreed with its revolving credit facility lenders to waive the leverage covenant until Q3 2023. The terms of the waiver agreement required the Group 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.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 30 December 2023 the Group had £164 million of cash and cash equivalents *(2022: £266 million)* and access to a £400 million revolving credit facility, of which £30 million was utilised in 2023 *(2022: £30 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
2023							
Floating rate bank facilities due 2026	(98)	(130)	(1,601)	-	-	-	(1,829)
Floating rate bank facilities due 2029	(43)	(57)	(186)	(762)	-	-	(1,048)
$400 million fixed rate notes due 2026	(18)	(19)	(323)	-	-	-	(360)
€700 million fixed rate notes due 2030	(46)	(45)	(136)	(675)	-	-	(902)
€370 million fixed rate notes due 2027	(15)	(14)	(350)	-	-	-	(379)
$410 million fixed rate notes due 2027	(22)	(22)	(365)	-	-	-	(409)
Lease liabilities	(112)	(109)	(325)	(493)	(848)	(2,642)	(4,529)
Derivatives	16	22	28	-	-	-	66
Trade payables	(60)	-	-	-	-	-	(60)
	(398)	(374)	(3,258)	(1,930)	(848)	(2,642)	(9,450)
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)

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 30 December 2023 the Group had £1,564 million of fixed rate debt comprising:

- $400 million of 5.75% notes to mature in 2026;
- €700 million of 7.375% notes to mature in 2030;
- €370 million 4.5% notes to mature in 2027; and
- $410 million 6.625% notes to mature in 2027.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 $600 million of floating rate USD debt to swap the floating interest rate to a fixed rate and on €700 million of floating rate EUR debt to cap the floating interest rate to a capped rate on the drawn floating rate facilities. During Q3 2023, the relevant floating rate used for the drawn USD floating rate facilities and the interest rate swaps was amended from USD LIBOR to Term Secured Overnight Financing Rate (Term SOFR). As a result of this change the average rate on the interest rate swaps changed to from c.3.15% to c.2.93%.

In aggregate, at the end of the reporting period, 72% *(2022: 67%)* of the Group's interest-bearing loans and borrowings is at a fixed/capped rate for a weighted average period of 4 years *(2022: 4 years)*. At 30 December 2023 the fair value of interest rate derivative assets was £18 million *(2022: £39 million)*. 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.

Sensitivity analysis

Based on the net debt position as at 30 December 2023 a 100 basis points rise in market interest rates would result in an increase in net interest paid of £9 million *(2022: £10 million)* and a 100 basis points fall in market interest rates would result in a decrease in net interest paid of £9 million *(2022: £14 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 30 December 2023 the fair value of foreign currency swap assets was £1 million *(2022: £5 million)* and of foreign currency swap liabilities was £4 million *(2022: £7 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 30 December 2023 the amounts drawn consisted of €2,466 million and $2,030 million. There are forward foreign exchange contracts in place in respect of JPY 16,365 million *(2022: JPY 16,065 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.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2021	Weighted average rate for 2022	Closing rate for 2022	Weighted average rate for 2023	Closing rate for 2023
US Dollar	1.34	1.25	1.21	1.24	1.27
Euro	1.18	1.18	1.13	1.15	1.15

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

	Carrying value				
	Sterling £m	Euro £m	US Dollar £m	Other £m	Total £m
2023					
Cash and cash equivalents	23	21	66	54	164
Floating rate bank facilities due 2026	4	(498)	(948)	-	(1,442)
Floating rate bank facilities due 2029	-	(711)	-	-	(711)
$400 million fixed rate notes due 2026	-	-	(321)	-	(321)
€700 million fixed rate notes due 2030	-	(598)	-	-	(598)
€370 million fixed rate notes due 2027	-	(316)	-	-	(316)
$410 million fixed rate notes due 2027	-	-	(316)	-	(316)
Lease liabilities	(1,042)	(290)	(82)	(219)	(1,633)
	(1,015)	(2,392)	(1,601)	(165)	(5,173)
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)

Sensitivity analysis on foreign currency risk

A 10% strengthening of all currencies against Sterling would increase net debt by £373 million *(2022: £383 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 £16 million *(2022: £5 million)*.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 *(2022: £nil)*.

