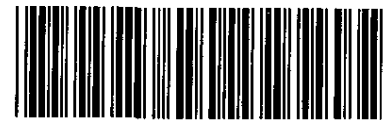


# **MOTION JVCO LIMITED**

## **ANNUAL REPORT AND ACCOUNTS 2021**

WEDNESDAY



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A13

07/09/2022

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COMPANIES HOUSE

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At a glance  
Introduction

138

attractions

with

4,890

rooms

in

24

countries

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## KPIs

35.2m

VISITORS

+12.1%

£1,261m

REVENUE

+100.7%

£132m

UNDERLYING  
OPERATING PROFIT<sup>(2),(3)</sup>  
2020 as restated: loss of £(369)m

£130m

TOTAL  
OPERATING PROFIT<sup>(2),(3)</sup>  
2020 as restated: loss of £(743)m

£(94)m

LOSS BEFORE TAX<sup>(2),(3)</sup>  
2020 as restated: loss of £(965)m

### GUEST SATISFACTION

This is based on guest satisfaction surveys where our target is a score over 90%.

Providing a high quality of experience for our guests is our core purpose, and we are proud that we again maintained the same high score of 94% as in 2020 and 2019.

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

See more on page 7.

### HEALTH AND SAFETY

We have maintained our continued focus on health and safety. Our Medical Treatment Case (MTC) rate, that captures the rate of guest injuries requiring external medical treatment relative to 10,000 guest visitations, has remained constant at 0.02 from 2019 through 2021.

In 2021 we continued to operate with the enhanced protocols we developed in 2020, when Merlin helped lead the location based entertainment industry in implementing new measures to enable us to trade safely during the COVID-19 pandemic.

See more on pages 25 to 26.

### EMPLOYEE ENGAGEMENT

In 2020 we did not run our annual 'The Wizard Wants to Know' employee engagement survey, due to mandated closures and uncertain opening schedules across the Merlin estate. We relaunched this important listening tool in 2021.

As expected, there were positives and negatives: overall, in common with other businesses in our industry, we saw a marked reduction in our typically high overall engagement scores prior to the pandemic. We are taking a number of actions to address the issues the survey identified, and believe that these steps, combined with working patterns returning more to normal, will lead to improved employee engagement. We will be delivering another Wizard Wants to Know survey in 2022, to capture the views of as many of our people as possible. See more on page 24.

### How we report our results

Motion JVco Limited (the Company) has been the parent company of the Merlin Entertainments Limited group of companies (Merlin, Merlin Group), since acquiring the Merlin Group in November 2019. Where the strategic report refers to longer term historic activities and strategic initiatives, these should be read as referring to the continuing Merlin business as if the Company had been the parent company in that period. Details on the period under review 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 101 to 102.

- (1) 2019 comparative data for the Merlin Entertainments Group has been included to provide a more meaningful comparison of performance to trading prior to the COVID-19 pandemic. This has been extracted from the audited 2019 Merlin Entertainments Limited Annual Report and Accounts.
- (2) Details of the prior year restatement are provided in note 1.1. This has restated reported exceptional items, depreciation and amortisation, and taxation, but did not affect underlying revenue or underlying EBITDA.
- (3) The 2020 reported results were adversely impacted by accounting adjustments in respect of inventory 'step-ups' in the acquisition accounting exercise in November 2019, which reduced reported EBITDA by £27 million in 2020.

## Our Strategy

# A GLOBAL LEADER IN LOCATION BASED, FAMILY ENTERTAINMENT

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

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

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

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

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

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

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

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

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

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

- investment in our existing estate, increasingly including third party and internally created intellectual properties (IP). These investments increase capacity, provide compelling new propositions to guests, and improve guest satisfaction;
- rolling out new Midway attractions to drive revenue growth, often with a 'cluster' focus and in locations that continue our geographic diversification;
- developing new LEGOLAND resorts under a combination of operating models. LEGOLAND New York opened in the year and other resorts are currently under construction in Asia;
- transforming our theme parks into destination resorts by adding a broad range of themed accommodation and other second gate attractions to improve guest satisfaction and drive multi-day visitation;
- leveraging synergies and efficiencies as our scale has increased - generating revenue from promotions and marketing; improving our customers' online 'digital journey'; and evolving our operating model to become more efficient, while maintaining our focus on providing a high quality of experience to our guests; and
- acquisitions, ranging from large scale transformational transactions to smaller add-on deals.

WORLDWIDE LOCATION

# A GLOBAL LEADER IN LOCATION BASED, FAMILY ENTERTAINMENT

WORLDWIDE LOCATION  
BASED, FAMILY ENTERTAINMENT

	UK	Continental Europe	Americas	Asia Pacific	Total	Brand Demographics
<b>SEA LIFE</b>	10	18	10	10	48	Families and city centre tourists
<b>Madame Tussauds</b>	2	4	7	10	23	Families and city centre tourists
<b>Dungeons</b>	6	3	1	1	11	Teenagers, young adults and city centre tourists
<b>LEGOLAND Discovery Centre</b>	2	4	14	7	27	Families
<b>Eye</b>	2	-	-	1	3	City centre tourists
<b>Peppa Pig World of Play</b>	-	-	3	1	4	Pre-school families
<b>Other</b>	2	1	-	4	7	
<b>Total</b>	<b>24</b>	<b>30</b>	<b>35</b>	<b>34</b>	<b>123</b>	

LEGOLAND PARKS

	Windsor, UK (209 rooms)	Billund, Denmark (578 rooms)	California, USA (500 rooms)	Dubai, UAE
		Günzburg, Germany (461 rooms)	Florida, USA (468 rooms)	Johor, Malaysia (263 rooms)
			New York, USA (250 rooms)	Nagoya, Japan (252 rooms)
Total				9 parks 2,981 rooms
				Families

DISCOVERY 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
<b>Total</b>			<b>6 parks</b> <b>1,909 rooms</b>	

## CHIEF EXECUTIVES INTRODUCTION

# SIGNIFICANT RECOVERY AND STRATEGIC PROGRESS

### 2021 in brief

2021 has been a year of significant recovery and strategic progress, despite the ongoing challenges of the global pandemic.

Our teams across the business have shown amazing commitment and resilience and delivered a strong trading result despite the challenging operating environment, with rolling restrictions and closures and ongoing staff shortages as economies started to reopen. In addition, we have continued to invest for future growth, with the launch of nine new attractions, further investment in compelling content across our existing estate and our continued commitment to build on the values at the heart of Merlin's success; customer satisfaction and employee engagement.

Although the impact of the pandemic is likely to continue to create a number of challenges, the strength of our brands and our continued investment, together with the commitment and passion of our teams, provide significant confidence in our ongoing recovery and future growth.

### 2021 trading

We welcomed 35 million visitors to our attractions in 2021, a significant increase over 2020's reported 22 million, but still some way below pre-pandemic levels due to the uneven recovery across geographies and demographics. We reported revenue of £1,261 million, broadly double that of 2020 (£629 million), with strong revenue per guest in many divisions.

The first half of the year was more challenging, characterised by mandated closures, operating restrictions and suppressed demand. This resulted in many of our attractions opening later in the season than normal, with various operating restrictions in place. Once restrictions were eased, domestic demand returned rapidly in many markets, supported by a degree of pent up demand for leisure, limited opportunity for international travel, and government support and stimulus in several jurisdictions. However, the recovery wasn't universal. International tourism remained suppressed and rolling restrictions across the Asia Pacific region prevented any sustained recovery in that region.

We saw strong consumer demand in North America, the UK, and parts of Continental Europe. This demand supported strong trading at our theme park resorts, and regional and coastal Midway attractions, that are primarily focused on domestic markets. At certain attractions revenues were ahead of pre-pandemic levels, with any capacity constraints more than offset by elevated revenues per guest.

From Q3 we began to see encouraging signs in trading across our Asia Pacific attractions, and also in the recovery of international tourism more broadly. However the emergence of the Omicron variant then impacted trading in a number of locations across the estate later in Q4, and into early 2022.

Our underlying EBITDA totalled £379 million (2020: a loss of £102 million), with positive working capital management helping to drive positive operating cash flows of £459 million in the year (2020: £75 million outflow).

2021 also saw the achievement of another major strategic milestone with the launch of LEGOLAND New York, our largest capital project to date. The resort opened in late spring and ramped up operation into the summer. Despite the challenges of opening a new theme park during a pandemic, the team have delivered a fantastic new resort which has been well received by guests.

### 2022

As we move into 2022, we continue to deliver on several significant developments. The construction of LEGOLAND Korea, our latest major capital project, is nearing completion and will open in May 2022. We have launched our first standalone Peppa Pig theme park, just steps away from the LEGOLAND Florida Resort, while at LEGOLAND Dubai a themed hotel opened in January, developed in partnership with the park's owners.

On new brands and formats, we have continued our expansion of the Peppa Pig World of Play concept with the opening of an indoor play centre in the Netherlands in February, and announced the expansion of our Amsterdam cluster with the addition of the 'THIS IS HOLLAND' flying theatre experience. We have also recently announced our exclusive partnership to take over the operations of Cadbury World in the UK, deepening our relationship with the 'UK's favourite chocolate brand'.

These significant strategic developments come together with what we expect will be a continued recovery in trading conditions. Ongoing vaccine roll outs give us hope that remaining COVID-19 related trading restrictions will continue to reduce across our estate, and having demonstrated our ability to trade strongly during 2021, we expect to maintain the momentum we generated in our major markets.

Some trading headwinds remain from the COVID-19 pandemic as a result of the slow pace of recovery in international tourism, and there will inevitably be some ongoing challenges in different territories, partly impacted by the different approaches taken to addressing COVID-19 and any potential emerging variants.

Furthermore, while our trading operations are not directly affected by the war in Ukraine, this and other geopolitical factors could lead to reduced levels of international tourism and lower guests' disposable income, and further inflationary pressure on operating costs.

We remain focused on delivering memorable experiences to our guests and optimising revenues, while retaining operational agility and managing our costs carefully as we respond to emerging cost pressures and challenges in labour markets.

### Strategic developments

We continue to pursue opportunities to expand our brands, formats and geographic diversification. We have already announced projects with partners to develop three LEGOLAND resorts in China over the next five years in Shanghai, Shenzhen, and Sichuan province. We also continue to look at other opportunities to build a pipeline of projects beyond this.

There are also options for theme park management contract opportunities with other brands. In June 2021 we announced that we have entered into a formal co-operation agreement with local partners to create a standalone Peppa Pig resort in Mieshan, part of Sichuan Tianfu New Area in China.

Following an extensive review, we recently announced that we have partnered with Aramark to provide the food and beverage services in seven of our UK and US theme parks. This partnership will allow our resorts to build on the high-quality and innovative food and beverage offering that is a key part of the guest experience.

## OUR STRATEGIC PRIORITIES

# SIGNIFICANT RECOVERY AND STRATEGIC PROGRESS

### Our Commitment to Safety

The health, safety and security of our guests and employees remains our number one priority and we have maintained a high level of performance across our operations. Our key performance indicator, that captures the rate of guest injuries requiring external medical treatment relative to guest visitations, has remained consistently positive from 2019 through 2021, despite all the challenges of recent times.

Throughout the pandemic, Merlin has helped lead the location based entertainment industry in implementing measures to enable attractions to trade safely. We continued this approach through 2021 as the pandemic, and the regulatory responses, evolved and we remain fully committed to ensuring a safe and welcoming environment for our guests and staff.

### Guest Satisfaction

The guest experience is central to the success of our business and in 2021 we continued our relentless focus on delivering memorable experiences to our guests. We are proud that we again maintained our consistently high customer satisfaction score of 94%, despite the challenges of operating with social distancing measures and restrictions in some of our attractions, and with the staff recruitment and retention challenges that have been seen across the hospitality sector.

We continue to monitor our guests' views by engaging with them directly, on social media, and by monitoring online reviews. In addition to the key guest satisfaction score noted above, we maintained a strong 'Top Box' score in the percentage of guests that are 'very satisfied'. We also continued to record a 'Net Promoter' score, that measures whether a guest would recommend our attractions, above the 50% level which we consider to be 'world class' for location based entertainment businesses.

Guest accessibility has seen increased focus in 2021, with a drive to ensure that we are doing everything that we can to allow all of our guests to enjoy as much of the Merlin experience as possible. These efforts are informed by our guests and disability advisors, and have included new training programmes in disability confidence for our teams, reviewing our existing rides to enhance their accessibility, and working with ride manufacturers to improve accessibility on new rides.

### Diversity and Inclusion

At Merlin we welcome everyone to our attractions and we want to reflect that same multicultural mix inside our business. During 2021 we moved forward in the key area of diversity and inclusion (D&I), focusing on gender equality, ethnic diversity, and 'inclusion for all'. Regional D&I taskforces led activities which drove cut-through and engagement with staff members at their sites and a new set of accessibility commitments and videos were created. Alongside this, our teams also completed over 6,500 hours of D&I and accessibility training.

A global communications calendar of key dates was celebrated around the world including International Women's Day, Diwali, Black History Month (US and UK), World Wheelchair Day, World Sign Language Day, Pride Month and UN Day of Persons with Disabilities. We also pioneered a new 'Zero Tolerance - 100% Fun' D&I awareness campaign that was translated into 14 languages. The campaign highlighted the policies and robust support systems in place if staff experience inappropriate behaviours, either in work (from guests or colleagues) or outside of work. The campaign was well received by our teams across the globe.

### Employee Engagement

Our people are what makes this company special, so re-establishing our annual 'The Wizard Wants to Know' employee engagement survey was an absolute must for us, having battled through the pandemic period. We relaunched this important listening tool in 2021, using the very latest digital technology through a new platform.

As expected, there were positives and negatives and of course differences by country, attraction, and function. For example, natural decreases were seen in areas such as 'being together' and 'work/life balance', while higher scores were recorded around wellbeing and managers and teams feeling supported. The staff engagement question 'Would I recommend Merlin as a place to work?' showed only a one-point difference compared to the last pre-pandemic survey. Overall though, in common with other businesses in our industry, we saw a marked reduction in our typically high overall engagement scores prior to the pandemic.

Merlin is a business based around our employees being together, whether customer-facing or in other functions. We are taking a number of actions to address the issues the survey identified, and believe that these steps, combined with working patterns returning more to normal, will lead to improved employee engagement. We recognise the importance of re-establishing this important listening tool and will be delivering another Wizard Wants to Know survey in 2022, to capture the views of as many of our people as possible.

We have implemented long term incentive plans that put in place incentive structures for our management teams, aligned to the strategic objectives of our shareholders. These plans include both outstanding contribution and long service awards available to all employees.

At the end of 2021 we launched a brand-new staff engagement concept, the 'Merlin Super Star Awards', a virtual awards ceremony screened around the globe on the same day, with teams coming together to watch and celebrate the work and actions of their fellow Merlin teammates.

I have been incredibly proud of what our teams have achieved over the last year, delivering millions of memorable experiences to our guests despite the various challenges created by the pandemic.

Nick Varney

**Chief Executive Officer**  
12 April 2022

## Strategic Pillars

# COMPETITIVE STRENGTHS AND A STRONG CULTURE

## Our global portfolio of brands and iconic assets

### Our global portfolio of brands and iconic assets

We operate a unique global portfolio of brands and iconic assets which are widely recognised by consumers, enabling us to differentiate our attractions from unbranded operators.

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

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

### Global reach and multi-format expertise

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

Most significant is our core global, multi-product and exclusive relationship with the LEGO Group, where we hold the global, exclusive rights to the LEGOLAND brand under the licencing and co-operation agreement with KIRKBI, our largest shareholder (see page 8).

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

We also continue to develop global, regional and local IP partnerships with brands such as Ghostbusters, The Gruffalo, Jumanji, Shrek, Kung Fu Panda and CBeebies, the latter through our partnership with BBC Studios.

### Our three Operating Groups

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

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

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

Our Merlin Management Services (MMS) team leverages Merlin's extensive experience of developing visitor attractions across a range of brands, different formats and size of attraction, over multiple geographies, and with our owned and licensed IPs, to provide an opportunity for investors to develop location based entertainment offerings. There is also the opportunity to take on the operation of other parties' attractions under management contracts.

### Continued focus on operational excellence

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

We apply dynamic pricing and promotional strategies to manage visitor numbers through periods of high and low attendance volume, extend the length of stay, encourage repeat visits and enhance overall revenue. These combine with our Merlin Annual Pass and Merlin Pass Monthly Memberships, which offer customers a pass that enables them to visit all attractions within a particular country.

During 2020 and 2021, in response to the COVID-19 pandemic, we have re-engineered how we operate to be more flexible as guest volumes change. The positive results we have seen give us confidence that this more dynamic operating model will support us operating successfully as the external environment evolves. We have also been transforming our support functions through shared service centre initiatives, such as our 'Finance 21' transformation project, underpinned by a new cloud-based finance system and shared service model, that by the end of Q1 2022 now supports over two thirds of the Group.

Our scale also allows us to benefit from procurement cost efficiencies within clusters, countries or regions.

### Long term perspective and attractive marketplace

We continue to believe that Merlin operates in an attractive marketplace, benefiting from underlying growth characteristics and favourable dynamics.

We expect to benefit from long term increases in leisure spending, including in emerging economies. We continue to see long term growth opportunities from tourism which benefits our resorts and drives visitation to our gateway city locations, where we operate our Midway attraction clusters.

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



## BUSINESS MODEL

# COMPETITIVE STRENGTHS AND A STRONG CULTURE

### Entrepreneurial culture

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

### High standards of governance

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

More details are set out on pages 32 to 35.

### Health, safety and security

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

These principles underpinned our response to the COVID-19 pandemic where we were instrumental in developing best practice measures for the hospitality and leisure industry. Where required, we continued to operate with these protocols during 2021.

More details are set out on pages 25 to 26.

### Responsible and sustainable

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

More details are set out on page 29.

### Guest experience and satisfaction

#### Focus

In 2021 we maintained our focus on providing a high quality of experience for our guests, and continued to monitor their views, engaging with them directly and on social media to measure the quality of their experience and drive improvements.

In territories where the labour market has become distorted in the short term, we have experienced recruitment challenges, in common with other visitor attraction operators, especially in recruiting seasonal workers to service strong customer demand. This has led to some staff shortages, operational challenges and cost pressures.

Despite these challenges, and the need to operate with certain restrictions to help keep our guests safe, we have reported a series of strong performance measures this year, as set out below:

- Touchscreens at our attractions measure our guest satisfaction score - we are proud that we maintained the same high guest satisfaction score of 94% as in 2020 and 2019, well ahead of our 90% benchmark.
- We have an increasing focus on our 'Top Box' measure - the touchscreen score that indicates when guests are 'very satisfied'. This increased by 1% over 2020.
- 'Net Promoter' scores measure whether a guest would recommend our attractions; this score remained above the 50% level which we consider to be 'world class' for location based entertainment businesses.

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

#### Employees

We have a diverse workforce that is committed to delivering memorable experiences, and employee engagement continues to be one of the key elements of our business model.

In 2020 we did not run our annual 'The Wizard Wants to Know' employee engagement survey, due to mandated closures and uncertain opening schedules across the Merlin estate. We relaunched this important listening tool in 2021. As expected, there were positives and negatives; overall, in common with other businesses in our industry, we saw a marked reduction in our typically high overall engagement scores prior to the pandemic.

Merlin is a business based around our employees being together, whether customer-facing or in other functions. We are taking a number of actions to address the issues the survey identified, and believe that these steps, combined with working patterns returning more to normal, will lead to improved employee engagement. We will be delivering another Wizard Wants to Know survey in 2022, to capture the views of as many of our people as possible.

In 2021 our diversity and inclusion (D&I) programme continued, focusing on gender equality, ethnic diversity, and 'inclusion for all'. Four regional taskforces, sponsored by Executive Committee members, developed plans to support our global diversity and inclusion goals, and all people managers completed D&I training. Each member of the Executive Committee participated in a reverse mentoring programme.

See more on page 24.

## COMPETITIVE STRENGTHS

# AND A STRONG CULTURE

## Investor Consortium

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

Details of the investor consortium are set out below and details of their representation on the Board of Directors are set out on pages 34 to 35.

- 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](http://www.KIRKBI.com) for more information.
- Blackstone** – one of the world's leading investment firms, that seeks to create positive economic impact and long term value for investors, the companies in which it invests, and the communities in which it works. Blackstone's asset management businesses had \$881 billion in assets under management as at 31 December 2021 across a range of investment vehicles. Blackstone has long-standing experience investing in location based entertainment businesses, like Merlin, as well as the wider hospitality, travel and leisure sector. Blackstone's investment in Merlin has been made through its long-dated Core Private Equity Strategy, which invests in high-quality businesses for typically ten to 15 or more years.
- Canada Pension Plan Investment Board (CPP Investments)** – a professional investment management organisation that manages the CPP Fund in the best interest of the more than 20 million contributors and beneficiaries of the Canada Pension Plan. CPP Investments is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At 31 December 2021, the Fund totalled C\$550.4 billion, including approximately C\$25.0 billion of assets invested in the United Kingdom, and net investments of C\$165 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.

## HOW WE DRIVE GROWTH

# HOW WE DRIVE GROWTH

## HOW WE DRIVE GROWTH

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

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

In 2021 examples of these investments were the immersive 'LEGO MYTHICA: World of Mythical Creatures' at LEGOLAND Windsor Resort, two 'The LEGO Movie World' lands at the LEGOLAND Billund and LEGOLAND California resorts, and the 'Croc Drop' ride at Chessington World of Adventures Resort.

In the Midway Attractions Operating Group we added updated Marvel 4D films in five attractions within the Madame Tussauds estate, with more locations planned for 2022.

We are increasingly able to develop these investments in partnership with leading IP owners to provide an immersive, themed experience for our visitors. An exciting example of this planned for 2022 will be the new 'JUMANJI - The Adventure' dark ride opening at the Gardaland Resort.

## HOW WE DRIVE GROWTH

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

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

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

We currently operate LEGOLAND Malaysia and LEGOLAND Dubai under this model, and are actively working with a number of partners to develop several LEGOLAND parks, with three resorts planned to open in China in the next five years:

- In September 2019 we announced that we had entered into an agreement to partner in the development of LEGOLAND Sichuan Resort.
- In November 2020 we announced that we had entered into a formal co-operation agreement with the Shanghai Jinshan District Government, CMC Inc. and KIRKBI, to develop the LEGOLAND Shanghai Resort in the Jinshan District of Shanghai. A joint venture company has been formed between the parties and during the year we contributed funding to the construction and development of the project.
- In August 2021 we announced the planned development of the LEGOLAND Shenzhen Resort, with Hazens Holdings as our local partner.

We may also pursue hybrid opportunities which could involve Merlin investing an element of equity in the project. We maintain ongoing dialogue with a number of potential partners to develop several LEGOLAND resorts globally.

## EVOLUTION OF A THEME PARK INTO DESTINATION RESORTS

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

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

There are also ongoing opportunities to add visitor attractions that are located next to theme parks, for which additional admission fees are charged. These attractions, such as waterparks, are referred to as second gate attractions.

This is an increasing area of focus across the two theme park Operating Groups. In 2021 we opened the LEGOLAND Water Park at the Gardaland Resort (the first LEGO themed water park in Europe), and in early 2022 we have launched a standalone Peppa Pig theme park, adjacent to LEGOLAND Florida Resort.

## Our growth strategy

# HOW WE DRIVE GROWTH

## Our growth strategy includes the roll out of our chainable Midway attractions

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

During 2021 we opened eight new Midway attractions, all delayed from 2020 as a result of the COVID-19 pandemic:

- **LEGO® and Discovery Centres** – four opened with two in the USA in the San Francisco Bay Area, and New Jersey; one in Scheveningen in the Netherlands; and one in Hong Kong.
- **SEA LIFE Centres** – two opened in San Antonio and New Jersey in the USA.
- **Peppa Pig World of Play** – one opened in Chicago in the USA.
- **Madame Tussauds** – one opened in Dubai in the UAE.

Of these, six either created a new cluster or were in locations where Merlin already operates Midway attractions.

We continue to see the opportunity to open new Midway attractions, especially using IP as a central element of the attraction.

In summer 2022, we will open the first 'next generation' LEGO Discovery Centre in Brussels, Belgium. With a brand new look and design, these new attractions, which in the future will be called LEGO Discovery Centres (previously LEGOLAND Discovery Centres) will continue an already popular offering of highly interactive indoor LEGO play experiences.

## Merlin's experience in developing visitor attractions

Merlin's extensive experience of developing visitor attractions across a range of brands, different formats and size of attraction, and over multiple geographies, means that we are well placed to leverage our expertise and provide opportunities for investors to develop location based entertainment offerings. This could include the use of our owned and licensed IPs. There is also the opportunity to take on the operation of other parties' attractions under management contracts.

In June 2021 we announced that we have entered into a formal co-operation agreement with local partners to create a standalone Peppa Pig resort in Meishan, part of Sichuan Tianfu New Area in China.

## Acquisitions and other potential opportunities

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

We announced in February 2022 our exclusive partnership to take over the operations of Cadbury World in the UK, deepening our relationship with the UK's largest UK chocolate brand. We also recently took over the day to day management of the THIS IS HOLLAND 'flying theatre' ride in the Netherlands.

We also develop new formats of attraction, where currently our main focus is the roll out in the coming years of Peppa Pig branded attractions aimed at pre-school children. These include the indoor Peppa Pig World of Play format, and Peppa Pig theme parks, such as the attraction that opened adjacent to LEGOLAND Florida in early 2022.

## Responding to Demand and Building Momentum

# RESPONDING TO DEMAND AND BUILDING MOMENTUM

	Total 52 weeks ended 25 December 2021	Underlying 52 weeks ended 25 December 2021	Total 52 weeks ended 26 December 2020 (restated)	Underlying 52 weeks ended 26 December 2020 (restated)	Underlying growth (actual currency)
	£m	£m	£m	£m	
<b>Revenue</b>	<b>1,261</b>	<b>1,261</b>	<b>629</b>	<b>629</b>	<b>100.7%</b>
<b>EBITDA</b>	<b>376</b>	<b>379</b>	<b>(124)</b>	<b>(102)</b>	<b>n/m</b>
Depreciation, amortisation and impairment	(246)	(247)	(619)	(267)	7.5%
Operating profit/(loss)	130	132	(743)	(369)	n/m
Net finance costs	(224)	(224)	(222)	(222)	
Loss before tax	(94)	(92)	(965)	(591)	
Taxation	(46)	(46)	146	118	
<b>Loss for the year</b>	<b>(140)</b>	<b>(138)</b>	<b>(819)</b>	<b>(473)</b>	

See 'Presentation of results' below for how we have presented underlying comparative information.

Details of the prior year restatement are provided in note 1.1. This has restated reported exceptional items, depreciation and amortisation, and taxation, but did not affect underlying revenue or underlying EBITDA. The 2020 results were adversely impacted by accounting adjustments in respect of inventory 'step-ups' in the acquisition accounting exercise relating to the acquisition of Merlin Entertainments plc on 4 November 2019, which reduced reported EBITDA by £27 million in 2020. There are no other adjustments, costs or income that affect the comparability of segment EBITDA.

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

### Trading review

2021 started with more than half of our attractions closed, with further lockdowns and restrictions across much of the estate, most notably in the UK and Continental Europe. Restrictions persisted through into Q2, removing the early season trading for many of our year-round Midway attractions and delaying the opening of our seasonal resorts.

However, once our attractions opened, domestic demand recovered rapidly in most of our key markets and we built strong momentum that sustained through the peak summer trading season. The recovery continued into early Q4, with some initial signs of the return of international tourism, before the emergence of the Omicron variant and a further wave of restrictions impacted the recovery at the end of the year.

Despite the challenging start to the year, the strong domestic demand in the US, UK and Continental Europe went some way to help offset the slow recovery in international tourism that impacted our gateway city Midway clusters and European resorts, and the continued impact of restrictions and closures in the Asia Pacific region.

We have continued to manage our costs carefully as we responded to local restrictions and mandated closures, and in the face of both challenging labour markets and building cost pressures as countries came out of lockdowns and economic activity returned.

The domestic market recovery and careful cost control delivered underlying EBITDA of £379 million (2020: a loss of £102 million), which combined with positive working capital movements to create an inflow from operating activities of £459 million in the year (2020 as restated: £75 million outflow).

We also made significant progress with strategic investments, with the completion and launch of LEGOLAND New York, our largest capital project to date, together with the opening of eight new Midway attractions. The LEGOLAND Korea project also continues to make good progress towards its planned opening in May 2022.

We continue to monitor cash flow closely and maintain adequate liquidity.

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

We have recently agreed terms with the landlord for the four leasehold Resort Theme Park locations, securing our tenure at these resorts until 2077. We also recently announced our intention to partner with Aramark to provide food and beverage services at seven of our theme parks in the UK and North America.

### Business review of the year

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

### Underlying results and exceptional items

In order to present the underlying performance of the business more accurately, the impacts of certain activities are reported within exceptional items. More details on exceptional items can be found on page 12. Unless otherwise stated, the commentary below refers to underlying results, that is, before the impact of exceptional items.

The impact of the COVID-19 pandemic on our trading has all been reflected within our underlying results.

### Alternative performance measures

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

## Responding to Demand and Building Momentum

# RESPONDING TO DEMAND AND BUILDING MOMENTUM

### Revenues

Revenues for the year increased by £632 million from £629 million to £1,261 million. Despite the challenging start to the year, 2021 saw further recovery in demand across the estate.

In North America, the UK and parts of Continental Europe, domestic consumer demand built rapidly as restrictions were lifted through Q2, supported by a degree of pent up demand coming out of lockdown, limited options for international leisure travel, and government support and stimulus. This resulted in a robust recovery in visitation and strong revenue per guest trends at our theme park resorts and our regional and coastal Midway attractions. At certain attractions, revenues were ahead of pre-pandemic levels despite some residual restrictions on capacity.

However, there was a slower recovery of international tourism that impacted both our Midway attractions in gateway city locations such as London and New York, and our European theme park resorts which normally have a more significant element of international tourist visitation. The recovery also struggled to build any momentum across our Asia Pacific divisions, where visitor volumes remained suppressed, reflecting reduced domestic and regional travel and rolling local restrictions.

In the UK, demand and revenue per guest was supported by the temporary lower 5% VAT rate that was in place up to the start of October 2021 when the rate increased to 12.5% (subsequently returning to 20% from 1 April 2022).

Since the global COVID-19 pandemic began, we have taken steps to refine our operating model, creating a lower and more flexible cost base that is better able to react to any material changes in demand. We have continued to manage our costs carefully as trading has improved, and looked to maintain the benefits of those actions.

Staff expenses increased from £290 million to £373 million, reflecting the increased operating days and new attractions opened in the year, offset by the ongoing positive impact of restructuring and efficiency programmes that were largely completed by the end of 2020. In a limited number of cases we continued to access government support, including in relation to furloughed staff in qualifying jurisdictions, albeit this reduced significantly as attractions reopened. In the second half of the year we experienced challenges recruiting and retaining operational staff in a number of locations, most notably the US and UK. This created a number of operational challenges and in some cases limited the range of product on offer and the capacity of attractions.

Other operating expenses increased from £252 million to £253 million. Site related costs were higher in 2021 reflecting increased operating days and volumes compared to 2020. Operating expenses also reflect the timing and value of government support for operating costs in certain jurisdictions. Operating Group margins are affected by the scale and mix of revenue in the existing estate and the dilutive effect of new attractions and accommodation launched in the year, as a result of the timing and costs associated with launch, and the pace with which attractions reach maturity.

Within our central functions, as in the Operating Groups, we maintained our focus on managing the level of underlying ongoing expenditure. Net central costs of £43 million were £12 million lower than in 2020. This reflects an internal restructure whereby costs of £6 million were reported in the Operating Groups in 2021 that would have previously been shown as a central expense, combined with higher revenues in respect of consultancy agreement contracts and lower one-off and COVID-19 related costs.

The trading recovery and our focus on cost management together drove underlying EBITDA of £379 million (2020 a loss of £102 million).

### Merlin's earnings

Merlin is exposed to fluctuations in foreign currency exchange rates on transactions and the translation of our non Sterling earnings. Retranslating 2021 performance at 2020 rates would result in a £58 million increase in revenue. We set this out in more detail by major currency on page 103.

### Underlying loss

Underlying depreciation and amortisation charges decreased by £20 million from £267 million (as restated) to £247 million, reflecting foreign exchange movements and the profile of assets within certain Midway attractions, offset to some extent by the impact of new openings.

Exceptional items relating to operating activities totalled charges of £3 million (2020 as restated: £22 million). An impairment credit of £1 million has resulted in a total operating profit of £130 million (2020 as restated: loss of £743 million, including £352 million of impairment related charges).

### Underlying loss before tax

As a result of the factors noted above, underlying loss before tax was £92 million (2020 as restated: loss of £591 million) while the total loss before tax was £94 million (2020 as restated: loss of £965 million).

### Underlying loss after tax

	2021	2020 (restated)
	£m	£m
<b>Underlying loss for the year</b>	<b>(138)</b>	<b>(473)</b>
<i>Exceptional items</i>		
Within operating expenses	(3)	(22)
Within depreciation, amortisation and impairment	1	(352)
Income tax credit on exceptional items above	-	28
<b>Loss for the year</b>	<b>(140)</b>	<b>(819)</b>

Exceptional items reported within operating expenses totalled £3 million before tax credits (2020 as restated: £22 million). The Group has changed its accounting policy relating to the capitalisation of certain software assets following the IFRS Interpretations Committee's agenda decision published in April 2021. This change in accounting policy led to an increase in related exceptional operating expenses of £3 million in the current year and £5 million for 2020. The remaining 2020 operating expenses primarily reflected restructuring activities as we took steps to reduce our ongoing fixed cost base.

Exceptional items reported within depreciation, amortisation and impairment totalled a credit of £1 million before tax credits (2020: £352 million). In 2020 impairment charges reflected the impact of COVID-19 on trading which was therefore taken into account in the discounted cash flows that underpinned our value in use calculations. The charges related to goodwill (£260 million, in respect of the LEGOLAND Parks Operating Group), property, plant, and equipment (£78 million), and right-of-use assets (£14 million). In particular, these impairment charges included consideration of LEGOLAND New York where the opening was delayed and where we were expecting shorter term headwinds. Also in 2020, impairment charges in respect of certain of the Group's Midway attractions arose from a review of market and economic conditions at those locations, also reflecting the impact of COVID-19.

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

## THE OPERATING GROUP'S 2021 PERFORMANCE

# RESPONDING TO DEMAND AND BUILDING MOMENTUM

### Midway Attractions

	2021	2020	Growth (actual currency)	Like for like growth
Visitors (m)	16.8	12.7	31.9%	
Revenue (£m)	344	228	51.3%	48.6%
Underlying EBITDA (£m)	102	(17)	n/m	
Operating loss (£m)	(10)	(146)	n/m	

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

In 2021 there was an encouraging recovery and continued momentum at regional and coastal Midway attractions that are primarily focused on resident markets, most notably in our regional LEGOLAND Discovery Centre and SEA LIFE Centre attractions. In contrast, we saw a slower recovery in gateway city locations which normally have a significant element of international tourist visitation, and in regions where COVID-19 related trading restrictions continued. This variation in trading is reflected in the performance of our Midway divisions, overlaid with regional trends.

Strong demand in Midway North America, where attractions generally remained open through 2021, drove recovery, alongside increased revenues per guest.

In the Midway UK division, attractions opened in mid-May once COVID-19 restrictions were lifted. Coastal and regional businesses recovered strongly, benefiting from a 'staycation' effect and support from the temporary lower 5% VAT rate that was in place up to the start of October when the rate increased to 12.5% (returning to 20% from 1 April 2022). The overall UK performance was partly held back by our attractions in London, where there was a very limited recovery in international tourism, partly offset in the short term by domestic visitors, where we benefit from overnight customers visiting for short breaks. Midway Europe's 2021 performance was affected by the later removal of restrictions across Europe. Consistent with the UK, attractions with generally domestic customers saw stronger demand. In Midway UK and Europe there was some downturn later in the year as a result of restrictions being imposed in certain territories, which continued to some extent into early 2022.

The Asia Pacific region was impacted by local restrictions (mandated business closures having been a key feature of the region's COVID-19 containment approach), and disruption to international and domestic travel patterns. There were much lower levels of cross-border travel to locations that normally receive a significant level of international visitation, as well as significantly reduced domestic travel within China. In Midway Australia, our attractions were recovering up to the end of June, but trading later in the year was impacted by extended lockdown periods. Restrictions and disruption have continued into 2022 in a number of locations.

The Operating Group has continued to make operating cost savings where possible. Our attractions located in the US, UK and Continental Europe had significant challenges in recruiting and retaining staff, particularly in certain key frontline functions, as has been seen across the leisure and hospitality sector. Although the underlying reasons for this have varied regionally, the challenge has been felt across the Operating Group and required us to implement specific initiatives to attract and retain staff, and in some cases restrict the product on offer.

### LEGOLAND Parks

	2021	2020	Growth (actual currency)	Like for like growth
Visitors (m)	9.4	5.0	89.6%	
Revenue (£m)	537	228	135.4%	129.9%
Underlying EBITDA (£m)	172	(30)	n/m	
Operating profit/(loss) (£m)	106	(95)	n/m	

Merlin's three existing LEGOLAND parks in California, Florida, and 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 focused on the accommodation offerings. All parks see trading volumes higher around holiday periods, particularly the main summer trading season.

In the USA, LEGOLAND California, the Operating Group's largest resort, was closed from mid-March 2020 to April 2021 when it reopened, operating initially with reduced capacity and under social distancing restrictions. Since reopening there was a strong recovery in demand, with the resort delivering a significant contribution to the Operating Group's improved performance on the comparative period. LEGOLAND Florida was open throughout 2021 and traded strongly, with revenues ahead of 2019. LEGOLAND New York, Merlin's largest capital project to date, opened on a phased basis, increasing capacity during May and June.

LEGOLAND Japan continued to trade during 2021, albeit operating with significant local restrictions which suppressed trading.

The European parks reopened in Q2 2021 as local restrictions lifted. LEGOLAND Windsor performed strongly, consistent with our other UK businesses that are focused on domestic visitors and short breaks. The trading recovery at the parks in Germany and Denmark lagged the UK, reflecting both local restrictions and a greater exposure to international tourism.

Of Merlin's two LEGOLAND management contract locations, the LEGOLAND Dubai park was open throughout the year with the water park opening in April. A hotel has since opened at LEGOLAND Dubai in early 2022. LEGOLAND Malaysia saw more disruption; the resort was closed from early May, reopening in October.

The Operating Group has continued to make operating cost savings where possible. As has been seen across the leisure and hospitality sector, our attractions located in the US, UK and Continental Europe had significant challenges in recruiting and retaining staff, particularly in certain key frontline functions. This was most apparent at LEGOLAND New York where we had to recruit and train a large team prior to opening. With that backdrop, the team have done an amazing job in launching our newest LEGOLAND resort and guest feedback has been positive. Where required, we implemented specific initiatives across the Operating Group to attract and retain staff, and in some cases restricted the product on offer.