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.

		2023		2022	
	Fair value hierarchy	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Held at amortised cost					
Floating rate bank facilities due 2026	Level 2	(1,442)	(1,457)	(2,363)	(2,277)
Floating rate bank facilities due 2029	Level 2	(711)	(712)	-	-
€500 million fixed rate notes due 2025	Level 1	-	-	(440)	(443)
$400 million fixed rate notes due 2026	Level 1	(321)	(312)	(340)	(310)
€700 million fixed rate notes due 2030	Level 1	(598)	(619)	-	-
€370 million fixed rate notes due 2027	Level 1	(316)	(292)	(321)	(272)
$410 million fixed rate notes due 2027	Level 1	(316)	(300)	(332)	(293)
Other loans	Level 3	-	-	(1)	(1)
Held at fair value					
Derivative financial instruments	Level 2	15	15	37	37
Minority equity investments	Level 3	11	11	11	11
		(3,678)	(3,666)	(3,749)	(3,548)

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 2023 or 2022.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 charges and any required 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.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 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 recognised in profit or loss. The total recognised in the income statement was £nil *(2022: £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 in 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 minimum increase 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. 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.

For the modifications above the incremental borrowing rate 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 Gateway 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 Gateway 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 other variable lease payments, usually in the form of rent based on a percentage of the turnover generated by the relevant attraction. These payments are in addition to or instead of any fixed or minimum rent amounts and are charged directly to the income statement. They are not included in the measurement of the lease liability or ROU assets as they are contingent on performance and there is no obligation to pay any such amounts until that performance occurs. As noted below, the expense relating to these variable lease payments was £28 million in 2023 *(2022: £23 million).*

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

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.4 LEASE OBLIGATIONS (CONTINUED)

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 26 December 2021	1,574	114	1,688
Acquisitions through business combinations	16	-	16
Additions	146	2	148
Movements in asset retirement provisions	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
Additions	80	7	87
Movements in asset retirement provisions (note 4.5)	4	(1)	3
Disposals	(9)	-	(9)
Transfer from property, plant and equipment (note 4.1)	5	-	5
Effect of movements in foreign exchange	(39)	(3)	(42)
Balance at 30 December 2023	1,810	120	1,930
Depreciation			
At 26 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
Depreciation for the year	70	3	73
Impairment	11	-	11
Disposals	(4)	-	(4)
Effect of movements in foreign exchange	(7)	-	(7)
Balance at 30 December 2023	310	16	326
Carrying amounts			
At 25 December 2021	1,408	104	1,512
At 31 December 2022	1,529	104	1,633
At 30 December 2023	1,500	104	1,604

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. In 2023 impairment charges were made of £11 million *(2022: £3 million)*, in respect of certain of the Group's Gateway attractions, arising from a review of market and economic conditions at those locations where the carrying value exceeded the recoverable amount.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.4 LEASE OBLIGATIONS (CONTINUED)

Lease liabilities

	2023 £m	2022 £m
Current	42	42
Non-current	1,591	1,570
	1,633	1,612

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

	2023 £m	2022 £m
Expense relating to variable lease payments	28	23
Depreciation expense of right-of-use assets	73	70
Interest expense on lease liabilities	79	76
	180	169

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 objectives, 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

	2023 Number	2023 £m	2022 Number	2022 £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.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.5 EQUITY AND CAPITAL MANAGEMENT (CONTINUED)

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.

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 30 December 2023 *(2022: £nil)*.

Translation reserve

The translation reserve of £(58) million *(2022: £(30) 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 £(6) million *(2022: £(10) million)* comprises accumulated changes in the time value of interest rate caps.

Cash flow hedge reserve

The cash flow hedge reserve of £18 million *(2022: £38 million)* 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 £4,775,928 *(2022: £4,545,262)* with the nominal value of the shares subscribed for as at the reporting date being £129,341 *(2022: £117,793)*. Upon the vesting date of the incentive plans, employees will hold a non-controlling interest in Motion TopCo Limited of 0.16% (*2022: 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.

In the year, a newly incorporated limited partnership, Motion LP, invested in shares within the Management Share Scheme on behalf of eligible employees. There has been deemed sufficient parity between awards issued under this arrangement to conclude it is appropriate to account for all shares in the Management Share Scheme in the same way. It has been concluded that Merlin has control over Motion LP and hence its results are included in the consolidated financial statements of the Group.

3,929,200 *(2022: 3,929,200)* 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 *(2022: £39,292)*. By way of control of the limited partnership, Motion LP, the Group owns 1,059,792 *(2022: nil)* of ordinary C class treasury shares held on trust for the beneficiaries of the share incentive plans. These shares have a nominal value of £10,598 *(2022: £nil)* and result in a reduction to equity.

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.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.6 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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 and a limited partnership (see note 5.5).

Analysis of share-based payment charge

The total charge for the year for all plans is £13 million *(2022: £21 million)*. At the reporting date, liabilities in respect of share-based payment transactions were £31 million *(2022: £20 million)*. The calculation of the charge for the year is affected by the calculations of the fair value of awards, as set out below, which includes the impact of current factors and future estimates. 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	2023 £m	2022 £m
LTB	4	5
EI	-	-
MSS	9	16
	13	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)]	8,156,797[(3),(4)]
Date of grant	November 2021	November 2021-July 2022	November 2021-December 2023
Weighted average award life (years)[(1)]	3.0	3.0	4.2

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 1 January 2023	4,970,113	7,696,425
Granted during the year	-	1,336,582
Forfeited during the year	-	(876,210)
At 30 December 2023	4,970,113[(2)]	8,156,797[(3),(4)]

(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 seven 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 eight 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 (2022: 4,823,468 preference B shares and 146,645 ordinary B shares).*

(3) *Ordinary C shares.*

(4) *Inclusive of 1,683,905 awards entitling the employee to a cash bonus equivalent in value to a notional number of shares and 6,472,892 allocated shares (2022: 1,619,225 awards and 6,077,200 allocated shares).*

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.6 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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. Known Executive retirements occurring in the periods ended 30 December 2023 and 28 December 2024 have resulted in the reduction of this maximum percentage since the prior year to 0.48%. The LTB award 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. Taxes due on cash bonus awards, equivalent to the value of a notional number of shares, will be settled via payroll.

The fair value of this award is estimated at £13 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 reperformed 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 a defined interim trigger event or exit. As an 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 various dates from November 2021 to December 2023, although some awards remain granted but unallocated. The plans can be subdivided into two tranches. The first tranche includes 5,972,892 ordinary C shares following eligible employee investment in Motion Topco Limited. This investment occurred via two routes. 4,923,698 of these shares were invested in directly by the employees. The remaining 1,049,194 shares were indirectly invested in via limited partner contributions on behalf of eligible employees. The first tranche also includes 1,683,905 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.

2,343,203 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. 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 all relevant individuals 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').

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.

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 EI 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 MSS shares issued are the obligation of the employee to settle.