## RESPONDING TO DEMAND

# AND BUILDING MOMENTUM

Table 2.1: Summary of key metrics

	2021	2020	Growth (actual currency)	Like for like growth
Visitors (m)	9.0	4.4	105.6%	
Revenue (£m)	374	169	121.7%	124.1%
Underlying EBITDA (£m)	148	-	n/m	
Operating profit/(loss) (£m)	87	(62)	n/m	

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 focused on accommodation and other limited seasonal offerings. Trading volumes at all parks are higher around holiday periods, particularly the main summer trading season.

During Q1 and into Q2, lockdowns and restrictions across the UK and Europe prevented any early season trading and delayed the main season opening of all the resorts. Since opening we saw healthy demand and encouraging trading across the majority of resorts, with strong revenue per guest and higher average room rates.

The UK parks and accommodation offerings opened over April and May, earlier than in 2020 when they opened in early July. A strong recovery built rapidly from opening, with certain attractions showing revenues ahead of 2019. Trading benefited from the lower 5% VAT rate that was in place up to the start of October (when the rate increased to 12.5%, returning to 20% from 1 April 2022).

Gardaland Resort in Italy opened in June (similar to 2020), while Heide Park Resort in Germany reopened in May. Trading at both resorts was encouraging, Gardaland Resort especially benefiting from the impact of the 'second gate' LEGOLAND Water Park that opened in the year.

The Operating Group has continued to make operating cost savings where possible, albeit we have faced significant challenges in recruiting and retaining staff, particularly in certain key frontline functions. This trend has been seen across the leisure and hospitality sector. Where required, we implemented specific initiatives to attract and retain staff, and in some cases restricted the product on offer.

Table 2.2: Summary of key metrics

**Finance costs**  
Net finance costs of £224 million were incurred in 2021 (2020: £222 million). Underlying interest costs on external borrowings were broadly flat between the years, reflecting a full year of interest on the €500 million senior notes that were issued in April 2020, offset by lower drawings under the revolving credit facility.

**Taxation**  
The effective tax rate (ETR) reflects updates to the headline UK rate, including the effect on the measurement of deferred tax. The total tax charge of £46 million represents an effective tax rate of (48.9)% of loss before tax.

The difference between the reported ETR of (48.9)% and the UK standard tax rate of 19.0% is primarily attributable to the revaluation of deferred tax liabilities due to changes in the UK tax rate and the non-recognition of tax losses. Normally we would expect to recognise a tax credit where there is a reported loss before tax. However, the March 2021 UK budget, which changed the headline tax rate from 19% to 25% from 1 April 2023, increased the value of net deferred tax liabilities. This revaluation created a tax charge that offsets the underlying credit, and resulted in a net tax charge for the year.

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 the year, which the Group was legally obliged to pay. However, it is expected that this £28 million will ultimately be recovered.

The Group has benefited from certain reliefs available in the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the US. This allowed operating losses generated in 2020 to be carried back five years; as the US corporate tax rate was higher in earlier years the Group obtained a permanent benefit from this carry back. In September the Group received a first payment of £26 million in respect of these claims.

Significant factors impacting the Group's future ETR include the Group's geographic mix of profits and changes to local or international tax laws. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge.

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

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



## SUSTAINABLE FINANCIAL PERFORMANCE

# RESPONDING TO DEMAND AND BUILDING MOMENTUM

## Operating cash flow

	2021	2020 <i>(restated)</i>
	£m	£m
<b>Underlying EBITDA</b>	<b>379</b>	<b>(102)</b>
Exceptional items	(3)	(22)
Working capital and other movements	78	65
Tax received/(paid)	5	(16)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>459</b>	<b>(75)</b>
Capital expenditure – existing estate	(72)	(78)
Capital expenditure – new business development (NBD)	(219)	(223)
Other investing activities	(7)	-
Interest paid, net of interest received and settlement of interest rate swaps	(231)	(187)
Other	-	1
<b>Net cash outflow before changes in share capital and borrowings</b>	<b>(70)</b>	<b>(562)</b>
Proceeds from issue of share capital	-	306
Net changes in borrowings, including shareholder loans	(29)	404
Net capital repayments of leases	(34)	(26)
<b>Net cash (outflow)/inflow for the year</b>	<b>(133)</b>	<b>122</b>

### Operating cash flow

Net cash flow from operating activities for the year was an inflow of £459 million (2020 as restated: £75 million outflow), resulting from total EBITDA of £376 million, favourable working capital movements of £78 million and net tax receipts of £5 million.

Working capital movements in the year of £78 million related to a number of factors, mainly in respect of trading balances. These balances have increased with the recovery of trading activity in 2021, and also reflect the ongoing shift to online bookings, where payment is received in advance of the customer's visit. There was also a positive contribution from the addition of new attractions that opened in 2021 and where there was minimal working capital in prior periods.

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 charging notices from HMRC were received in the year. The Group was legally obliged to pay these charges, totalling £28 million, but expects that this will ultimately be recovered (see note 2.4 for more information). In September the Group received a first payment of £26 million under the CARES Act in the US, in respect of carry back claims against taxes paid in previous years.

Operating free cash flow (being underlying EBITDA less existing estate capital expenditure) was an inflow of £307 million in 2021 (2020: outflow of £180 million).

## Investing activities

A total of £291 million was incurred on capital expenditure in 2021 (2020: £301 million).

New business development (NBD) investment of £219 million represented £177 million on the longer term investments of developing new LEGOLAND parks, substantially all relating to LEGOLAND New York and LEGOLAND Korea. A further £1 million related to new accommodation development across our theme park estate, and £22 million in respect of other projects. £19 million was in respect of new Midway attractions.

Existing estate capital expenditure of £72 million for the year was lower than in 2020 (2020 as restated: £78 million). This reflects the timing of projects together with lower activity as a result of the COVID-19 pandemic. It is lower than in 2020 when projects had been continuing in the early part of that year prior to the implementation of lockdowns and sites being forced to close.

## Financing activities

Interest payments reflect the timing of payments, including in respect of lease arrangements. Capital repayments of leases are stated net of £25 million received from the landlord as part of the agreement to secure tenure at three UK Resort Theme Park locations (see note 4.4).

## 2021

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

The £400 million revolving credit facility was undrawn at the end of 2020 and 2021.

## 2020

The net change in borrowings of £404 million primarily reflected the receipt of £133 million (\$173 million) under a delayed draw down term facility and the issue in Q2 of €500 million of 7.0% senior secured notes due 2025. This was offset by the investor consortium converting £156 million of initial funding (that had been made in the form of shareholder loan notes) into equity, together with £150 million from a new minority investor.

# RESPONDING TO DEMAND

# AND BUILDING MOMENTUM

## ASSETS

	2021	2020 (restated)
	£m	£m
Property, plant and equipment	2,507	2,505
Right-of-use assets	1,512	1,414
Brands	1,311	1,324
Goodwill and other intangible assets	2,200	2,229
Investments	24	19
Working capital	(328)	(337)
Net external debt	(3,369)	(3,356)
Shareholder loans	-	(15)
Lease liabilities	(1,458)	(1,364)
Corporate and deferred tax	(365)	(320)
Employee benefits	(7)	(11)
Other assets and liabilities	(141)	(110)
<b>Net assets</b>	<b>1,886</b>	<b>1,978</b>

Property, plant, and equipment increased by £2 million, primarily reflecting the capital additions referred to previously, offset by depreciation charges, together with the retranslation of those assets at different foreign exchange rates.

Brands, goodwill and other intangible assets reduced due to the impact of foreign exchange rates.

The increase in investments primarily reflects the Group's minority equity investment in the company developing the LEGOLAND Shanghai Resort (see note 5.1).

The increase in lease liabilities and related right-of use assets reflect the agreements entered into that secure tenure until 2077 at certain theme park sites. We agreed terms with the landlord for three of our UK Resort Theme Park locations in the year, and completed the equivalent transaction in respect of a German location shortly after the reporting period. For more details see notes 4.4 and 5.6.

The increase in the corporate and deferred tax liabilities reflect the rate changes in the March 2021 UK budget, as noted above, which announced the headline tax rate will increase from 19% to 25% from 1 April 2023.

Further analysis of the working capital movements of £9 million is provided in note 3.4 to the financial statements.

## LIABILITIES AND EQUITY

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

### Senior secured debt

- €1,460 million and \$1,358 million drawn facilities to mature in November 2026 entered into by the Company's subsidiary Motion Finco S.à r.l. The margins on these facilities are dependent on the Group's adjusted leverage ratio and at 25 December 2021 were at a margin of 3.0% (2020: 3.0%) for EUR debt and 3.25% (2020: 3.25%) for USD debt over the floating interest rates when drawn. The relevant floating interest rate is USD LIBOR, which was 0.13% at 25 December 2021 (0.22% at 26 December 2020). No floating rate is added to the EUR debt while EURIBOR is negative. The terms of the floating rate debt facility require a repayment of 0.25% of the outstanding principal amount of the USD borrowings every three months.
- €500 million 7.0% senior secured notes due 2025 entered into by the Company's subsidiary Motion Finco S.à r.l.
- \$400 million 5.75% senior notes due 2026 entered into by the Company's subsidiary Merlin Entertainments Limited.
- A £400 million revolving credit facility to mature in May 2026, of which £nil was drawn in cash at the end of the reporting period. £28 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 4.1.

### Liquidity

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 Group Treasurer & Director of Tax.

### 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). The covenant requires the Group to maintain adjusted consolidated senior secured leverage below 10x.

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

The Group complied with the financial covenants in the year.

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

## RESPONDING TO DEMAND

# AND BUILDING MOMENTUM

### Financial management

Note 4.3 to the financial statements provides information in the following areas:

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

The Group's risk assessments have identified liquidity/cash flow risk and foreign exchange translation risk as two of the Group's principal risks. Details of these and whether we believe they are increasing, decreasing, or stable, are set out on page 23.

### Going concern and liquidity

We continue to prepare the financial statements on a going concern basis and are pleased to report that, in our judgement, there is no longer a material uncertainty relating to the going concern assessment.

In 2020's Annual Report and Accounts we had disclosed a material uncertainty to going concern because of circumstances surrounding the COVID-19 pandemic. Our latest assessment reflects the strong recovery we have seen in 2021 that generated operating cash inflows of £459 million (compared to outflows of £75 million in 2020, as restated), together with the Group's projected liquidity position and headroom over covenant thresholds from existing committed financing facilities through to the end of Q3 2023. Our projections are based on what we believe is a balanced approach. We assume that the likelihood of significant future COVID-19 related lockdowns and restrictions is low, reflecting the positive impact of COVID-19 vaccine roll outs, however we do expect a slower recovery in international tourism than in domestic markets. 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.

### Trading

In 2021 we responded to customer demand and built trading momentum, while maintaining our focus on operating efficiently in a changing environment, and investing in projects that we believe will support future growth.

In 2022 we will continue to monitor the impact of geopolitical events and the latest situation regarding COVID-19, and will react appropriately as these matters evolve.

We have started 2022 with a range of strategic initiative announcements to drive further growth, including the exclusive partnership to take over the operations of Cadbury World in the UK, and the partnership with Aramark to be our food and beverage partner in seven of our theme parks across the UK and USA.

### Mark Williams

Chief Financial Officer

12 April 2022

### More about our business

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

- We refer to EBITDA as it is a profit measure we use internally to measure the performance of our attractions. It is the KPI that we feel most appropriately captures the ongoing ability of our attractions to generate operating cash flows. Reflecting IFRS 16, this measure does not include the cost of meeting the obligations under our leases, with the exception of performance-based rentals which continue to be reported within EBITDA.
- We refer to operating free cash flow, which is underlying EBITDA less existing estate capital expenditure and which is then available to contribute to capital reinvestment to support further growth, meet the obligations under our leases, service the Group's debt facilities, settle our tax obligations and provide a return to our shareholders.
- We refer to 'underlying' results, which remove the impact of any exceptional items and provide a more direct comparison of trading performance. Details of exceptional items are provided in note 2.2 to the financial statements.
- To provide a more direct comparison of trading performance in the existing estate, we refer to 'like for like' performance. This represents growth between two years at constant currency and accounting standards, including all businesses owned and operated before the start of the earlier year.

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

**Reference to financial statements** – further information regarding the Group's segmental analysis; geographical revenues and assets, and certain operating costs are provided in note 2.1 to the financial statements on pages 51 to 53. Those areas requiring significant judgement in the preparation of the financial statements are summarised on page 50.

## Strategic Overview

# RISKS AND UNCERTAINTIES

### Internal control and risk management

In accordance with the delegated matters set out in the Shareholder Investment Agreement, Merlin maintains effective internal control and risk management systems, with Board Committees and executive management keeping them under regular review. These activities are supported by 'The Merlin Way', our corporate values, which we believe should drive good behaviours and actions by all employees.

During 2021, we continued to see irregular trading activity as we responded to governmental COVID-19 restrictions and employee infection rates. Investment remained in place to make sure health and safety protocols and controls were in place at all attractions to keep our staff and guests COVID-19 safe.

The combination of these challenges meant we needed to remain flexible in our approach to the operational and financial control environment with a strong focus on protecting corporate resources.

The Audit Committee and Health, Safety and Security Committee received regular updates about changes and continued to keep the effectiveness of the control frameworks under review.

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

### Internal control framework

The creation of an effective internal control framework helps ensure:

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

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

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

- **Management structure** – clearly defined reporting lines, accountabilities, and authority levels.
- **Strategic planning, risk management and business performance monitoring** – reviewed by the 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.
- **Commercial and Strategic Risk Management Committee** – oversight and guidance on management of commercial and strategic risk. Responsible for the treatment of animals in our care.

Each Committee reviews 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.

## ENVIRONMENTAL REPORT

# RISKS AND UNCERTAINTIES

### Risk Appetite

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

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

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

### Board's Oversight and Management's Responsibility

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 2021 were effective.

### Future Outlook

During 2022 we will continue to evolve our risk management approach to:

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

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

# RISKS AND UNCERTAINTIES

## COVID-19 impact

### COVID-19 impact

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

COVID-19 has continued to make a significant impact on location based entertainment businesses. We have evolved our COVID-19 counter-measures in 2021 to ensure they remain fully aligned with the best scientific information available and evolving governmental requirements across all jurisdictions in which Merlin operates.

Whilst global vaccination programmes offer cause for optimism, to ensure the business remains on a solid footing, we continue to manage our liquidity position and obtain all available governmental support. We continue to follow governmental guidance and operate revised safety protocols to help protect guests and staff.

Specific COVID-19 related risk factors and Merlin's response are set out below.

The assessment of each continuing principal risk is set out on pages 21 to 23. After careful consideration, the Board concluded that these ongoing principal risk categories would be retained as they accurately describe the risks that could impact the longer term outlook for the business.

#### COVID-19 risk factor

1. Without strict adherence to local regulations and appropriate safety protocols at our attractions, there is a greater risk of COVID-19 transmission and associated reputational impact.
2. The COVID-19 pandemic has significantly impacted trading and for part of the year required the closure of a substantial number of our attractions. This caused a reduction in operating cash flows.
3. Operating visitor attractions under social distancing and COVID-19 related restrictions could negatively impact the guest experience.
4. Many office based employees were asked to work from home, increasing demands on security for IT systems and data.

#### Merlin response

- The implementation of strong health and safety protocols to ensure a 'COVID-secure' environment for guests and staff, as mandated by local regulations, with active management and monitoring by dedicated teams to encourage guest adherence.
- Ensuring sufficient PPE was available and used appropriately.
- The geographic spread of our attractions provided an element of mitigation.
- Continued action to minimise non-essential expenditure, negotiate payment holidays and deferrals, obtain government support and delay or cancel capital projects has supported cash flow and maximized available liquidity during the periods of mandated closure.
- We have made significant changes to how we operate our attractions and the business more broadly to reduce both fixed and variable costs. These changes have maximised the financial contribution made where attractions have been permitted to open, in an environment of social distancing restrictions and reduced demand.
- Attraction staff worked tirelessly to meet exacting health, safety and security standards and to help guests understand how to safely enjoy their visit whilst reminding them of their role in ensuring the overall safety of all guests and staff.
- Acceleration in roll out of user applications with greater security features, whilst at the same time infrastructure changes were made to help manage cyber security risks.

## 10. Strategic Report

# 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 (excluding the impact of COVID-19 on the risk) included in the table reflects the exposure before mitigation and is used to compare to the previous year as to whether significant risks are stable, increasing or decreasing. The Merlin Board sees no significant movements in the outlook for most of the principal risks, with the exceptions of the competition for talent, inflationary increases for labour and other operating costs, as well as threats emanating from cyber and fraud related activity. Comments in the table provide extra detail to help illustrate the direction of specific risks.