NOTES TO THE ACCOUNTS

SECTION 5 CAPITAL STRUCTURE AND FINANCING CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

5.6 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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 EI 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[4]	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	12,630,563	0.0%	35.5%	3.5%
EI	Compound	4,970,113[1]	11/11/2021 22/07/2022	-	0.824	0.03	0.0%	35.5%	3.5%
MSS	Compound	3,283,735[2]	11/11/2021 23/12/2021	-	0.105	5.09	0.0%	35.5%	3.5%
MSS	Equity-settled	1,674,487[2]	11/11/2021 23/12/2021	-	0.105	4.83	0.0%	40.2%	3.5%
MSS	Cash-settled	514,670[2]	11/11/2021 23/12/2021	-	0.072	5.60	0.0%	37.8%	3.5%
MSS	Cash-settled (other)	2,683,905[2],[3]	23/12/2021	-	0.022	5.87	0.0%	35.5%	3.5%

(1) *Comprising 4,823,468 preference B shares and 146,645 ordinary B shares (2022: 4,823,468 preference B shares and 146,645 ordinary B shares).*
(2) *Ordinary C shares. 2,343,203 MSS awards remain unallocated as at 30 December 2023.*
(3) *These awards entitle the employee to a cash bonus equivalent in value to a notional number of shares. It also includes shares invested in by a limited partner on behalf of eligible employees.*
(4) *All 10,000,000 Tranche 1 MSS awards are deemed to have been granted on 11/11/2021 and 23/12/2021. Not all awards were allocated to specific employees on those dates. Unallocated awards have subsequently been allocated out on numerous dates up to the reporting date.*

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. Estimated future levels of volatility are based on volatility levels existing at the time of completing the valuation exercise each year. The expected volatility up to the defined interim trigger event has decreased from 54.9% to 35.5%. This year on year reduction in volatility, following emergence from periods severely impacted by COVID-19 uncertainty, is the primary driver behind the fall in share-based payment charge since the prior year. Future changes in volatility experience could affect the valuation exercise in future periods.
- 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.

NOTES TO THE ACCOUNTS

SECTION 6 OTHER NOTES

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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.

	IDR Resorts £m	Gangwon Jungdo Development Corporation £m	Shanghai LEGOLAND Co £m	Total £m
At 1 January 2023 and 30 December 2023	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.

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 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 *(2022: £nil)*. Positive value adjustments could occur in the future. The Group also holds a minority equity investment valued at £nil *(2022: £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 investment was impaired to £nil in 2022, with an impairment charge of £7 million. As such the Group's share of that company's retained losses for the period have not been recognised.

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

	2023 £m	2022 £m
Non-current assets	56	64
Current assets	7	9
Total assets	63	73
Non-current liabilities	44	45
Current liabilities	9	10
Total liabilities	53	55
Revenue	11	8
Expenses	19	17
Loss for the year	(8)	(9)

NOTES TO THE ACCOUNTS

SECTION 6
OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 £16 million *(2022: £13 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 2024. The weighted average duration of the defined benefit obligation at 30 December 2023 was 8 years *(2022: 10 years)*.

During the financial year ended 30 December 2023, a High Court ruling on the Virgin Media Limited vs Pension Trustees II Limited and Others case concluded that, in relation to contracted out rights amendments between 1997-2016, pension scheme amendments relating to past and future service rights made without appropriate actuarial confirmation (Section 37 Confirmations) were deemed to be void. This High Court ruling is currently undergoing an appeal process.

The Group has confirmed that during this time period, the defined benefit pension schemes were amended several times and a number of members within these schemes were contracted out. It is currently unknown if Section 37 Confirmations were obtained for these amendments. Should this appeal fail, it is therefore possible that a liability may arise for the Group which is, as yet, not possible to reliably estimate.

The assets and liabilities of the schemes are:

	2023 £m	2022 £m
Equities	11	12
Corporate bonds	20	17
Cash	1	1
Pooled investment funds (property)	2	2
Fair value of scheme assets	34	32
Present value of defined benefit obligations	(31)	(30)
Net pension surplus	3	2

NOTES TO THE ACCOUNTS

SECTION 6
OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

6.2 EMPLOYEE BENEFITS (CONTINUED)

Movement in the net pension surplus

	Present value of scheme assets £m	Present value of defined benefit obligations £m	Net pension surplus £m
At 26 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
Net interest	2	(2)	-
Contributions by employer	1	-	1
Benefits paid	(1)	1	-
At 30 December 2023	34	(31)	3

The amount recognised in the income statement was £nil *(2022: £nil)*. The amount recognised in the statement of other comprehensive income was £nil *(2022: £8 million)*.

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

	2023	2022
Discount rate	4.8%	5.0%
Rate of price inflation	3.2%	3.3%

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 86 and a female would have a life expectancy to age 88.

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 30 December 2023 and 31 December 2022 were as follows:

	Goods and services			
	Sales £m	Amount owed by related party £m	Purchases and royalties £m	Amount owed to related party £m
2023				
KIRKBI Invest A/S	1	-	18	3
LEGO Group	2	3	80	3
	3	3	98	6
2022				
KIRKBI Invest A/S	4	-	20	7
LEGO Group	-	3	92	2
	4	3	112	9

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 30 December 2023 are KIRKBI Invest A/S £413 million *(2022: £479 million)* and funds advised by parties related to Blackstone £26 million *(2022: £32 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 43 years remaining at the reporting date. The Group's obligations consist of fixed rental payments, turnover rent and service charges totalling £8 million *(2022: £6 million)*. The total undiscounted commitment relating to fixed rental payments is £212 million over the remaining lease term *(2022: £245 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 16 years remaining at the reporting date. The Group's obligations consist of fixed rental payments, turnover rent and service charges totalling £1 million *(2022: £1 million)*. The total undiscounted commitment relating to fixed rental payments is £7 million over the remaining lease term *(2022: £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 18 years remaining at the reporting date. The Group's obligations consist of fixed rental payments, turnover rent and service charges totalling less than £1 million *(2022: less than £1 million)*. The total undiscounted commitment relating to fixed rental payments is £8 million over the remaining lease term *(2022: £8 million)*.

The Group has other lease agreements with parties that are related parties of the Blackstone Investment Funds, who are shareholders in the Company. The Group's obligations for these agreements consist of fixed rental payments, turnover rent and services charges totalling £2 million *(2022: £2 million)*. The total undiscounted commitment relating to fixed rental payments on these leases is £23 million over the remaining terms of these leases *(2022: £22 million)*.

The Group also has a lease agreement with a party that is a related party of the Canada Pension Plan Investment Board (CPP Investments), who are shareholders in the Company. The Group's obligations consist of fixed rental payments, turnover rent and services charges totalling less than £1 million *(2022: less than £1 million)*. The total undiscounted commitment relating to fixed rental payments is £1 million over the remaining lease term *(2022: £1 million)*.

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

6.3 RELATED PARTY TRANSACTIONS (CONTINUED)

Other transactions

In 2023 £14 million *(2022: £6 million)* was received from LEGO Juris A/S, a KIRKBI Group company, to support development activities at various attractions. £1 million *(2022: less than £1 million)* of this amount remains in deferred income at the end of 2023 to be spent in future periods.

During 2023 the Group contracted payroll services, IT services and other services from companies that are related parties of the Blackstone Investment Funds that are shareholders in the Group. The total paid in the year to these companies was £3 million *(2022: 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% *(2022: nil%)* of the Company. The remuneration of key management is disclosed in note 2.1.

As at 30 December 2023 a member of key management was provided with a loan from the Group equalling £171,000 in aggregate, for use by the individual in investing in the Management Share Scheme (MSS) share incentive plan. The loan is due for repayment on the earlier of a defined interim trigger event, an exit event, or 31 January 2027 (see note 5.6 for further details on the scheme and vesting events). No interest is payable on the loan.

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 30 December 2023 and 31 December 2022, are as follows:

	2023 £m	2022 £m
Sales to related party	4	3
Amounts owed by related party	3	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 (£49 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.

NOTES TO THE ACCOUNTS

SECTION 6
OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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:
- IFRS 17 'Insurance contracts'
- 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'

The IASB has also issued the following amendments to standards that will be effective for the Group for the 2024 reporting period. The Group does not expect any significant impact on its consolidated financial statements from these amendments.