Risk	Description	How risks are managed
1. Safety  <i>Stable</i>	Serious incidents leading to guests, staff members or contractors being harmed or becoming ill because of: <ul style="list-style-type: none"> <li>a failure to follow health and safety management systems.</li> <li>fire, flood, storm or utility failure, potentially driven by extreme weather events.</li> <li>substandard build quality or asset degradation; inadequate maintenance and management of buildings, infrastructure and vegetation.</li> </ul>	<ul style="list-style-type: none"> <li>Regular performance reviews by Board Committee with a specific mandate for this area.</li> <li>Ownership of HSS risks by line management.</li> <li>Competent operational and engineering staff monitor and inspect facilities in accordance with a planned programme, backed up by professional HSS teams.</li> <li>Annual risk register review and action planning processes.</li> <li>Regular internal and independent external auditing and review regimes.</li> <li>Contractor selection, approval and monitoring by in-house qualified project managers.</li> </ul>
2. Security  <i>Stable</i>	Reduction in guest confidence to visit the Group's attractions because of sabotage or a terrorist attack on a ride or attraction leading to a guest or staff member or animal in our care being harmed.	<ul style="list-style-type: none"> <li>Detailed security protocols before individuals access an attraction (e.g. bag searches).</li> <li>Regular infrastructure reviews to reduce the opportunity for physical threats to guests, staff or animals.</li> <li>Extensive use of CCTV.</li> <li>Regularly tested major incident management plans.</li> <li>Current events vigilantly monitored to identify emerging risks.</li> <li>Co-operation with local and national security forces.</li> <li>Appropriate insurance cover.</li> <li>Board Committee established with specific mandate for this risk area.</li> </ul>
3. Commercial impact of external threats to location based entertainment operations  <i>Stable</i>	<p>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.</p> <p>In extremis, such events may lead to governmental or other regulatory instructions to close our attractions, including over multiple geographies.</p> <p>Exchange rate volatility can have a positive or adverse impact on inbound tourism. If exchange rates work against a country in which the Group generates significant revenue, this can adversely impact visitation.</p>	<ul style="list-style-type: none"> <li>Increased geographical hedging as a result of further global diversification.</li> <li>Ability to reduce variable expenditure, for example in staffing, property and marketing costs.</li> <li>Ability to defer non-essential capital expenditure.</li> <li>Crisis management procedures for each attraction that set out the appropriate response.</li> <li>Ability to direct marketing and promotional activity towards domestic or international audiences depending on tourism trends.</li> <li>Ability to promote access to a wide portfolio of attractions using annual pass or cluster ticketing.</li> </ul>
4. Innovation, brand development and customer satisfaction  <i>Stable</i>	<p>Our growth potential could be impacted if guests:</p> <ul style="list-style-type: none"> <li>consider our offerings are outdated, no longer relevant or enjoyable; or</li> <li>provide negative social media comments that adversely influence the likelihood of a customer to visit an attraction.</li> </ul>	<ul style="list-style-type: none"> <li>Customer feedback collected at every location and analysed against challenging satisfaction targets. Actions then taken accordingly.</li> <li>Ongoing investment in our attractions to continually refresh the guest experience.</li> <li>Engagement with the public and on social media to take any requisite action.</li> </ul>

# RISKS AND UNCERTAINTIES

Risk	Description	How risks are managed
<p>5. People availability and expertise</p> <p><i>Increasing risk</i></p>	<p>As seen in 2021, and as noted elsewhere in this report, we see the challenge of attracting and retaining appropriately experienced and well-motivated customer service orientated staff, especially in locations with significant upwards wage pressures. This could impact:</p> <ul style="list-style-type: none"> <li>• guest satisfaction; or</li> <li>• the successful delivery of planned future expansion.</li> </ul>	<ul style="list-style-type: none"> <li>• Driving greater productivity to ensure more motivated, better rewarded employees.</li> <li>• Personal development plans across the business to encourage long term employment stability.</li> <li>• Proactively managed succession planning processes embedded across the Group.</li> <li>• Annual employee survey to monitor employee engagement and identify opportunities to develop HR policies and processes.</li> </ul>
<p>6. Competition and Intellectual Property (IP)</p> <p><i>Stable</i></p>	<p>Competition – for leisure time; from new or existing providers of location based entertainment; and for IP around which compelling propositions are created.</p> <p>The commercial benefits from using third party IP may be lost from waning interest or withdrawal of permission to use third party IP content, where contractual obligations are not met or partner relationships are not managed effectively.</p>	<ul style="list-style-type: none"> <li>• Diversification of the portfolio.</li> <li>• Ongoing investment to ensure continued appeal to visitors.</li> <li>• Competitor research and monitoring.</li> <li>• Dedicated in-house creative team to deliver new and innovative compelling propositions and IP.</li> <li>• Proactive management of IP partnerships.</li> </ul>
<p>7. Availability and delivery of new sites and attractions</p> <p><i>Stable</i></p>	<p>The ability of the Group to grow in line with strategic objectives could be inhibited by the lack of:</p> <ul style="list-style-type: none"> <li>• economically viable sites to locate Midway attractions and LEGOLAND parks; and</li> <li>• timely approval of planning consent required for building new rides, attractions and accommodation.</li> </ul>	<ul style="list-style-type: none"> <li>• Experienced site search and business development teams, working several years in advance to maintain a strong pipeline of opportunities.</li> <li>• Sites regularly update development masterplans and work closely on fostering links with local communities and planning authorities.</li> <li>• Dedicated resources used to support the Group's roll out strategy.</li> </ul>
<p>8. Animal welfare</p> <p><i>Stable</i></p>	<p>Incidents or staff behaviours leading to animals in our care being harmed as a result of:</p> <ul style="list-style-type: none"> <li>• a failure to follow prescribed welfare protocols; or</li> <li>• inadequate maintenance and management of buildings, infrastructure and vegetation.</li> </ul>	<ul style="list-style-type: none"> <li>• External zoo licence audits.</li> <li>• An internal ethics committee and the SEA LIFE Conservation, Welfare and Engagement team monitor the treatment of animals.</li> <li>• A comprehensive range of policies, standards, procedures and guidelines.</li> <li>• Training programmes for all staff who interact with animals.</li> <li>• Planned preventative maintenance programmes to ensure buildings, infrastructure and vegetation remain suitable for displaying the animals in our care.</li> </ul>
<p>9. IT robustness, technological developments and cyber security</p> <p><i>Increasing risk</i></p>	<p>The Group operates various IT systems and applications, the obsolescence or failure of which could impede trading or the ability to operate an attraction. Without the technical developments necessary to meet consumer or business expectations, the Group may fail to deliver the growth required by the business strategy.</p> <p>Failure to put in place suitable technical and organisational measures to ensure compliant data processing in line with global legislative requirements could lead to data loss or inability to use IT systems for a prolonged period, a data breach, or a security incident resulting in data protection sanctions, investigations and enforcement actions by local regulators and individuals themselves.</p> <p>We currently see a greater incidence and impact of cyber attacks on organisations across the globe. As noted on page 33, the Merlin Board has considered cyber security risks in 2021, together with the Group's ongoing investment in that area.</p>	<ul style="list-style-type: none"> <li>• Strategic focus to ensure the long term stability of operating systems and data security, whilst keeping pace with changing consumer IT expectations.</li> <li>• Increasing resilience and stability of IT infrastructure and security through an expanded use of secured hosting partners and penetration testing regimes.</li> <li>• Further security measures to mitigate the increasing threat of cyber security risk.</li> <li>• A number of data protection policies are in place to protect the privacy rights of individuals in accordance with relevant data protection legislation.</li> <li>• Independent assessment of compliance arrangements.</li> </ul>



## Strategic Pillars

# RISKS AND UNCERTAINTIES

Risk	Description	How risks are managed
10. Impact of increasing costs on operating margins and returns on capital  <i>Increasing risk</i>	<p>As seen in 2021, and as noted elsewhere in this report, we currently see significant inflationary pressures in a number of economies. This includes areas such as wages, fuel and energy costs.</p> <p>Such inflationary pressures on cost of sales, operating costs and capital expenditure programmes may not be fully compensated by increases in selling prices or the ability to redesign capital projects to keep expenditure down.</p>	<ul style="list-style-type: none"> <li>Strategic focus on pricing associated with changing consumer expectations.</li> <li>Increasing the proportion of the cost base that is variable in nature or can be flexed to meet demand.</li> <li>Effective financial and contractual controls regarding procurement activities.</li> <li>Redesign capital schemes to a lower cost outcome.</li> </ul>
11. Anti-bribery and corruption  <i>Increasing risk</i>	<p>While Merlin's business model is lower risk as the majority of transactions are of low value and typically from individual customers, a number of the territories in which Merlin is operating or considering entering have a greater historic propensity for incidents of bribery and corruption. Any such incident could lead to criminal or civil prosecution, fines and cause reputational damage to the Group.</p> <p>We believe anti-bribery and corruption risk is increasing more widely from macro drivers such as abrupt changes in working practices, as well as increasing pressure on organisations, their customers and their supply chain.</p>	<ul style="list-style-type: none"> <li>A well-embedded corporate culture in which fraud and bribery at any level are not tolerated.</li> <li>Global fraud and bribery training programmes and a fraud policy sign-off for all staff.</li> <li>Effective financial and contractual controls with regard to procurement activities.</li> <li>Internal audit monitors purchasing processes on a rotational basis.</li> <li>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.</li> <li>A whistleblowing policy is in place together with an independently operated employee hotline.</li> </ul>
12. Liquidity/cash flow risk  <i>Stable</i>	<p>A lack of liquidity could inhibit the ability of the Group to grow in line with the strategic objectives if:</p> <ul style="list-style-type: none"> <li>insufficient cash is generated during peak trading periods to cover fixed costs, interest and tax payments and capital investments (including strategic acquisitions, the roll out of Midway attractions, the development of new LEGOLAND parks and new accommodation offerings); and</li> <li>changes in the global credit market impact the Group's long term ability to meet current growth targets.</li> </ul> <p>In extremis, adverse events may lead to a requirement to seek extra sources of liquidity.</p>	<ul style="list-style-type: none"> <li>A committed £400 million multi-currency revolving credit facility assists with liquidity and seasonal cash flow requirements.</li> <li>Review of weekly cash flow forecasts covering a period of 12 weeks assists planning for short term liquidity.</li> <li>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.</li> <li>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.</li> </ul>
13. Foreign exchange translation risk  <i>Stable</i>	<p>Merlin generates its main profits in Sterling, Euros and US Dollars and has debt in Euros and US Dollars.</p> <p>Merlin reports its results in Sterling and is therefore subject to translation risk from exchange rate fluctuations when reporting its consolidated results.</p>	<ul style="list-style-type: none"> <li>The Group presents constant currency figures where appropriate to show underlying results excluding the impact of translation differences.</li> <li>Treasury policies in place and reviewed annually with regular reviews of currency exposures.</li> <li>Broad match of borrowings in the currencies of underlying profits.</li> <li>Currency exposures hedged where appropriate.</li> </ul>

# A RESPONSIBLE BUSINESS

## Introduction

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

'The Merlin Way' is the set of values which embody everything we do, and which provide the basis for our goals and objectives. We advocate 'The Merlin Way' through many of our global engagement activities and our staff wellbeing programmes. More details can be found on our website ([www.merlinentertainments.biz](http://www.merlinentertainments.biz)).

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

## Employee care

### Employee engagement

Our people are what makes Merlin so special, and we continue to be proud of our global employees. They delivered magical and memorable experiences to millions of guests who were desperate to enjoy quality time with their friends and family after various lockdowns.

In 2020 we did not run our annual 'The Wizard Wants to Know' employee engagement survey, due to mandated closures and uncertain opening schedules across the Merlin estate. We relaunched this important listening tool in 2021, using the very latest digital technology through a new platform.

As expected, there were positives and negatives and of course differences by country, attraction, and function. For example natural decreases were seen in areas such as 'being together' and 'work/life balance', while higher scores were recorded around wellbeing and managers and teams feeling supported. The staff engagement question 'Would I recommend Merlin as a place to work?' stayed almost the same with only a one-point difference compared to the last pre-pandemic survey. Overall though, in common with other businesses in our industry, we saw a marked reduction in our typically high overall engagement scores prior to the pandemic.

Merlin is a business based around our employees being together, whether customer-facing or in other functions. We are taking a number of actions to address the issues the survey identified, and believe that these steps, combined with working patterns returning more to normal, will lead to improved employee engagement. We recognise the importance of re-establishing this important listening tool and will be delivering another Wizard Wants to Know survey in 2022, to capture the views of as many of our people as possible.

We have also implemented long term incentive plans that put in place incentive structures for our management teams, aligned to the strategic objectives of our shareholders. These plans include both outstanding contribution and long service awards available to all employees.

## Employee communication

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

In 2022 we plan to further strengthen communications tools with a 'mobile-first' strategy, which will focus on communicating directly with those staff who don't work with a PC or laptop. This updated approach will provide digital content, including the latest reassuring health and safety information, updates from senior leaders and celebratory content from our attractions, to help ensure our global teams continue to feel engaged and connected with the business.

Additional occupational support was made available to all employees in 2021. Employee welfare has always been a key consideration for the Group and in response to the pandemic the Merlin Board has ensured that ahead of reopening attractions, extensive training, using a variety of mediums, was given to all employees. The Merlin Board receives regular HR updates at Board meetings.

At the end of 2021 we launched a brand-new staff engagement and communication concept, the 'Merlin Super Star Awards', a virtual awards ceremony screened around the globe on the same day, with teams coming together to watch and celebrate the work and actions of their fellow Merlin teammates. The awards were a great success and left teams on a positive high note as they looked towards the new year.

## Diversity and inclusion

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

The importance of diversity, equality, accessibility and non-discrimination to Merlin is highlighted throughout our global HR policies relating to employees; including in our internal global recruitment and equal opportunities policies. Our three key focus areas for 2021 were gender equality, ethnic diversity, and 'inclusion for all'. Our four regional taskforces, each sponsored by an Executive Committee member and led by business leaders, developed regional plans to support our global diversity and inclusion goals. We are proud that our commitment to equality is demonstrated throughout our culture and are committed to ensuring our Merlin Board and senior management teams continue to promote diversity and inclusivity.

Key dates were celebrated around the world including International Women's Day, Diwali, Black History Month (US and UK), World Wheelchair Day, World Sign Language Day, Pride Month and UN Day of Persons with Disabilities. We also pioneered a new 'Zero Tolerance - 100% Fun' diversity and inclusion awareness campaign that was translated into 14 languages. The campaign highlighted the policies and robust support systems in place if staff experience inappropriate behaviours, either in work (from guests or colleagues) or outside of work. The campaign was well received by our teams across the globe.

In 2021 we rolled out diversity and inclusion training for all people managers, and each member of the Executive Committee participated in a reverse mentoring programme.

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

# A RESPONSIBLE BUSINESS

## Gender reporting

For the majority of 2021, two of the Company's seven Directors and one of the Group's eight Executive Committee members were female. At December 2021, of the Group's senior management positions (being attraction General Managers up to and including the Executive Committee) 135 (36%) are female and 235 (64%) are male. This is consistent with 2020. The percentage of female permanent employees is 49% (2020: 50%) totalling 4,165 (2020: 4,010). The even split of male versus female employees has therefore been broadly maintained.

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 2021, 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 14.2% (2020: 4.7%), more in line with the pre-pandemic figure of 12.9% reported in 2019. 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 3.2% (2020: 3.5%, 2019: 2.4%).

The key reasons behind our gender pay gap continue to be lower numbers of female representation in senior, higher compensated roles; relatively large populations of employees in traditionally male-dominated roles (for example, engineering staff and electricians); and a large proportion of females taking up roles with greater flexibility in working hours. We are actively encouraging and promoting more females into senior roles, and where possible, we encourage greater female participation in occupations such as engineering. We also host a number of initiatives to educate and inspire career progression within Merlin among female staff.

## Recruitment, training and development

Merlin runs a variety of training and development activities across all parts of the business. These range from induction training and role specific learning (for example in health and safety, and animal welfare), through management and leadership programmes, and on to executive leadership development. Our Merlin Careers website shows available roles across the business globally as well as providing information on the apprenticeships we offer in areas such as hospitality, engineering, management, and marketing.

In 2021 we continued to respond to the COVID-19 pandemic by creating even more online content and self-led learning modules so that our teams could continue to access learning opportunities remotely and whilst on furlough. Through 2022, we will shift to a blended mix of online learning and development and in person programmes for leadership development and critical skills such as marketing, engineering and commercial training.

## Risk management

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

## Health, safety and security

In accordance with the Shareholder Investment Agreement, the Board has created a Health, Safety and Security Committee which together with the Merlin Board and management, ensures that Merlin is dedicated to delivering best in class health, safety and security (HSS) standards that are clearly understood and implemented across the Group. These standards ensure the safety and wellbeing of our guests, employees and contractors. To support this mission, Merlin sets out its core HSS strategic initiatives and how these must direct and focus all efforts in a manner that is both systematic and progressive.

To help communicate these initiatives to our key internal and external stakeholders, Merlin publishes an informative brochure called 'Protecting the Magic – a Guide to Health, Safety and Security at Merlin Entertainments'. This document is available via our corporate website and our dedicated HSS 'ProtectingTheMagic.com' website. Additional HSS news items and features are also published throughout the year on Merlin's 'Backstage' website.

## COVID-19

Much of the world continued to be significantly impacted by the COVID-19 pandemic in 2021. National and local governments utilised many of the public health measures that they had first deployed in 2020 in order to prevent, or control, the spread of the virus. Such measures, including movement control orders, curfews and temporary business closures through population lockdowns, continued to impact both civic society and commerce.

Advances in science were able to provide governments and public health authorities with some of the tools to effectively fight back against COVID-19. Multiple different vaccines, treatments and therapeutics were approved and deployed in countries around the world, allowing 2021 to become a year in which people were able to move more positively into the next phase of the pandemic – 'learning to live with COVID-19'.

Through 2021, our portfolio of attractions shifted from enforced closures or trading with specific restrictions in place, including those in which social distancing limited our visitor capacities, through to being able to trade more normally. Our attractions successfully maintained the important COVID-19 safety protocols and procedures we had developed and deployed in 2020. Regular and positive liaisons with health authorities, enforcement authorities and sector associations have helped to ensure we continue to uphold our best in class COVID-19 safety standards.

As the world emerges from what we believe is the worst of this pandemic, new challenges have been presenting themselves. Disruptions to global supply chains, shortages of materials and components, or scarcities of available labour have served to create headwinds for our attraction teams as they bounce back from COVID-19 related restrictions. Difficult labour markets, in certain territories and for particular professions, have required the Group to take additional steps to avoid higher attrition rates and recruit into vacancies successfully. Our HSS standards, including those relating to training and competency, remain important underpins during these turbulent resourcing periods.

## Our approach to health and safety

# A RESPONSIBLE BUSINESS

### Strategic HSS initiatives

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

- **Leadership and engagement** – requiring our leaders to exhibit visible, proactive and unwavering leadership towards HSS, supported by our people who are fully engaged with this shared responsibility. An example is 'safety leadership walks' which are on-site walks, both in visitor areas and 'back of house', by senior leaders in the business where dedicated time is spent talking with staff about HSS matters and understanding what more can be done.
- **Competency and culture** – fostering a positive and proactive safety culture, with competent and talented people focused on the effective management of HSS risks. Rigorous training and instruction are fundamental to Merlin's approach to HSS across the business, with mandatory new starter training for all employees and safety leadership training for managers.
- **Assessment and control of risk** – identifying, understanding and controlling HSS risks effectively. For example, in the area of fire safety, fire engineering surveys of our hotels have helped ensure that we continue to uphold the highest of physical and procedural controls at all of our hotels. With regard to food safety we adopt the best practice system of Hazard Analysis and Critical Control Points (HACCP). We ensure traceability and assurance over food produce sources and support our guests in their choice of products based on their specific dietary and allergy requirements.
- **Standards and procedures** – developing and rigorously implementing clear and suitable standards and procedures for safe design, construction, maintenance and operation of assets and equipment.
- **Assets and equipment** – managing our assets and equipment to ensure they are fit for purpose throughout their life-cycle and that no unacceptable or uncontrolled HSS risk is created. Maintenance systems and procedures comprise daily, weekly, monthly and annual maintenance programmes across Merlin's rides, buildings, facilities and estates.
- **Monitoring and assurance** – assessing and critically reviewing our performance, in a balanced and objective manner, in order to understand, improve and sustain our HSS performance. HSS performance, including near-miss and incident reporting, is regularly reviewed by each attraction, each Operating Group's senior leadership team and the HSS Committee, with best practice learning shared throughout the HSS management community. All attractions undergo three types of routine health and safety reviews (annual self-audits, independent internal audits and periodic independent external audits), in addition to pre-opening assessments and tactical ad-hoc audits. A comprehensive food safety audit programme is also undertaken by third party specialists.

This process includes the use of two types of performance metric, being:

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

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

Leading indicators	2021	2020
Safety Inspection Certificates – Rides <sup>(1)</sup>	100%	100%
Safe Operating Procedures – Rides <sup>(2)</sup>	100%	100%
Food Safety Audits <sup>(3)</sup>	N/A	N/A
Safety Culture Survey Results <sup>(4)</sup>	75%	N/A
HSS Committee Meetings <sup>(5)</sup>	100%	100%
<b>Lagging indicators</b>		
Medical Treatment Case Rate (Guests) <sup>(6)</sup>	0.02	0.02
Medical Treatment Case Rate (Employees) <sup>(6)</sup>	0.06	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 a valid annual Safety Inspection Certificates issued, or a formal extension granted to such annual Inspection Certificates due to the impact of cross-border travel restrictions brought on by the COVID-19 pandemic.

(2) Each theme park ride in operation in Merlin must have Safe Operating Procedures in place covering the ongoing use of the ride. These procedures must state what the necessary risk controls are for each ride. This % score indicates the percentage of rides that have Safe Operating Procedures in place.

(3) Merlin commissions an independent specialist to audit attractions for compliance with its Food Safety Manual. This % score represents the average compliance score. Where opportunities for improvement to local practices are identified, these are discussed with local management and plans implemented to address them. Due to the impact of cross-border travel restrictions brought on by the COVID-19 pandemic, as well as extensive attraction temporary closures, such on-site audits were not able to take place in 2021 or 2020.