- Amendments to IFRS 16 'Leases - leases on sale and leaseback'
- Amendments to IAS 1 'Presentation of financial statements – non-current liabilities with covenants'
- Amendments to IAS 7 and IFRS 7 'Supplier finance arrangements'
- Amendments to IAS 21 'Lack of exchangeability'

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**.

6.6 SUBSEQUENT EVENTS

Subsequent to the year end, in February 2024, the Group completed a debt refinancing exercise as follows:
- Issued $500 million of new senior secured notes to mature in 2031.
- Extended $1,220 million of drawn floating rate facilities due to mature in 2026 to 2029, increasing the size to $1,385 million.
- Extended €215 million of drawn floating rate facilities due to mature in 2026 to 2029.
- Used some of the proceeds to repay €376 million of drawn floating rate facilities due to mature in 2026 and 2029, decreasing the size to €1,020 million.

The refinancing secured cash proceeds, net of fees, of approximately £170 million. The Group's revolving credit facility was also increased from £400 million to £428 million with an extension to the maturity to 2029.

NOTES TO THE ACCOUNTS

SECTION 6
OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS

The Group has the following investments in subsidiaries and joint ventures:

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2023	Ownership 2022
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%

NOTES TO THE ACCOUNTS

SECTION 6
OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2023	Ownership 2022
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%
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	(a) 49.4%	(a) 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%
Motion Finco S.à r.l.	Luxembourg (31)	Ordinary	100.0%	100.0%
Motion Finco 2 S.à r.l.	Luxembourg (31)	Ordinary	100.0%	100.0%
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%

NOTES TO THE ACCOUNTS

SECTION 6
OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2023	Ownership 2022
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%	100.0%
SLCS SEA LIFE Centre Spain S.A.	Spain (44)	Ordinary	100.0%	100.0%
Merlin Entertainments (Thailand) Limited	Thailand (45)	Ordinary	100.0%	100.0%
Siam Ocean World Bangkok Co Ltd	Thailand (46)	Ordinary	100.0%	100.0%
Istanbul Sualti Dunyasi Turizm Ticaret A.S	Turkey (47)	Ordinary	100.0%	100.0%
Madame Tussauds Museum LLC	UAE (48)	-	(b) 48.0%	(b) 48.0%
Merlin Holdings Limited	UAE (49)	Ordinary	(b) 1.0%	(b) 1.0%
Alton Towers Limited	UK (50)	Ordinary	100.0%	100.0%
Alton Towers Resort Operations Limited	UK (50)	Ordinary	100.0%	100.0%
Charcoal CLG 1 Limited *(company limited by guarantee)*	UK (50)	-	100.0%	100.0%
Charcoal CLG 2 Limited *(company limited by guarantee)*	UK (50)	-	100.0%	100.0%
Charcoal Holdco Limited	UK (50)	Ordinary	100.0%	100.0%
Charcoal Midco 1 Limited	UK (50)	Ordinary	100.0%	100.0%
Charcoal Newco 1 Limited	UK (50)	Ordinary	100.0%	100.0%
Charcoal Newco 1a Limited	UK (50)	Ordinary	100.0%	100.0%
Chessington Hotel Limited	UK (50)	Ordinary	100.0%	100.0%
Chessington World of Adventures Limited	UK (50)	Ordinary	100.0%	100.0%
Chessington World of Adventures Operations Limited	UK (50)	Ordinary	100.0%	100.0%
Chessington Zoo Limited	UK (50)	Ordinary	100.0%	100.0%
CWA PropCo Limited	UK (50)	Ordinary	100.0%	100.0%
LEGOLAND US Holdings Limited	UK (50)	Ordinary	100.0%	100.0%
LEGOLAND Windsor Park Limited	UK (50)	Ordinary	100.0%	100.0%
London Aquarium (South Bank) Limited	UK (50)	Ordinary	100.0%	100.0%
London Dungeon Limited	UK (50)	Ordinary	100.0%	100.0%
London Eye Holdings Limited	UK (50)	Ordinary	100.0%	100.0%
London Eye Management Services Limited	UK (50)	Ordinary	100.0%	100.0%
Madame Tussaud's Limited	UK (50)	Ordinary	100.0%	100.0%
Madame Tussauds Touring Exhibition Limited	UK (50)	Ordinary	100.0%	100.0%
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%