(4) Merlin's annual 'The Wizard Wants to Know' employee survey (not run in 2020) features a series of questions relating to health and safety and this % score represents the overall safety engagement score. We believe the 2021 results were influenced by COVID-19 related factors.

(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. The Employee MTC Rate for 2021 has been impacted by fewer working hours being registered by workers as a result of the COVID-19 pandemic and the imposition of national / local lockdowns. The increase to the Employee MTC Rate is also reflective of some additional cases in the US being referred for external medical treatment at walk-in Urgent Care Centre clinics.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

# A RESPONSIBLE BUSINESS

### Environmental Governance

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

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

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

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

### 2021 activities

We continue to drive awareness in our staff and guests around environmental issues. In 2021 we were delighted to be one of only two venues to host HRH The Duke of Cambridge, who we welcomed on the lastminute.com London Eye, for the inaugural Earthshot Prize 2021 Awards Ceremony. This event was broadcast globally and awarded prizes for those who have found innovative solutions to the planet's environmental problems.

Merlin is committed to being an environmentally responsible business and 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.

Marine conservation continued to be promoted in 2021 through our SEA LIFE brand, educating guests on the dangers of plastic pollution in our oceans and actively contributing to raising awareness through our partner charity, the SEA LIFE Trust. Merlin also supported the SEA LIFE Trust with its annual beach clean activities in 2021, including 60 different beach cleans taking place across the world. From Melbourne to Belgium, California to Cornwall – our global network cleaned over 3,662 kg of plastic pollution from beaches and waterways.

These commitment initiatives will continue progressing in 2022 and beyond. This includes working with our global supply chain to remove unnecessary plastic packaging from our shops; providing opportunities for all our staff and guests to become involved at our attractions as well as helping them consider behavioural change in their everyday lives; and supporting the SEA LIFE Trust in campaigning across the globe for greater protection for our marine environment and its creatures.

### Climate change

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

- *Energy use – the risk of increasing total fuel to energy conversion to climate change*  
Merlin is working on increasing its on-site renewable technologies such as solar photovoltaic.
- *Energy price – the risk of fluctuation in global energy prices*  
Merlin is exploring the opportunity of a Discount Energy Purchase (DEP) scheme at a fixed tariff over a long term for a solar photovoltaic farm. Merlin is also investing in energy efficient systems like Variable Speed Drives and LED lighting to reduce the amount of energy we use.
- *Weather – the risk of disruption in weather patterns*  
Merlin operates a balance of outdoor theme park resorts and Midway attractions which are generally indoors.
- *Waste, recycling, and the use of landfill*  
Merlin is diverting waste from landfill where possible through recycling and generating energy from waste. For example, our four largest UK theme parks recycle and recover all their waste for energy generation.

# A RESPONSIBLE BUSINESS

## Carbon dioxide emissions

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 2021 for electricity by country and UK Government GHG Conversion Factors for Company Reporting 2021 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.

The KPI for measuring our carbon emissions trend is carbon emissions per £1 million of revenue. We have set ourselves a target of 2% year on year reduction on our carbon emissions intensity. We use a rolling base year in these calculations.

Our carbon reporting period for 2021 is from September 2020 to August 2021. Our reported carbon intensity ratio, that measures the usage of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) as compared to revenue, decreased significantly from 140 to 68 gross tCO<sub>2</sub>e per £1 million of revenue. This is largely due to the increase in 2021 revenue compared to 2020, and reflects the fact that a significant element of our energy usage does not flex with trading volumes.

In the period covered by the report, Merlin launched a series of energy efficiency initiatives. However, due to the disruption caused by COVID-19, we were only able to complete a life support system filtration optimisation project at LEGOLAND Windsor, and a power demand control project for air conditioner output at LEGOLAND Japan. Together these projects are expected to save 292,575 kWh annually.

In this period, we purchased 53,905 MWh of renewable energy attributes through our energy procurement contracts. The attributes are backed by Renewable Energy Guarantees of Origin (REGOs).

	2021		2020	
	UK	Global (excluding UK)	UK	Global (excluding UK)
Energy consumption used to calculate emissions (MWh)	102,993	212,657	84,707	217,316
Emissions from combustion of natural gas, oil and LPG in tCO <sub>2</sub> e (Scope 1)	6,659	8,450	4,627	6,125
Emissions from combustion of fuel for transport purposes in tCO <sub>2</sub> e (Scope 1)	439	911	423	945
Emissions from use of CO <sub>2</sub> for food and beverage purposes in tCO <sub>2</sub> e (Scope 1)	11	39	17	38
Refrigerant emissions from refrigeration systems in tCO <sub>2</sub> e (Scope 1)	679	2,584	748	3,290
Emissions from purchased electricity and district heating (Scope 2, location-based)	13,297	63,717	12,837	70,771
Emissions after applying purchased green emissions in tCO <sub>2</sub> e (Scope 2, market-based)	2,063	63,717	1,168	70,771
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel in tCO <sub>2</sub> e (Scope 3)	3	Not reported	11	Not reported
<b>Total gross in tCO<sub>2</sub>e</b>	<b>9,854</b>	<b>75,701</b>	<b>6,994</b>	<b>81,169</b>
<b>Group total in tCO<sub>2</sub>e</b>	<b>85,555</b>		<b>88,163</b>	
<b>Group revenue (£m)</b>	<b>1,261</b>		<b>629</b>	
<b>Intensity ratio: Group gross tCO<sub>2</sub>e / £1 million revenue</b>	<b>68</b>		<b>140</b>	

### Table notes:

- Scope 1 refers to direct emissions (natural gas, LPG, heating oil, refrigerants, diesel, petrol)
- Scope 2 refers to indirect emissions (purchased electricity, purchased heat)
- Scope 2 market based include REGOs for our UK operations
- Our annual carbon reduction target is measured based on market-based emissions.
- Defra carbon reporting factors 2021 were used for all conversions to MWh based on Gross Calorific Value (CV) (except for business mileage where Net CV was applied, this is less than 0.05% of our overall calculated energy)
- 1 MWh is equivalent to 1,000kWh.

## Our commitment to responsible business

# A RESPONSIBLE BUSINESS

### Responsible business

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

### Accessibility

In 2021 we continued our commitment to disability inclusion to ensure guests with disabilities can access the magic of Merlin. We understand our obligations and we care about continuously improving accessibility. An Accessibility Steering Group has been established consisting of senior management representatives from across the business who meet regularly to monitor guest experience in this area, and consider initiatives to advance the accessibility agenda across the Group.

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 2021 were:

- We completed over 5,000 hours of new and enhanced disability confidence training;
- We conducted accessibility reviews of major rides across all our attractions;
- We worked with ride manufacturers to incorporate enhanced accessibility features into new rides;
- We worked with disability experts and guests to inform improvements; and
- We hosted an accessibility roundtable with the 'Valuable 500' to discuss how we can improve.

We were once again proud to 'light up purple' on 3 December at our attractions across the world to celebrate International Day of Persons with Disabilities, marking our ongoing commitment.

### Animal conservation and welfare

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

During the pandemic we have seen a renewed interest from the public to reconnect to nature, animals, and local activities in their community environments. This was apparent in 2021 with an increased interest in our SEA LIFE brand, where there was strong visitation to our SEA LIFE attractions and to seaside sanctuaries. This improved engagement took place in person at the attractions, as well as extensively across digital and social channels, which continued to see millions of viewers engage with live content, animal updates and even virtual tours which were created for those who were unable to visit attractions. SEA LIFE responded to this upsurge in interest with pioneering awareness campaigns including a UK-wide campaign together with the SEA LIFE Trust; 'Don't Make Easter Rubbish'. This campaign highlighted the plight of marine animals as a result of the human impact from littering on beaches and waterways over lockdowns and holiday periods. The campaign was supported by The Sun national newspaper, as part of their single-use plastics campaign, and in local media outlets across the UK.

2021 was another strong year for Merlin's teams who continued their welfare and conservation work to rescue, rehabilitate and release sick or injured animals across the globe. Over 75 grey and harbour seals were rescued across the SEA LIFE and SEA LIFE Trust seal rescue facilities in northern Europe and the UK. Over 120 turtles were rescued in the UK, the US, Europe and Australia, while in the SEA LIFE Trust sanctuary in Iceland, over 30 puffins were also rescued and released as part of continued support to the local community. There were also two beavers rescued and rehomed at the Cornish Seal Sanctuary by the SEA LIFE Trust.

Beluga whales Little White and Little Grey continued to do well in the SEA LIFE Trust's world's first beluga whale sanctuary in Iceland and news of their new state-of-the-art intermediate habitat was shared globally in summer 2021.

Beyond this, we also continue to support additional animal welfare initiatives at Chessington World of Adventures Resort in the UK, and WILD LIFE Sydney Zoo in Australia, who both maintained their long-standing commitment to animal breeding or managed species programmes.

For details of how we manage the risks regarding animal welfare, see page 22.

### Merlin's Magic Wand

Our dedicated children's charity partner, Merlin's Magic Wand (MMW), is now in its 14th year of operation. Although 2021 continued to be a period of recovery as a result of the COVID-19 pandemic, the charity was still able to deliver 30,180 Magical Days Out tickets to children and their families, who are facing challenges of serious illness, disability and adversity. The charity also completed the 51st Merlin's Magic Spaces project based at The Nook (East Anglia Children's Hospice), in partnership with the SEA LIFE Great Yarmouth team, and worked with our attraction teams to reach almost 8,200 children through the Magic on Tour programme.

In 2022, the charity aims to provide more Magical Days Out tickets, deliver on Magic Spaces project commitments, and pursue virtual Magic on Tour offerings, as well as investing in key systems and technology so that more beneficiaries and charity partners can look forward to a year full of magic.

## 2022 SUSTAINABILITY AND GOVERNANCE REPORT

# A RESPONSIBLE BUSINESS

### Anti-bribery

#### Anti-corruption and bribery policies

Merlin's approach regarding the management of anti-bribery and corruption risks is set out on page 23. Merlin has a zero tolerance approach in this area, with regular reports on whistleblowing being provided to the Audit Committee.

### Ethical sourcing

We have a responsibility to the workers in our supply chain and seek to ensure our products are made in an appropriate environment and the products we source are produced in accordance with international laws and legislation. More details on this area are available on our website ([www.merlinentertainments.biz](http://www.merlinentertainments.biz)).

### Human rights

Merlin respects and supports human rights and is committed to the highest level of ethical standards and sound governance arrangements. We aim to act ethically and with integrity in all our business dealings. As part of this commitment and in accordance with global Modern Slavery legislation, Merlin has implemented a Human Rights Policy, guided by the International Labour Organisation Declaration on Fundamental Principles and Rights at Work together with the OECD Guidelines for Multinational Enterprises.

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



# SECTION 172 STATEMENT

The Board of Directors of the Company (the Board) recognises its responsibility to maintain high standards of business conduct and consider the impact on all stakeholders when making decisions, including the likely consequences of any decision in the long term. The Company is managed by the Board, which comprises representatives of its principal shareholders and an independent Chairman. The Board meets to provide governance over the Group and to consider those matters requiring specific approval by the Company. The same shareholder representative Directors and the independent Chairman also meet regularly as the Board of Merlin Entertainments Limited (the Merlin Board), alongside key members of the Merlin Executive Committee, being the Group's Chief Executive Officer and Chief Financial Officer, to provide leadership and set the strategy for the Group. For more information, see page 32.

The Board has considered the analysis undertaken by the Merlin Board 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 of the Companies Act 2006. After careful consideration, bearing in mind the division of responsibilities as noted above, and while acknowledging the need for the Board to exercise overall management and supervision of the Group and to exercise independent judgment, 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 2022.

## Section 172 duties

### 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 made by the Merlin Board.

### Employee interests

The Board and the Merlin Board recognise that employee engagement and a strong culture is important to achieve the Company's vision and objectives.

### Fostering business relationships with suppliers, customers and others

The Board and the Merlin Board identify guests as key stakeholders and Merlin constantly monitors their views 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.

### Operations, impact on community and environment

The Board and the Merlin Board promote an ethical operating culture and high animal welfare standards, together with a commitment to managing environmental impacts. The Board and the Merlin Board support Merlin's partnership with two charities.

### Maintaining a reputation for high standards of business conduct

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.

### Act fairly between owners of the Company

The Board and the Merlin Board act in accordance with the terms of the Shareholder Investment Agreement.

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On pages 32 to 35 we set out our corporate governance framework including Board and Committee responsibilities.

## Corporate Governance

# CORPORATE GOVERNANCE

### Introduction

The Board is committed to maintaining the highest standards of governance throughout the Group and continues to believe that effective corporate governance is the foundation of a successful company. The Board recognises that a strong governance framework is fundamental to achieving Merlin's strategic objectives by embedding a strong company culture and values globally across the Group.

Merlin's overriding purpose is to work with stakeholders to create truly memorable experiences for visitors and long term value for our investors. Our corporate governance framework has been developed to safeguard these objectives. The Board is committed to ensuring that the procedures, policies and practices of the business continue to be effective.

### Merlin's Governance Framework

#### The Board and the Merlin Board

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

The same shareholder representative Directors and the independent Chairman meet regularly as the Board of Merlin Entertainments Limited (the Merlin Board), alongside key members of the Merlin Executive Committee, being the Group Chief Executive Officer and the Group Chief Financial Officer, to provide leadership and set the strategy for the Group.

The responsibilities of the Merlin Board are detailed below:

- overseeing strategy, management and approval of major policies;
- determining the capital structure;
- maintaining the system of internal controls and risk management;
- approval of the annual capital expenditure budget, major capital projects and strategic transactions;
- overseeing financial performance and reviewing financial reports;
- establishing and maintaining an effective corporate governance framework, in conjunction with the Board;
- effective engagement with shareholders and other stakeholders; and
- reviewing recommendations from Committees.

### Board Committees

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

#### Health, Safety and Security Committee

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

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

#### Audit Committee

This Committee assists the Board in discharging its responsibilities regarding financial reporting by monitoring the integrity of our financial statements including considering whether the financial statements are 'fair, balanced and understandable'.

It assists the Board and the Merlin Board in relation to external and internal audits, including monitoring and reviewing the effectiveness of the internal audit function and overseeing the performance and independence of external auditors. It also assists the Merlin Board in matters of risk management and internal controls, including monitoring and reviewing the effectiveness of our whistleblowing and fraud policies and our internal control and risk management.

During the year the Audit Committee considered proposals for the Group to tender its external audit relationship, KPMG LLP having been the Group's auditors for many years. A comprehensive competitive tender process was completed, and as a result Ernst & Young LLP were appointed as external auditors.

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

#### Remuneration Committee

The Remuneration Committee was created in early 2021 and the first meeting was held in March 2021. The Remuneration Committee assists the Merlin Board in determining its responsibilities in relation to remuneration, including making recommendations on the policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Merlin Board level.

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

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

#### Other Committees

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

- **Executive Committee** – chaired by the Chief Executive Officer, this Committee is responsible for managing the Group's day-to-day operations and the development of strategic plans for consideration by the Merlin Board. It implements the Group's strategy and ensures that the business complies with all applicable statutory, regulatory and governance requirements.

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

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

## Merlin Way

# CORPORATE GOVERNANCE

### Our focus in 2021

During 2021 the main area of focus for the Merlin Board continued to be overseeing Merlin's response to the COVID-19 pandemic, requiring ongoing dialogue between Merlin Board members and executive management. The Merlin Board discussed how attractions were able to reopen with a focus on customer and guest safety, cost management and profitability. The Merlin Board monitored the trading performance as the business recovered through the year and focused on a number of key strategic projects.

As well as overseeing the launch of LEGOLAND New York, the Merlin Board reviewed the development of the LEGOLAND park projects in China, and assessed the pipeline of opportunities for future LEGOLAND parks. It considered further strategic opportunities and approved the proposed transaction regarding Cadbury World that was announced in early 2022.

Other areas of focus included cyber security risks and the Group's ongoing investment in that area. Towards the end of the year the Merlin Board approved the Group's five year strategic plan and the extension and modification of leases for certain of Merlin's Resort Theme Parks locations.

The Merlin Board also reviewed and approved the implementation of long term incentive plans, more details of which are set out in note 4.6 to the financial statements.

### Continuing to strengthen financial controls

During 2021 the Board and the Merlin Board maintained a strong corporate governance framework and they continue to apply the Wates Corporate Governance Principles for Large Private Companies. Details of how the Group approaches these principles are set out below.

### Our purpose and leadership

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

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

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

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

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

The Board Committees review the effectiveness of our internal policies. The Audit Committee reviews the effectiveness of the Group's whistleblowing and fraud policies.

### Our approach to board composition

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

The Board is appointed in accordance with the Shareholder Investment Agreement. Each investor has nominated suitably qualified representatives to sit on the Board and the Merlin Board. The Directors possess a wide range of skills, backgrounds, experience, and knowledge across a broad range of businesses. The composition of the Board is considered appropriate for the size and complexity of the Company. Details of the Board members can be found on pages 34 to 35.

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

Careful consideration has been given to the appointment of the Chair of each Committee. The Audit Committee is chaired by an individual with recent and relevant financial experience. The Remuneration Committee is chaired by the independent Chairman. The Health, Safety and Security Committee is chaired by an independent health and safety expert. The responsibilities of the Board and these Committees are outlined on page 32.

Until shortly before the end of the year, the Board, Merlin Board and Executive Committee together was comprised of 12 men and three women. Details of the gender mix of the Group and its senior management are set out on pages 24 to 25, together with details of our actions in the area of diversity and inclusivity.

### Individual Director and 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 matters which require Board or Committee approval. Key strategic decisions are made by the Merlin Board and Committee terms of reference set out the responsibilities of each Committee.

The Merlin Board met ten times during 2021 by video conference calls, due to travel restrictions imposed as a result of the COVID-19 pandemic. The Merlin Board are provided with appropriate board packs in advance of the meetings, including trading updates, financial performance, employee engagement and welfare, and management of key business risks. When making decisions, only the shareholder representatives have voting rights.

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.

## Merlin Board of Directors

# CORPORATE GOVERNANCE

### Merlin's Environmental, Social and Governance Policy

Merlin's Environmental, Social and Governance Policy is a guiding principle for the Group, which is designed to ensure the long-term success of the company by identifying opportunities to create and preserve value, and to satisfy any obligation for the benefit of our stakeholders and the wider community.

Oversight of risk management is performed on an ongoing basis through interaction with management and by risk being a regular item on Merlin Board agendas. Two Committees have specific responsibilities in the key areas of health, safety and security and wider risk management and internal controls activities. Commercial risks are considered by a sub-committee of the Executive Committee, chaired by executive management, which reports back to the Executive Committee regularly.

The Board retains overall responsibility for risk management and the Merlin Board approves the risk management framework which sets out the responsibilities, oversight, monitoring, reporting and management processes. Further details regarding the approach to risk management are set out on pages 18 to 23.

Long term strategic opportunities are highlighted through the Group's strategic planning processes that the Board oversees. A dedicated strategy review session was performed during 2021 with a focus on acquisitions strategy. Other opportunities are brought to the attention of the Board when they arise.

### Merlin's Board of Directors

Merlin's Board of Directors is responsible for the long-term success of the company, considering day-to-day and long-term issues affecting the company.

Remuneration matters during the year were considered by the Remuneration Committee. All matters relating to remuneration are considered by that body and recommended to the Merlin Board for approval, in line with the Committee's terms of reference.

Our remuneration policies and principles are aligned with the Group's performance to support our overall values, purpose and strategy. A series of key principles underpin the Merlin remuneration structure - pay should be based on results and performance; consistent with best practice; and aligned to the long term success of the Company.

During the year the Remuneration Committee focused in particular on the terms of long term incentive plans, which were launched towards the end of the year. These plans put in place a long term incentive structure for management which is aligned to the Company's strategic objectives. More details are set out in note 4.6 to the financial statements.

Merlin's Board of Directors is responsible for the long-term success of the company, considering day-to-day and long-term issues affecting the company. The board is responsible for overseeing meaningful engagement with stakeholders, including the identification and acting on issues relating to them 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 31. The Group's business model also focuses on our interactions with customers, employees and investors; more information can be found on pages 7 to 8.

### Merlin Board of Directors

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

#### Roland Hernandez, Independent Chairman

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

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

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

#### Søren Thorup Sørensen, KIRKBI Shareholder Representative

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

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

#### Jørgen Vg Knudsen, KIRKBI Shareholder Representative

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

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

#### Sidsel Maria Kristensen, KIRKBI Shareholder Representative

Sidsel was appointed as a Director on 4 November 2019. Sidsel has almost 20 years' experience as a lawyer. Sidsel joined KIRKBI A/S in 2016 and is currently Executive Vice President and General Counsel at KIRKBI A/S and Director of various entities in the KIRKBI Group. She is on the Board of Directors of LEGO Foundation, Euro Cater Holding A/S and Privathospitalet Molholm P/S. Sidsel is Chairman of LEGO Juris A/S and a Board member of Shanghai LEGOLAND Management Co., Ltd.

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

## Corporate Governance

# CORPORATE GOVERNANCE

### Joseph Baratta, Blackstone Shareholder Representative

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

Mr. Baratta joined Blackstone in 1998 and in 2001 he moved to London to help establish Blackstone's corporate private equity business in Europe. Since 2012, Mr. Baratta has served as the firm's Global Head of Private Equity and is located in New York. Mr. Baratta has served on the boards of many past Blackstone portfolio companies and currently serves as a member or observer on the boards of Ancestry, Candle Media, First Eagle Investment Management and Medline. He is also a member of the Board of Trustees of Georgetown University, is a trustee of the Tate Foundation, and serves on the board of Year Up, an organization focused on youth employment.

Before joining Blackstone, Mr. Baratta was with 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. Peter 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.

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 Axel & Manufacturing, Centennial Communications, Centerplate (formerly Volume Services America), Chamberlain Group, CommNet Cellular, 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), Service King, Servpro, Sirius Satellite Radio, Tradesmen International, Universal Orlando, Vivint, Vivint Solar and the Weather Channel. He currently serves on the Board of Directors of Alight Solutions, Chamberlain Group, Encore Global, International Data Group, PSSI, Service King, Servpro, Tradesmen International, and Vivint. He is a trustee of Children's Aid Society, one of America's oldest and largest children's nonprofits.

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

### Lori Hall-Kimm, CPPIB Shareholder Representative (resigned 20 December 2021)

Lori was appointed as a Director on 26 June 2019 and stepped down from her role at Merlin and CPPIB shortly before the end of the year. Lori was a Managing Director in Direct Private Equity at CPPIB and led the Consumer Retail team since 2018. Lori initially joined CPP Investments in 2016 and was previously a Senior Principal leading Co-investments within the Secondaries and Co-Investments group. Prior to CPPIB, Lori was a Director in Private Capital at Ontario Teachers' Pension Plan from 2005 to 2015, where she established their London office, and lead numerous European fund and co-investments from 2007 to 2015. Lori previously worked in the Consumer Retail Investment Banking team at Goldman Sachs. Lori was previously on the Board of 99 Cents Only Stores, Gruppo Coin, and Alexander Forbes Pty. Lori has a BBA from York University (Schulich School of Business) and an MBA from Columbia University.

Ricardo Caupers replaced Lori Hall-Kimm as CPPIB's representative on the Board on 25 January 2022.

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

Ricardo is responsible for CPPIB's direct private equity investments in business services companies in Europe. He also has geographic coverage responsibility for Southern Europe.

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

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

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

### Merlin Board of Directors and 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.

### Nick Varney, Group Chief Executive Officer

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

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

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

### Alistair Windybank, Group Chief Financial Officer

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

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

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

## CONTENTS

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 25 December 2021. Comparative figures relate to the 52 week period ended 26 December 2020.

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.

### Financial reporting

#### Non-financial reporting

Information regarding Merlin's approach to the five topics required by the Companies Act is set out in the Responsible Business section on pages 24 to 30.

#### Other information

Other information is set out as follows:

- Business review and future developments – see pages 1 to 31.
- Research and development – details about Merlin Magic Making are located on page 6.
- Directors – details are on pages 34 to 35.
- Employees – details on how we communicate with employees are on page 24.
- Directors' responsibilities statement – see page 38.

### Wates Principles

#### 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](http://www.frc.org.uk)).

### Guidelines for Disclosure and Transparency in Private Equity

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

#### Other information

Other information is set out as follows:

- Section 172 statement – see page 31.
- Corporate governance – see pages 32 to 35.

### Financial statements

The financial statements contain information in the following areas:

- Capitalised interest – see note 2.3.
- Financial instruments – see note 4.3.
- Financial risk management – see note 4.3.
- Share-based payment transactions – see note 4.6.
- Related parties – see note 5.3.
- Subsequent events – see note 5.6.
- Subsidiaries and joint ventures – see note 5.7.

### Transfer of business

The Directors' Report itself contains the sections detailed below.

### Transfer of capital and related matters

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

### Amendment to the Company's Articles of Association

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

### Appointment and removal of Directors

The Company is governed by its Articles of Association and the Companies Act 2006 and related legislation, with regard to the appointment and replacement of Directors.

### Powers of Directors in respect of share capital

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

### Directors' indemnities and insurance

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

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

### Significant contracts

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

### Branches outside the UK

Motion JVco Limited has no branches outside the UK.

### Dividend

No dividends were paid or recommended during the financial year.

## DIRECTORS' REPORT

# DIRECTORS' REPORT

### Subsequent events

In January 2022 the Group entered into an agreement to take over the operations of the Cadbury World attraction in the UK. The transaction is expected to complete within the next year once all conditions precedent have been satisfied. As part of the agreement, the Group will be responsible for the day to day running of the Cadbury World site, its employees, and all operational decisions, as well as holding brand usage rights for Cadbury World in the UK. The financial impact of the transaction is not expected to be material to the Group.

We have recently agreed terms with the landlord for the four leasehold Resort Theme Park locations, securing our tenure at these resorts until 2077. As stated in note 5.6, terms for the Continental Europe site were not agreed until after the end of the reporting period, and as such this has been treated as a non-adjusting post balance sheet event that does not result in adjustment to the financial statements.

### 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 25 December 2021.

### Auditors

Following a tender exercise KPMG LLP ceased to be the Company's auditor and Ernst & Young LLP were appointed.

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 financial statements

The Strategic Report, Corporate Governance Report and the Directors' Report were approved by the Board on 12 April 2022.

For and on behalf of the Board

Signature of the Chairman

Director

12 April 2022

Motion JVco Limited

Registered number 12057312

# DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

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

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

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

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



# INDEPENDENT AUDITOR'S REPORT

Report on the consolidated financial statements

## Opinion

We have audited the financial statements of Motion JVco Limited (the Company) and its subsidiaries (the Group) for the 52 weeks ended 25 December 2021 which comprise 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 international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

## In our opinion:

- the financial statements give a true and fair view of the Group's and of the Company's affairs as at 25 December 2021 and of the Group's loss for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the 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 of 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.

## Conclusion 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 12 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's ability to continue as a going concern.

## Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 103, 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 there is 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.

## Other information contained in the Strategic Report and Directors' Report

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 an 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 38, 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

for the (annual financial statements) for the year

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.

**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.

**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 review 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. We performed audit procedures, including through 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 review of Board minutes to identify non-compliance with such laws and regulations, review of 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Our opinion

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.

**Richard Longo (Senior statutory auditor)**  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

**12 April 2022**

10 | CONSOLIDATED FINANCIALS

# CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 23 December 2021 (2020: 52 weeks ended 26 December 2020)

		2021			2020 Restated <sup>1</sup>		
		Underlying trading	Exceptional items	Total	Underlying trading	Exceptional items	Total
	Note	£m	£m	£m	£m	£m	£m
Revenue	2.1	1,261	-	1,261	629	-	629
Cost of sales	2.1	(226)	-	(226)	(159)	-	(159)
Gross profit		1,035		1,035	470		470
Staff expenses	2.1	(373)	(1)	(374)	(290)	(14)	(304)
Marketing		(30)	-	(30)	(30)	-	(30)
Other operating expenses		(253)	(2)	(255)	(252)	(8)	(260)
EBITDA <sup>(2)</sup>	2.1	379	(3)	376	(102)	(22)	(124)
Depreciation, amortisation and impairment	3.1, 3.2, 4.4	(247)	1	(246)	(267)	(352)	(619)
Operating profit/(loss)		132	(2)	130	(369)	(374)	(743)
Finance income	2.3	2	-	2	4	-	4
Finance costs	2.3	(226)	-	(226)	(226)	-	(226)
Loss before tax		(92)	(2)	(94)	(591)	(374)	(965)
Taxation	2.4	(46)	-	(46)	118	28	146
Loss for the year <sup>(3)</sup>		(138)	(2)	(140)	(473)	(346)	(819)

<sup>(1)</sup> Details of the prior year restatement are provided in note 1.1

<sup>(2)</sup> EBITDA – this is defined as profit before finance income and costs, taxation, depreciation, amortisation and impairment and is after taking account of attributable profit after tax of joint controlled entities

<sup>(3)</sup> Loss for the year for 2021 and 2020 is wholly attributable to the owners of the Company

<sup>(4)</sup> Details of exceptional items are provided in note 2.2

CONSOLIDATED STATEMENT

# OF COMPREHENSIVE INCOME

For the 12 months ended 31 December 2021 (2020: 51 weeks ended 31 December 2020)

		2021	2020
		£m	Restated £m
Loss for the year		(140)	(819)
Other comprehensive income			
<i>Items that cannot be reclassified to the consolidated income statement</i>			
Equity investments at FVOCI - net change in fair value	5.1	(1)	(42)
Defined benefit plan remeasurement gains/(losses)	5.2	3	(4)
Income tax on items relating to components of other comprehensive income	2.4	-	8
		2	(33)
<i>Items that may be reclassified to the consolidated income statement</i>			
Exchange differences on the retranslation of net assets of foreign operations		47	(22)
Exchange differences relating to the net investment in foreign operations		(1)	-
		46	(22)
Other comprehensive income for the year net of income tax		48	(60)
Total comprehensive income for the year <sup>(2)</sup>		(92)	(879)

<sup>(1)</sup> Details of the prior year restatement are provided in note 1.1

<sup>(2)</sup> Total comprehensive income for the year for 2021 and 2020 is wholly attributable to the owners of the Company

## PRIMARY STATEMENTS


# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 25 December 2021 (2020: 26 December 2020)

		2021	2020
			Restated <sup>(1)</sup>
	Note	£m	£m
Property, plant and equipment	3.1	2,507	2,505
Right-of-use assets	4.4	1,512	1,414
Goodwill and intangible assets	3.2	3,511	3,553
Investments	5.1	24	19
Other receivables	3.4	5	15
Tax receivable		29	-
Deferred tax assets	2.4	14	5
<b>Non-current assets</b>		<b>7,602</b>	<b>7,511</b>
Inventories	3.4	43	54
Trade and other receivables	3.4	113	84
Derivative financial assets		1	4
Tax receivable		23	60
Cash and cash equivalents	4.1	185	306
<b>Current assets</b>		<b>365</b>	<b>508</b>
<b>Total assets</b>		<b>7,967</b>	<b>8,019</b>
Interest-bearing loans and borrowings	4.2	37	45
Lease liabilities	4.4	34	79
Derivative financial liabilities		3	1
Trade and other payables	3.4	484	475
Tax payable		28	34
Provisions	3.5	8	9
<b>Current liabilities</b>		<b>594</b>	<b>643</b>
Interest-bearing loans and borrowings	4.2	3,517	3,632
Lease liabilities	4.4	1,424	1,285
Other payables	3.4	20	24
Provisions	3.5	116	95
Employee benefits	5.2	7	11
Deferred tax liabilities	2.4	403	351
<b>Non-current liabilities</b>		<b>5,487</b>	<b>5,398</b>
<b>Total liabilities</b>		<b>6,081</b>	<b>6,041</b>
<b>Net assets</b>		<b>1,886</b>	<b>1,978</b>
Issued capital and reserves attributable to owners of the Company		1,882	1,974
Non-controlling interest		4	4
<b>Total equity</b>	4.5	<b>1,886</b>	<b>1,978</b>

The financial statements were approved by the Board of Directors on 12 April 2022 and were signed on its behalf by:

Gøren Thorup Sørensen  
Director


<sup>(1)</sup> Details of the prior year restatement are provided in note 1.1

CONSOLIDATED STATEMENT

# OF CHANGES IN EQUITY

For the financial year ended 21 December 2020 (2020: 52 weeks ended 23 December 2019)

	Note	Share capital £m	Share premium £m	Capital reserves £m	Financial reserve £m	Retained earnings £m	Total parent equity £m	Non-controlling interest £m	Total equity £m
At 29 December 2019 (as previously reported)		26	2,653	6	(39)	(84)	2,562	4	2,566
Prior year restatement	1.1	-	-	-	(2)	(13)	(15)	-	(15)
At 29 December 2019 (as restated)		26	2,653	6	(41)	(97)	2,547	4	2,551
Loss for the year		-	-	-	-	(819)	(819)	-	(819)
Other comprehensive income for the year net of income tax		-	-	-	(22)	(38)	(60)	-	(60)
Total comprehensive income for the year		-	-	-	(22)	(857)	(879)	-	(879)
Shares issued	4.5	3	303	-	-	-	306	-	306
At 26 December 2020 (as restated)	1.1	29	2,956	6	(63)	(954)	1,974	4	1,978
Loss for the year		-	-	-	-	(140)	(140)	-	(140)
Other comprehensive income for the year net of income tax		-	-	-	46	2	48	-	48
Total comprehensive income for the year		-	-	-	46	(138)	(92)	-	(92)
Transfer to retained earnings	4.5	-	-	(6)	-	6	-	-	-
At 25 December 2021	4.5	29	2,956	-	(17)	(1,086)	1,882	4	1,886

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# CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 weeks ended 20 December 2021 (2020: 52 weeks ended 26 December 2020)

		2021	2020
	£m	£m	£m
Cash flows from operating activities			
Loss for the year		(140)	(319)
Adjustments for:			
Depreciation, amortisation and impairment	311,32,444	246	619
Finance income	2.3	(2)	(4)
Finance costs	2.3	226	226
Taxation	2.4	46	(146)
		375	(124)
Loss on sale of property, plant and equipment		1	2
Movements in working capital		76	60
Changes in provisions and other non-current liabilities		1	3
Tax received/(paid)		5	(16)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>459</b>	<b>(75)</b>
Cash flows from investing activities			
Interest received		1	2
Acquisition of investments	5.1	(7)	-
Purchase of property, plant and equipment		(291)	(301)
Disposal of property, plant and equipment		-	1
<b>Net cash outflow from investing activities</b>		<b>(297)</b>	<b>(298)</b>
Cash flows from financing activities			
Proceeds from issue of share capital	4.5	-	306
Proceeds from borrowings	4.2	-	576
Repayment of borrowings	4.2	(13)	(9)
Repayment of shareholder loans	4.2	(15)	(156)
Net capital repayment of lease liabilities <sup>(2)</sup>		(31)	(26)
Interest paid		(232)	(189)
Financing costs		(1)	(7)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(295)</b>	<b>495</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(133)</b>	<b>122</b>
Cash and cash equivalents at beginning of year	4.1	306	176
Effect of movements in foreign exchange		12	8
<b>Cash and cash equivalents at end of year</b>	<b>4.1</b>	<b>185</b>	<b>306</b>

<sup>(1)</sup> Details of the prior year restatement are provided in note 1.1

<sup>(2)</sup> Capital repayments of leases are stated net of £25 million received from the landlord as part of the lease modification at three UK Resort Theme Park locations (see note 4.4)

# SECTION I

## BASIS OF PREPARATION

52 weeks ended 25 December 2021 (2020: 52 weeks ended 26 December 2020).

### 1.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements are also prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002. The Company prepares its parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

The Group prepares its annual consolidated financial statements on a 52 or 53 week basis. These consolidated financial statements have been prepared for the 52 weeks ended 25 December 2021 (2020: 52 weeks ended 26 December 2020).

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 £140 million (2020 as restated: £819 million) and generated operating cash inflows of £459 million (2020 as restated: outflow of £75 million). The Board has assessed the Group and Company's ability to continue as a going concern to the end of Q3 2023 (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.

#### Financing

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 25 December 2021, the Group had a cash balance of £135 million and available undrawn facilities of £372 million relating to the Group's revolving credit facility (RCF), with no unexpected post balance sheet changes in liquidity; we have seen cash outflows since the end of 2021 reflecting the normal seasonality of trading combined with ongoing capital investment. The Group's sources of financing and its net debt at the reporting date are detailed in notes 4.1 and 4.2.

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

#### Base case

The projections and forecasts prepared for the going concern assessment period to the end of Q3 2023 are derived from the Group's 2022 budget and longer term strategic plan, approved by the Merlin Board in December 2021, with relevant refinements made to reflect more recent information. 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, extending up to the end of Q3 2023, we have made certain key assumptions:

- We have assumed that the likelihood of any significant future COVID-19 related lockdowns and restrictions is low, reflecting, among other factors, the positive impact of COVID-19 vaccine roll outs.
- We expect the ability of people to travel across borders will remain restricted and that there will be a slower recovery in levels of international tourism than in domestic markets. This will impact our attractions to different extents.
- The impact of reduced visitation (versus pre COVID-19 levels) is expected to be partially offset by revenue management initiatives.
- Our new business development capital expenditure plans include the completion of LEGOLAND Korea, opening May 2022 within the going concern assessment period. Capital expenditure on planned Midway attractions also continues to be incurred during the going concern assessment period. Essential capital expenditure to ensure the health and safety of our guests and staff at existing attractions will continue.
- The base case specifically excludes any potential acquisitions over the period or any strategic initiatives not yet confirmed.

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

The Directors have prepared cash flow forecasts for a 17 month period from the date of approval of these financial statements up to the end of Q3 2023 which indicate that, under the base case, the Group will have sufficient funds to meet its liabilities as they fall due.



# SECTION I

## BASIS OF PREPARATION CONTINUED

52 weeks ended 25 December 2021 (2020: 52 weeks ended 26 December 2020)

### 1.1 BASIS OF PREPARATION (CONTINUED)

#### Downside scenarios

It remains very difficult to assess how the COVID-19 situation will evolve. The Directors believe the base case scenario above is reasonable, assuming as it does that the risks of potential future lockdowns and/or trading restrictions have reduced significantly, but also assuming there will be delayed recovery due to continuing travel restrictions and reduced international tourism.

However, it is possible that the recovery profile is slower than in the base case. The Directors have therefore prepared a severe but plausible downside scenario, with the following assumptions which differ from the base case:

- This scenario models significantly slower recovery in international tourism than that modelled in the base case, assuming no further recovery in the going concern assessment period above the actual recovery experienced in the financial year ended 25 December 2021.
- For those costs where the Group considers there to be inflationary risks above budgeted levels in the base case, this scenario applies increases to variable staff costs and energy prices versus 2021.

It is also possible that other negative events may occur, including external incidents such as terrorism. Furthermore, while our trading operations are not directly affected by the war in Ukraine, this and other geopolitical factors could lead to reduced levels of international tourism and further inflationary pressure on operating costs. In addition, this inflationary pressure in the wider economy could reduce consumers' discretionary spending, which could impact both visitation and spend levels in visitor attractions.