NOTES TO THE ACCOUNTS

SECTION 6

OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2023	Ownership 2022
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 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 LP (c)	UK (50)	-	-	-
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%	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%
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%

NOTES TO THE ACCOUNTS

SECTION 6
OTHER NOTES CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

6.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2023	Ownership 2022
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%	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 *(dissolved 4 April 2023)*	USA	-	-	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 2023	Ownership 2022
LL Dubai Hotel LLC	UAE (54)	Ordinary	40.0%	40.0%

(a) *Motion JVco Limited has control over this entity via control of the immediate parent entity and the control that the immediate parent entity has over the subsidiary entity.*
(b) *Motion JVco Limited has 100% of the beneficial ownership of these entities.*
(c) *Motion JVco Limited is the General Partner of Motion LP.*
(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

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

6.7 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, 7711 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) 2nd Floor, 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland
(26) 6th 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, Kinjoufutou 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) Strandweg, 2586 JK 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 Haeundaehaebyun-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 1 Road, Khweng Patumwan, Bangkok 10330, Thailand
(47) Kocatepe Mah, Pasa Cad, Forum Istanbul AVM No. 5/5, Bayrampasa, Turkey
(48) EC001 The Wharf, Bluewaters Island, 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

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

6.7 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 30 December 2023.

Subsidiary undertaking	Company number	Subsidiary undertaking	Company number
Alton Towers Resort Operations Limited	06127441	Merlin Entertainments (Dungeons) Limited	03671067
Charcoal CLG 1 Limited	06128422	Merlin Entertainments (NBD) Limited	05010879
Charcoal Midco 1 Limited	06125930	Merlin Entertainments (SEA LIFE) Limited	02182098
Charcoal Newco 1 Limited	06128686	Merlin Entertainments Crown (UK) Limited	09679586
Charcoal Newco 1a Limited	06130062	Merlin Entertainments Group Limited	05022287
Chessington Hotel Limited	05686193	Merlin Entertainments Group Operations Limited	03671093
Chessington World of Adventures Operations Limited	06128521	Merlin Entertainments Holidays Limited	06287489
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	Motion LP	LP023282
Merlin Entertainments (Asia Pacific) Limited	03767102	SEA LIFE Centre (Blackpool) Limited	02407713
Merlin Entertainments (Blackpool) Limited	02429776	Thorpe Park Operations Limited	06127478

MOTION JVCO LIMITED

COMPANY FINANCIAL STATEMENTS

Company statement of financial position at 30 December 2023 *(2022: 31 December 2022)*

	Note	2023 £m	2022 £m
Non-current assets			
Investments	iii	3,016	3,005
Amounts owed by Group undertakings		2	-
		3,018	3,005
Current assets			
Amounts owed by Group undertakings		1	1
Total assets		3,019	3,006
Non-current liabilities			
Amounts owed to Group undertakings		2	-
Other payables	iii	31	20
Total liabilities		33	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 107 to 110 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 *(2022: £nil)*.

The parent Company financial statements were approved by the Board of Directors on 15 March 2024 and were signed on its behalf by:

Søren Thorup Sørensen
Director

MOTION JVCO LIMITED

COMPANY FINANCIAL STATEMENTS

Company statement of changes in equity at 30 December 2023 *(2022: 31 December 2022)*

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 26 December 2021		29	2,956	1	2,986
Profit for the year		-	-	-	-
At 31 December 2022		**29**	**2,956**	**1**	**2,986**
Profit for the year		-	-	-	-
At 30 December 2023	iv	**29**	**2,956**	**1**	**2,986**

NOTES TO MOTION JVCO LIMITED

COMPANY FINANCIAL STATEMENTS

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

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 52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*.

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

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

i ACCOUNTING POLICIES (CONTINUED)

Classification of financial instruments issued by the Company

Financial instruments are recognised in 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 *(2022: 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

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

iii INVESTMENT IN SUBSIDIARY UNDERTAKING

	Shares in subsidiary undertaking £m
Cost and carrying value	
At 26 December 2021	2,985
Additions	20
At 31 December 2022	3,005
Additions	11
At 30 December 2023	3,016

The subsidiary undertakings at the year end are as follows:

Entity	Activity	Country of incorporation	Shareholding	Description of shares held
Motion LP *(limited partnership)*	Holding partnership	UK	-	-
Motion Topco Limited	Holding company	UK	99.8%	Ordinary

A full list of Group companies is included in note 6.7 of the consolidated financial statements on pages 98 to 104.

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 £11 million have been recognised in the year with a corresponding liability in other payables (see note 5.6 of the consolidated financial statements). The total liability at 30 December 2023 was £31 million *(2022: £20 million)*.

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 2023 the following sensitivity analysis was performed:
- If Adjusted EBITDA for the Group as a whole was forecast to be 6% lower than currently anticipated for 2028, headroom would be absorbed in full.
- If the pre-tax discount rate used across the Group had been higher by a factor of 5% to 12.0%, headroom would have been absorbed in full.
- If circumstances caused the long term growth rate to lower from 2.5% to 1.7%, headroom would be absorbed in full.

NOTES TO MOTION JVCO LIMITED

COMPANY FINANCIAL STATEMENTS CONTINUED

52 weeks ended 30 December 2023 *(2022: 53 weeks ended 31 December 2022)*

iv EQUITY

Share capital

	2023 Number	2023 £m	2022 Number	2022 £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.

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 30 December 2023 *(2022: £nil)*.

Retained earnings
The profit after tax for the year in the accounts of Motion JVco Limited is £nil *(2022: £nil)*.

v RELATED PARTY TRANSACTIONS

For full details of transactions and arrangements with the Company's shareholders and other related parties, see note 6.3 of the consolidated financial statements.

GLOSSARY

Adjusted EBITDA	Profit before finance income and costs, taxation, depreciation, amortisation and impairment, share-based payments and after taking account of attributable profit after tax of joint ventures.
AI	Artificial intelligence
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 2022 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.
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.
Gateway or Gateway attractions (formerly 'Midway')	The Gateway Attractions Operating Group and/or the Gateway attractions within it. Gateway attractions are typically smaller, indoor attractions located in city centres, resorts or shopping malls.
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 Gateway 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 Gateway Attractions Operating Group.
Like for like (LFL)	2023 LFL growth refers to the growth between 2022 and 2023 on a constant currency basis using 2022 exchange rates and includes all businesses owned and operated before the start of 2022.
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 environmental, social and governance commitment. Our partner children's charity delivers magical experiences around the world to children who are facing challenges of serious illness, disability or adversity.
MT	Madame Tussauds attractions. These are part of the Gateway 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 Gateway 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 Adjusted 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 environmental, social and governance 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 Gateway Attractions Operating Group.
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 2023 52 week revenues and Adjusted EBITDA of re-translating them at 2022 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	2022 average FX rates	2023 average FX rates	%age movement in FX rates	Revenue impact £m
USD	1.25	1.24	(0.5)%	(3)
EUR	1.18	1.15	(2.0)%	(8)
Other				13
Increase in 2023 revenues at 2022 FX rates				2

Currency	2022 average FX rates	2023 average FX rates	%age movement in FX rates	EBITDA impact £m
USD	1.25	1.24	(1.0)%	(2)
EUR	1.17	1.16	(1.4)%	(2)
Other				3
Decrease in 2023 Adjusted EBITDA at 2022 FX rates				(1)