While not modelled in the downside scenario, there are numerous mitigating actions the Group could take to mitigate 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. While not in the direct control of the Group, we could also seek to further extend waivers 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 during the COVID-19 pandemic, we would expect to be able to raise such funds as were necessary. However, there is no guarantee that such funds will be available.

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 taking into account the terms of the covenant calculations, and it 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

In the 2020 Annual Report and Accounts the Directors disclosed a material uncertainty, relating to circumstances surrounding the COVID-19 pandemic, that cast significant doubt on the Group and Company's ability to continue as a going concern.

The Directors have concluded there is no longer a material uncertainty relating to the going concern assessment.

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.

#### Consolidated financials

The consolidated financial statements comprise the financial statements of Motion JVC Limited and its subsidiaries at the end of each reporting period (see note 5.7) 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.

# SECTION I

## BASIS OF PREPARATION CONTINUED

12 months ended 28 December 2021 2020, 53 weeks ended 26 December 2019

### 1.1 BASIS OF PREPARATION (CONTINUED)

#### Foreign currency translation

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 4.3.

#### Recognition and derecognition of financial instruments

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

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

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

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

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

Further information on equity instruments issued by the Group is set out in note 4.5.

#### Financial instruments liability reductions

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 5.4.

#### Change in accounting policy – software-as-a-service (SaaS) arrangements

In April 2021, an IFRIC agenda decision was issued in relation to the accounting treatment for configuration and customisation costs in cloud computing arrangements. This guidance clarified that in order for an intangible asset to be capitalised in relation to configuration and customisation costs in a software-as-a-service (SaaS) arrangement, it is necessary for there to be control of the underlying software asset or for there to be a separate intangible asset which meets the definition in IAS 38 'Intangible assets'.

Since 2019, the Group has undertaken numerous technology-based projects that utilise SaaS arrangements. The Group has completed its assessment of the financial reporting impact of this IFRIC agenda decision and has updated its accounting policy in the financial statements to align with the clarified guidance within the IFRIC agenda decision. As a result, the Group has expensed all costs previously capitalised associated with both the configuration and customisation of these SaaS arrangements. Accordingly, the Group's consolidated statements of financial position as at 26 December 2020 and 28 December 2019 have both been restated in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.

This change in accounting policy resulted in an overstatement of equity as at 28 December 2019 of £13 million, which has been corrected by reducing opening retained earnings. In 2020 and 2021 adjustments relating to intangible asset costs, amounting to £5 million and £3 million respectively, increased exceptional operating expenses in those periods (see note 2.2). The net impact of these adjustments following the reversal of underlying accumulated amortisation and the taxation impact is an increase of costs of £3 million and a decrease of costs of £2 million in 2020 and 2021 respectively.

#### Errors and restatements

During 2021, the Group determined that the financial statements for prior periods contained errors, as set out below. As a result, previously reported figures have been restated. These restatements have not impacted previously reported underlying revenue or underlying EBITDA.

Section I Basis of Preparation

# SECTION I

## BASIS OF PREPARATION

CONTINUED

12 weeks ended 26 December 2020 (2020); 52 weeks ended 26 December 2019

### 1.1 BASIS OF PREPARATION (CONTINUED)

Allocation of brands to legal owner of Merlin Entertainment plc by Motion Acquisition Limited

On 4 November 2019, the acquisition of Merlin Entertainment plc by Motion Acquisition Limited (a subsidiary of Motion JVco Limited) became effective. This business combination was accounted for by applying the purchase method, where individually identifiable assets and liabilities acquired were valued and any remaining balance was assigned to goodwill. As part of the purchase price allocation exercise, acquired brands were all valued in Sterling, totalling £1,316 million. During 2021, this was reviewed, and it has been determined that it is more appropriate for certain brands to be valued in Euros to align with the functional currency of the foreign operations acquired.

This determination has caused a change in the treatment of deferred tax liabilities relating to these brands. Deferred tax was previously calculated using UK substantively enacted taxation rates but has now been restated using local taxation rates to align with the foreign operations to which these assets relate. The increase in deferred tax liabilities of £20 million as at 28 December 2019 was offset by an increase in goodwill.

As a result of movements in foreign exchange rates, equity as at 28 December 2019, as previously reported, was overstated by £2 million. The opening translation reserve has therefore been adjusted to correct this.

Additional adjustments in 2020 reflect the subsequent retranslation of these balances and changes in tax rates, resulting in a further increase to goodwill and intangible assets of £12 million, a reduction in deferred tax liabilities of £2 million, a credit to the translation reserve of £9 million (£7 million on a cumulative basis) and an increase in retained earnings of £5 million (see notes 2.4 and 3.2).

In aggregate the net impact of changing the currencies adopted for the valuations as at 28 December 2019 was an overstatement of equity of £2 million, and an understatement of £14 million for the year ended 26 December 2020, with a cumulative impact of £12 million.

#### Transition

Each year the Group performs a review of its deferred tax position to ensure that the principles for asset recognition are consistently applied. The review considers if it is probable that each subsidiary undertaking with recognised deferred tax assets would have sufficient taxable profits to utilise recognised assets in the future. In performing this year's review the Group has revisited the 2020 balances. This resulted in a £10 million adjustment to deferred tax assets being identified. This in turn reduced the taxation credit recognised by the Group in the prior year.

Current tax balances that have arisen in the different jurisdictions should be presented as gross receivables and payables to reflect that there is no right of net settlement rather than being presented net. We have therefore restated the 26 December 2020 tax receivable and payable by £34 million to present these balances on a gross basis as noted above. The error did not have an income statement impact.

At the same time, an assessment has also been performed to quantify deferred tax balances that have arisen in the same jurisdictions and are expected to unwind over a similar timeframe and therefore should be netted rather than being presented as gross. This has resulted in a prior year reclassification of £146 million between deferred tax assets and deferred tax liabilities. See note 2.4 for further details.

#### Impact of change in accounting policy and prior year restatements

The impact of the change in accounting policy for SaaS arrangements and the correction of the prior period errors had the following impact on the statement of financial position as at 26 December 2020 and 28 December 2019:

	26 December 2020					
	Impacted line items as reported	Accounting policy change for SaaS arrangements	Valuation of brands and associated deferred tax	Derecognition of deferred tax assets	Current tax gross up deferred tax netting	Impacted line items as restated
Property, plant and equipment	2,512	(7)	-	-	-	2,505
Goodwill and intangible assets	3,535	(12)	30	-	-	3,553
Deferred tax assets	158	3	-	(10)	(146)	5
Tax receivable	26	-	-	-	34	60
Tax payable	-	-	-	-	(34)	(34)
Deferred tax liabilities	(479)	-	(18)	-	146	(351)
Impact on net assets		(16)	12	(10)	-	
Translation reserve	70	-	(7)	-	-	63
Retained earnings	933	16	(5)	10	-	954
Impact on total equity		13	(12)	10	-	

Report on the audit of the financial statements

# SECTION I

## BASIS OF PREPARATION CONTINUED

52 weeks ended 20 December 2021 (2020: 52 weeks ended 26 December 2020)

### 1.1 BASIS OF PREPARATION (CONTINUED)

	28 December 2019			
	Impacted line items as reported	Accounting policy change for SaaS arrangements	Valuation of brands and customer deferred tax	Impacted line items as restated
	£m	£m	£m	£m
Property, plant and equipment	2,430	(7)	-	2,423
Goodwill and intangible assets	3,801	(9)	18	3,810
Net deferred tax liabilities	(413)	3	(20)	(430)
Impact on net assets		(13)	(2)	
Translation reserve	39	-	2	41
Retained earnings	84	13	-	97
Impact on total equity		13	2	

The impact of the deferred tax netting has not been disclosed for the statement of financial position at 28 December 2019 given this has no impact on the net assets presented.

#### Preparation of financial statements

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

#### Judgement

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

- *Useful life of brands (note 3.2)* - 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 review (note 3.3)* - the level at which goodwill is initially allocated and thereafter monitored.
- *Vesting period of share-based payments (note 4.6)* - the Group has exercised its judgement in determining the grant date of the three schemes awarded in the year, which has been deemed to be the date of share issuance. Considering ongoing future strategies of both the Group and the Group's shareholders, the most likely vesting dates for each scheme have been deemed to be in four or ten years for interim trigger events and exit respectively.

#### Estimates

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

- *Taxation (note 2.1)* - recognition of deferred tax balances and accounting for tax risks.
- *Valuation of the LULLLAND Pools (LLP) and Rascal Theme Parks (RTP) Operating Company's assets and impairment (note 3.2)* - the estimation of future cash flows together with the discount rates adopted when calculating the value in use of assets. The valuation of other assets and impairment, excluding LLP and RTP, involves a degree of estimation uncertainty but the likelihood of a resulting change in value is less significant.
- *Provisions (note 3.5)* - estimated outflow to settle the obligations and, where relevant, the appropriate discount and inflation rates to apply.
- *Lease obligations (note 4.7)* - estimation of the discount rate used in the calculation of certain lease liabilities.
- *Share-based payments (note 4.6)* - the implied enterprise value of Motion Topco Limited was calculated as at December 2021 in order to calculate share-based payment valuations for the three schemes awarded in the year. The valuation was performed using the Monte Carlo option pricing model, the inputs to which involve estimation uncertainty. Future valuation fluctuations could materially impact share-based payment expenses recognised in subsequent periods.

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

- *Interest-bearing loans and borrowings (note 5.2)* - expected period of borrowings when calculating the effective interest rate on those borrowings.
- *Lease obligations (note 4.7)* - IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken.
- *Investments (note 3.4)* - earnings multiples and discounted cash flows when calculating the fair value of investments.
- *Employee benefits (note 5.2)* - assumed discount rate, inflation rate and mortality when valuing defined benefit liabilities.

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

Financial Review – Performance

## SECTION 2

# RESULTS FOR THE YEAR

12 weeks ended 20 December 2020 (2020: 52 weeks ended 30 December 2020)

### 2.1 PROFIT BEFORE TAX

#### 2.1.1 Definition of Operating Segment

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

	Midway Attractions £m	LEGOLAND Parks £m	Rosport Theme Parks £m	Segment results £m	Other items <sup>(1)</sup> £m	Exceptional items <sup>(2)</sup> £m	Total £m
<b>2021</b>							
Visitor revenue	331	380	298	1,009	-	-	1,009
Accommodation revenue	-	124	70	194	-	-	194
Other revenue	13	33	6	52	6	-	58
<b>Revenue<sup>(1)</sup></b>	<b>344</b>	<b>537</b>	<b>374</b>	<b>1,255</b>	<b>6</b>	<b>-</b>	<b>1,261</b>
<b>EBITDA<sup>(2)</sup></b>	<b>102</b>	<b>172</b>	<b>148</b>	<b>422</b>	<b>(43)</b>	<b>(3)</b>	<b>376</b>
Depreciation and amortisation	(112)	(66)	(61)	(239)	(8)	-	(247)
Impairment	-	-	-	-	-	1	1
<b>Operating profit<sup>(2)</sup></b>	<b>(10)</b>	<b>106</b>	<b>87</b>	<b>183</b>	<b>(51)</b>	<b>(2)</b>	<b>130</b>
<b>2020 - as restated<sup>(3)</sup></b>							
Visitor revenue	216	149	128	493	-	-	493
Accommodation revenue	-	62	38	100	-	-	100
Other revenue	12	17	3	32	4	-	36
<b>Revenue<sup>(1)</sup></b>	<b>228</b>	<b>228</b>	<b>169</b>	<b>625</b>	<b>4</b>	<b>-</b>	<b>629</b>
<b>EBITDA<sup>(2)</sup></b>	<b>(17)</b>	<b>(30)</b>	<b>-</b>	<b>(47)</b>	<b>(35)</b>	<b>(22)</b>	<b>(124)</b>
Depreciation and amortisation	(129)	(65)	(62)	(256)	(11)	-	(267)
Impairment	-	-	-	-	-	(352)	(352)
<b>Operating loss<sup>(2)</sup></b>	<b>(146)</b>	<b>(95)</b>	<b>(62)</b>	<b>(303)</b>	<b>(66)</b>	<b>(374)</b>	<b>(743)</b>

<sup>(1)</sup> Revenue is disaggregated into the three categories described below

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

<sup>(3)</sup> Details of the prior year restatement are provided in note 1.1

<sup>(4)</sup> Other items include Merlin Magic Making, head office costs and various other costs, which cannot be directly attributed to the reportable segments. Following a restructure there was a reallocation in 2021 of £6 million of costs across the Operating Groups

<sup>(5)</sup> Details of exceptional items are provided in note 2.2

## SECTION 2

# RESULTS FOR THE YEAR CONTINUED

52 weeks ended 27 December 2021 (2020: 52 weeks ended 29 December 2020)

### 2.1 PROFIT BEFORE TAX (CONTINUED)

#### Geographical information

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

#### Geographical information

	Revenues 2021	Non-current assets 2021	Revenues 2020	Non-current assets 2020
	£m	£m	£m	£m
United Kingdom	461	2,935	222	2,873
Continental Europe	256	1,526	169	1,625
North America	425	2,179	129	2,096
Asia Pacific	119	895	109	893
<b>Total</b>	<b>1,261</b>	<b>7,535</b>	<b>629</b>	<b>7,487</b>
Tax receivable		29		-
Deferred tax (note 2.1)		14		5
Investments (note 5.1)		24		19
<b>Total</b>		<b>7,602</b>		<b>7,511</b>

#### Revenue

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

- Visitor revenue** - represents admissions tickets, retail, food and beverage sales and other commercial offerings such as photos and games experiences inside an attraction. Tickets and other services can be bought in advance, generally online, in which case they are held in deferred revenue and recognised when the visitor uses those tickets or services or the validity period expires. Revenue from annual passes and other tickets that entitle a customer to continued visits over a period of time is deferred and then recognised over the period that the pass is valid. Retail and food and beverage revenue, along with other similar commercial offerings, is recognised at point of sale.
- Accommodation revenue** - represents overnight stay and conference room revenue along with food and beverage revenue earned within our hotels and other accommodation offerings. Accommodation revenue is recognised at the time when a customer stays at the accommodation.
- Other revenue** - represents sponsorship, function, management and development contract revenue along with other sundry items. Sponsorship revenue is recognised over the relevant contract term. Function revenue is recognised at the time of the event. Management contract revenue is recognised as it is earned. Where the Group enters into contracts for attraction development, revenue is recognised over time as performance obligations under the contracts are met.

#### Cost of sales

Cost of sales of £226 million (2020: £159 million) represents variable expenses (excluding VAT and similar taxes) incurred from revenue generating activities. Retail inventory, food and beverage consumables and costs associated with the delivery of accommodation are the principal expenses included within this category.

#### Operating expenses

##### Staff numbers and costs

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

	2021	2020
Operations	15,423	11,509
Attraction management and central administration	2,187	2,090
<b>Total</b>	<b>17,610</b>	<b>13,599</b>

## SECTION 2

# RESULTS FOR THE YEAR CONTINUED

12 weeks ended 14 December 2021 (2020: 52 weeks ended 16 December 2020)

### 2.1 PROFIT BEFORE TAX (CONTINUED)

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£m	£m
Wages and salaries	242	305
Social security costs	40	37
Other pension costs	11	11
Government support	(19)	(49)
	274	304

The total charge for the year for share-based payments is less than £1 million. Further details are provided in note 4.6.

The Group has accessed government support measures in the geographies in which it operates, including employee furlough schemes. This funding meets the definition of a government grant and the income recognised in the year in relation to these schemes was £19 million (2020: £49 million), primarily in the UK, Germany, Australia, and Denmark.

Government grants are recognised when there is reasonable assurance that the Group has complied with the relevant conditions within the agreement and that the grant will be received. For each grant, the Group assesses whether it relates to either capital or operational expenditure incurred. A grant relating to expenses already incurred is recognised in the period in which it becomes receivable, offsetting the expenses the grants are intended to compensate. The funding received is included within the cash flows from operating activities in the consolidated statement of cash flows.

#### Directors' remuneration

Directors' remuneration for the year was £0.3 million, being the remuneration of the highest paid Director (2020: £0.2 million). There were no Company pension contributions payable.

#### Related party transactions with key management personnel

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

	2021	2020
	£m	£m
Key management emoluments including social security costs	7.3	5.4
Contributions to money purchase pension schemes	-	0.2
Share-based payments and other related payments	0.2	-
	7.5	5.6

#### Auditors' remuneration

	2021	2020
	£m	£m
Audit of these financial statements	1.9	1.8
Audit of financial statements of subsidiaries	0.5	0.4
Other assurance services	-	0.1
Services relating to corporate finance transactions	-	0.2
	2.4	2.5

During 2021 KPMG LLP resigned as auditors to the Company and Ernst & Young LLP were appointed. The 2020 comparative relates to amounts paid to KPMG LLP.

#### Other operating expenses

In addition to the employee furlough schemes noted above, governments worldwide introduced a number of other support measures that the Group accessed. These totalled £19 million (2020: £8 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.

## SECTION 2

# RESULTS FOR THE YEAR CONTINUED

11 months ended 21 December 2021 (2020 12 months ended 26 December 2020)

### 2.2 EXCEPTIONAL ITEMS

#### 2.2.1 Presentation

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.

#### 2.2.2 Items included

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

	2021 £m	2020 £m
<b>Within staff expenses:</b>		
Productivity and efficiency activities <sup>(1)</sup>	1	14
<b>Within other operating expenses:</b>		
Productivity and efficiency activities <sup>(1)</sup>	3	6
Transaction costs <sup>(2)</sup>	(1)	2
<b>Exceptional items included within EBITDA</b>	<b>3</b>	<b>22</b>
<b>Within depreciation, amortisation and impairment:</b>		
Impairment of intangible assets <sup>(3)</sup>	-	260
Impairment of property, plant and equipment and right-of-use assets <sup>(4)</sup>	(1)	92
<b>Exceptional items before income tax</b>	<b>2</b>	<b>374</b>
Income tax credit on exceptional items above	-	(28)
<b>Exceptional items for the year</b>	<b>2</b>	<b>346</b>

<sup>(1)</sup> Certain one-off operational costs have been incurred in 2021 as the Group's productivity and efficiency related activities that commenced in 2020 were completed. In 2020 they mainly related to changes made to our organisational structures in attractions and support functions, primarily in response to the COVID-19 pandemic, together with the completion of long term productivity initiatives commenced in previous years. The Group has changed its accounting policy related to the capitalisation of certain software assets following the IFRS Interpretations Committee's agenda decision published in April 2021. This change in accounting policy led to an increase in exceptional operating expenses relating to productivity and efficiency activities of £3 million in the current year and £5 million for 2020. All 2020 results are restated, see note 1.1 for further details. They are separately presented as they are not part of the Group's underlying operating expenses.

<sup>(2)</sup> Transaction costs within other operating expenses in 2020 primarily represented professional and advisor fees incurred in connection with the acquisition of the Merlin Group in 2019, certain of which became payable in 2020. In 2021 certain costs in respect of previous transactions were finalised leading to the release of amounts previously provided for of £1 million. They are separately presented as they are not part of the Group's underlying operating expenses.

<sup>(3)</sup> Impairment charges in 2020 of £260 million were in respect of goodwill associated with the LEGOLAND Parks Operating Group. These reflected latest estimates at the end of the reporting period of the combined future performance of the attractions within that Operating Group, taking into account reviews of the market and economic conditions at those locations. They were separately presented as ordinarily goodwill is not amortised and therefore these charges did not form part of the underlying result.

<sup>(4)</sup> Impairment charges in 2020 of £78 million in property, plant and equipment and £14 million in right-of-use assets were in respect of certain of the Group's attractions. The discounted cash flows that underpinned our value in use calculations reflected the current business plans which were updated for factors including the short term impact of COVID-19. In particular, this included consideration of LEGOLAND New York where the opening had been delayed. In 2021 an impairment credit has been recorded in the year of £1 million in respect of one Midway location that was subject to impairment in 2020. They are separately presented as they are not part of the Group's underlying depreciation charge.



## SECTION 2

# RESULTS FOR THE YEAR CONTINUED

12 weeks ended 25 December 2021 (2020: 52 weeks ended 26 December 2020)

### 2.2 FINANCE INCOME AND COSTS

#### Finance income (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

	2021	2020
	£m	£m
Interest income	2	4
Finance costs		
	2021	2020
	£m	£m
Interest expense on lease liabilities	52	51
Interest expense on financial liabilities measured at amortised cost	165	167
Other interest expense	7	2
Other		
Net foreign exchange loss	2	6
	226	226

Capitalised borrowing costs amounted to £8 million in 2021 (2020: £18 million), with a capitalisation rate of 4.3% (2020: 4.4%). Tax relief on capitalised borrowing costs amounted to £2 million in 2021 (2020: £5 million).

## Financial Statements – Consolidated

# SECTION 2

## RESULTS FOR THE YEAR CONTINUED

12 weeks ended 27 December 2021 (2020: 12 weeks ended 26 December 2020)

### 2.4 TAXATION

#### Income tax expense

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.

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

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

#### Income tax expense in consolidated income statement

	2021	2020 <i>Restated</i>
	£m	£m
<i>Current tax:</i>		
Current year	5	(54)
Adjustment for prior periods	(7)	(13)
Total current income tax	(2)	(67)
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(9)	(101)
Changes in tax rate	58	25
Adjustment for prior periods	(1)	(3)
Total deferred tax	48	(79)
<b>Total tax expense/(credit) in income statement</b>	<b>46</b>	<b>(146)</b>

Deferred tax in 2020 has been restated following a review of the Group's deferred tax position, and a change in the currencies used in considering the valuation of the Group's brands. See note 1.1 for further details.

## SECTION 2

# RESULTS FOR THE YEAR CONTINUED

52 weeks ended 27 December 2021 (2020: 52 weeks ended 24 December 2020)

### 2.4 TAXATION (CONTINUED)

Reconciliation of effective tax rate

	2021	2021	2020	2020
	%	£m	Reported	Revised
			%	£m
Loss before tax		(94)		(965)
Income tax using the UK domestic corporation tax rate	19.0%	(18)	19.0%	(183)
Effect of tax rates in foreign jurisdictions		(5)		(31)
Non-deductible expenses		4		36
Income not subject to tax		(1)		(2)
Effect of changes in tax rate		58		25
Unrecognised temporary differences		16		25
Adjustment for prior periods		(8)		(16)
Total tax expense/(credit) in income statement	(48.9%)	46	15.1%	(146)

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

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

In 2020, the difference between the underlying ETR (excluding exceptionals) of 20.0% (as restated) and the UK standard rate was attributable to a number of factors including the Group's geographic mix of profits and the benefit derived from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This was offset by the non-recognition of tax losses and the revaluation of deferred tax liabilities due to the change in the UK tax rate when it was maintained at 19%, rather than reducing it to 17% from 1 April 2020. In 2020 the Group benefited from certain reliefs available in the CARES Act in the US. This allowed operating losses generated in 2020 to be carried back five years. As the US corporate tax rate was higher in the earlier years the Group obtained a permanent benefit from the carry back.

Significant factors impacting the Group's future ETR include the Group's geographic mix of profits and changes to local or international tax laws. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge.

In April 2019 the European Commission (EC) announced its final decision that certain elements of the UK's Controlled Foreign Company rules partially represent State Aid. The UK Government has made an annulment application against the EC decision. Separately, the Group has made its own application. In February 2021, the Group received charging notices from HMRC for £28 million, which have been paid. The Group expects the applications will ultimately be successful and accordingly the payments are held as a receivable. If the applications are ultimately unsuccessful then this could result in an increase in the Group's future effective tax rate.

Revaluation credits in equity through the exercise of subscription rights

	2021	2020
	£m	£m
Equity investments at FVOCI – net change in fair value	-	(7)
Remeasurement gains/(losses) on defined benefit plans	-	(1)
Total tax credit in statement of other comprehensive income	-	(8)

## SECTION 2

# RESULTS FOR THE YEAR CONTINUED

12 months ended 27 December 2021 (2020: 12 months ended 26 December 2020)

### 2.4 TAXATION (CONTINUED)

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021	2020 <i>Restated</i>	2021	2020 <i>Restated</i>	2021	2020 <i>Restated</i>
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	22	46	(205)	(197)	(183)	(151)
Right-of-use assets / lease liabilities	41	41	(78)	(83)	(37)	(42)
Other short term temporary differences	55	40	(3)	(2)	52	38
Corporate interest restriction	56	21	-	-	56	21
Intangible assets	22	23	(362)	(300)	(340)	(277)
Tax value of loss carry-forwards	63	65	-	-	63	65
Tax assets/(liabilities)	239	236	(648)	(592)	(389)	(346)
Set-off tax	(245)	(231)	245	231	-	-
<b>Net tax assets/(liabilities)</b>	<b>14</b>	<b>5</b>	<b>(403)</b>	<b>(351)</b>	<b>(389)</b>	<b>(346)</b>

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

Not unusual or deferred out during the current year

	27 December 2020 <i>Restated</i>	Recognised in income	Recognised in other comprehensive income	Effect of movements in foreign exchange	25 December 2021
	£m	£m	£m	£m	£m
Property, plant and equipment	(151)	(35)	-	3	(183)
Right-of-use assets / lease liabilities	(42)	4	-	1	(37)
Other short term temporary differences	38	15	-	(1)	52
Corporate interest restriction	21	35	-	-	56
Intangible assets	(277)	(66)	-	3	(340)
Tax value of loss carry-forwards	65	(1)	-	(1)	63
<b>Net tax assets/(liabilities)</b>	<b>(346)</b>	<b>(48)</b>	<b>-</b>	<b>5</b>	<b>(339)</b>

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

# SECTION 2

## RESULTS FOR THE YEAR CONTINUED

(12 months ended 25 December 2021 (2020: 51 weeks ended 30 December 2020))

### 2.4 TAXATION (CONTINUED)

Movements transferred to balance sheet

	29 December 2019 Restated £m	Recognised in income £m	Foreign exchange movements comprehensive income £m	Effect of movements in foreign exchange £m	26 December 2020 Restated £m
Property, plant and equipment	(166)	16	-	(1)	(151)
Right-of-use assets / lease liabilities	(35)	(7)	-	-	(42)
Other short term temporary differences	10	23	-	-	38
Corporate interest restriction	-	21	-	-	21
Intangible assets	(244)	(31)	-	(2)	(277)
Tax value of loss carry-forwards	5	52	6	-	65
<b>Net tax assets/(liabilities)</b>	<b>(430)</b>	<b>79</b>	<b>8</b>	<b>(3)</b>	<b>(346)</b>

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

Deferred tax balances relating to both 2019 and 2020 have been restated following a review of the Group's deferred tax position, and a change in the currencies used in considering the valuation of the Group's brands. See note 1.1 for further details.

Unrecognised deferred tax assets

	2021 £m	2020 Restated £m
Property, plant and equipment	1	3
Right-of-use assets / lease liabilities	23	25
Other short term temporary differences	21	44
Tax value of loss carry-forwards	87	90
<b>Net unrecognised tax assets</b>	<b>132</b>	<b>162</b>

The unrecognised deferred tax assets relating to loss carry-forwards include £6 million (2020: £5 million) expiring in 0-5 years and £28 million (2020: £20 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.

# SECTION 3

## OPERATING ASSETS

## AND LIABILITIES

12 weeks ended 25 December 2021 (2021), 52 weeks ending 15 December 2020

### 3.1 PROPERTY, PLANT AND EQUIPMENT

#### Recognition and initial cost

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.

#### Incurred costs

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 attraction 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

Financial Information by Segment

# SECTION 3

## OPERATING ASSETS

## AND LIABILITIES CONTINUED

12 weeks ended 26 December 2021 (2020: 12 weeks ended 13 December 2020)

### 3.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reported in the consolidated statement of financial position

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
<b>Cost</b>				
At 29 December 2019 ( <i>restated</i> )	1,227	835	389	2,451
Additions	-	12	328	340
Disposals	-	(3)	(2)	(5)
Transfers	31	44	(75)	-
Effect of movements in foreign exchange	11	7	(13)	5
<b>Balance at 26 December 2020 (<i>restated</i>)</b>	<b>1,269</b>	<b>895</b>	<b>627</b>	<b>2,791</b>
Additions	1	18	201	220
Disposals	-	(2)	(1)	(3)
Transfers	293	284	(577)	-
Effect of movements in foreign exchange	(19)	(19)	(18)	(56)
<b>Balance at 25 December 2021</b>	<b>1,544</b>	<b>1,176</b>	<b>232</b>	<b>2,952</b>
<b>Depreciation</b>				
At 29 December 2019 ( <i>restated</i> )	10	18	-	28
Depreciation for the year	55	128	-	183
Impairment	12	11	55	78
Disposals	-	(2)	-	(2)
Effect of movements in foreign exchange	-	(1)	-	(1)
<b>Balance at 26 December 2020 (<i>restated</i>)</b>	<b>77</b>	<b>154</b>	<b>55</b>	<b>286</b>
Depreciation for the year	55	110	-	165
Disposals	-	(2)	-	(2)
Transfers	53	2	(55)	-
Effect of movements in foreign exchange	(1)	(3)	-	(4)
<b>Balance at 25 December 2021</b>	<b>184</b>	<b>261</b>	<b>-</b>	<b>445</b>
<b>Carrying amounts</b>				
At 28 December 2019 ( <i>restated</i> )	1,217	817	389	2,423
At 26 December 2020 ( <i>restated</i> )	1,192	741	572	2,505
<b>At 25 December 2021</b>	<b>1,360</b>	<b>915</b>	<b>232</b>	<b>2,507</b>

Depreciation is calculated in line with the policy stated previously.

During the year the Group reviews useful economic lives and tests PPE for impairment in accordance with the Group's accounting policy, as referred to in note 3.3. There were no impairment charges in the year. In 2020 impairment charges of £78 million were made as the discounted cash flows that underpinned our value in use calculations reflected our business plans which were updated for factors including the short term impact of COVID-19. In particular, this included consideration of LEGOLAND New York where the opening had been delayed.

#### Capital commitments

At the year end the Group had a number of outstanding capital commitments in respect of capital expenditure at its existing attractions (including accommodation), as well as for Midway attractions and LEGOLAND parks that are under construction. These commitments are expected to be settled within two financial years of the reporting date. These amount to £70 million (2020: £143 million) for which no provision has been made.

## Operating Assets and Liabilities

# SECTION 3 OPERATING ASSETS AND LIABILITIES CONTINUED

22 months ended 25 December 2021 (1620:52) (revised) 26 December 2020:

## 3.2 GOODWILL AND INTANGIBLE ASSETS

### Goodwill and intangible assets

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

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

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

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

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

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

Table 3.2: Intangible assets

	Intangible assets			Total
	Goodwill	Brands	Other	
	£m	£m	£m	£m
<b>Cost</b>				
At 29 December 2019 (restated)	2,469	1,314	27	3,810
Additions	-	-	5	5
Effect of movements in foreign exchange	(9)	11	1	3
<b>Balance at 26 December 2020 (restated)</b>	<b>2,460</b>	<b>1,325</b>	<b>33</b>	<b>3,818</b>
Additions	-	-	2	2
Effect of movements in foreign exchange	(28)	(13)	-	(41)
<b>Balance at 25 December 2021</b>	<b>2,432</b>	<b>1,312</b>	<b>35</b>	<b>3,779</b>
<b>Amortisation</b>				
Amortisation for the year	-	1	4	5
Impairment	260	-	-	260
<b>Balance at 26 December 2020 (restated)</b>	<b>260</b>	<b>1</b>	<b>4</b>	<b>265</b>
Amortisation for the year	-	-	5	5
Effect of movements in foreign exchange	(2)	-	-	(2)
<b>Balance at 25 December 2021</b>	<b>258</b>	<b>1</b>	<b>9</b>	<b>268</b>
<b>Carrying amounts</b>				
At 29 December 2019 (restated)	2,469	1,314	27	3,810
At 26 December 2020 (restated)	2,200	1,324	29	3,553
At 25 December 2021	2,174	1,311	26	3,511



## SECTION 3

# OPERATING ASSETS AND LIABILITIES

CONTINUED

£21 million is noted 25 December 2021 (2020: £21 million and £26 December 2020)

### 3.3 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Intangible assets are tested for impairment in accordance with the Group's accounting policy, as referred to in note 3.3. As a result of these tests, no impairment charges have been made in the year (2020: £260 million in respect of goodwill associated with the LEGOLAND Parks Operating Group). The impairment charge in 2020 reflected latest estimates at the end of the reporting period of the combined future performance of the attractions within that Operating Group, taking into account reviews of the market and economic conditions at those locations.

In the year, the Group changed its accounting policy relating to software-as-a-service (SaaS) configuration and customisation costs to align with the clarified guidance within the IFRIC agenda decision released in April 2021. This has resulted in adjustments to reduce other intangible assets in previous periods (see note 1.1 for further details).

#### 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.

	2021	2020
	£m	Restated £m
Midway Attractions	323	328
LEGOLAND Parks	1,724	1,740
Resort Theme Parks	127	132
	<u>2,174</u>	<u>2,200</u>

#### Brands

The Group has valued the following brands at the time of those brands being acquired. In previous years the brands were all valued in Sterling. During 2021, this accounting policy was reviewed, and it has been determined that it is more appropriate for certain brands to be valued in Euros to align with the functional currency of the foreign operations acquired (see note 1.1).

	2021	2020
	£m	Restated £m
Midway Attractions		
Madame Tussauds	428	428
SEA LIFE	205	205
London Eye	213	213
Dungeons	92	92
Other	7	7
	<u>945</u>	<u>945</u>
Resort Theme Parks		
Gardaland Resort	168	179
Alton Towers Resort	92	92
THORPE PARK Resort	30	30
Heide Park Resort	39	32
Chessington World of Adventures Resort	28	28
Warwick Castle	18	18
	<u>366</u>	<u>379</u>
	<u>1,311</u>	<u>1,324</u>

# SECTION 3

## OPERATING ASSETS

## AND LIABILITIES CONTINUED

12 months ended 23 December 2020 / 52 weeks ended 23 December 2020

### 3.3 IMPAIRMENT TESTING

#### 3.3.1 INTRODUCTION

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

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss whenever the carrying amount of those assets exceeds the recoverable amount. Impairment testing is performed first at the individual 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.

#### 3.3.2 RECOVERABLE AMOUNT

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

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

#### Estimate

Future cash flows	Assumed to be equivalent to the operating cash flows of the businesses less the cash flows in respect of capital expenditure and repayments of lease liabilities. The Group uses EBITDA less an allocation of central costs, in line with other recharges which occur in the business, as a proxy for the operating cash flows of its attractions as they are not significantly impacted by movements in working capital.
Growth in EBITDA	EBITDA is forecast by an analysis of both projected revenues and costs. Visitor numbers and revenue projections are based on market analysis, including the total available market, historic trends, competition and site development activity, both in terms of capital expenditure on rides and attractions as well as marketing activity.  Projections of operating costs are based on historical data, adjusted for variations in visitor numbers and planned expansion of site activities as well as general market conditions.
Timing and quantum of future capital and maintenance expenditure	Projections are based on the attractions' long term development plans, taking into account the capital investment necessary to maintain and sustain the performance of the attractions' assets.
Long term growth rate	A growth rate of 2.5% (2020: 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.

# SECTION 3

## OPERATING ASSETS

## AND LIABILITIES CONTINUED

Figures ended 22 December 2021 (2020: 52 weeks ended 23 December 2020)

### 3.3 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. Five year 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	
	2021	2020	2021	2020
Midway Attractions	10.3%	8.6%	8.3%	7.4%
LEGOLAND Parks	10.3%	8.9%	8.4%	7.1%
Resort Theme Parks	10.4%	9.4%	8.3%	7.7%

#### Impairment reviews

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

Particular focus is given to material amounts where headroom is more limited. This solely relates to goodwill attributed to the LEGOLAND Parks Operating Group, where the headroom is £87 million (2020: £260 million of impairment losses were made in the year), and the Resort Theme Parks Operating Group where the headroom is £22 million (2020: £64 million). The Midway Attractions Operating Group and the individual brands show considerable headroom and are not sensitive to even significant changes in any of the key assumptions.

Individual site assets could have different outcomes for their impairment reviews in future periods, though the only site with impairment triggers identified this year where this could be material to the Group would be LEGOLAND New York. The Directors do not envisage any short term factors such as the impact of COVID-19 having a longer term impact on the prospects for the resort.

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

- At the reporting date the Directors consider that the forecasts used reflect the best estimate of future trading. It is noted, however, that the calculations are inherently sensitive to the level of growth as the business recovers from the impact of the COVID-19 pandemic. This can depend on a number of factors. These include when attractions are open, the level of any social distancing or other governmental restrictions, customer demand, people's ability to travel across borders, vaccine roll outs, and the wider economic trading environment. Other more normal factors such as weather patterns can also affect trading. While in the short term slower growth would be highly unlikely to affect valuations by a substantial amount, longer term shortfalls that affect the outlook for the 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 (2026), was determined based on management's long term expectations, taking account of historical averages and future expected trends in both market development and market share growth.

#### LEGOLAND Parks (LLP)

- If EBITDA for LLP as a whole was forecast to be 3% lower than currently anticipated for 2026, headroom would be absorbed in full.
- If the pre-tax discount rate used across LLP had been higher by a factor of 2% to 10.6%, headroom would have been absorbed in full.
- If circumstances caused the long term growth rate to lower from 2.5% to 2.2%, headroom would be absorbed in full.

#### Resort Theme Parks (RTP)

- If EBITDA for RTP as a whole was forecast to be 1% lower than currently anticipated for 2026, headroom would be absorbed in full.
- If the pre-tax discount rate used across RTP had been higher by a factor of 2% to 10.6%, headroom would have been absorbed in full.
- If circumstances caused the long term growth rate to lower from 2.5% to 2.3%, headroom would be absorbed in full.

100% of the Group's revenue

## SECTION 3

# OPERATING ASSETS AND LIABILITIES

CONTINUED

52 weeks ended 21 December 2021 (2020: 52 weeks ended 26 December 2020)

### 3.4 WORKING CAPITAL

#### Inventories and other receivables

##### 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.

#### Assets

	2021 £m	2020 £m
Maintenance inventory	11	13
Work in progress	1	-
Goods for resale	31	41
<b>Total</b>	<b>43</b>	<b>54</b>

#### Assets and liabilities

	Current assets		Non-current assets	
	2021 £m	2020 £m	2021 £m	2020 £m
Trade receivables	21	20	-	-
Other receivables	53	38	3	5
Prepayments and contract assets	39	26	2	10
<b>Total</b>	<b>113</b>	<b>84</b>	<b>5</b>	<b>15</b>

## SECTION 3

# OPERATING ASSETS AND LIABILITIES

CONTINUED

(2 months ended 23 November 2021 (2020: 56 weeks ended 26 November 2020))

### 3.4 WORKING CAPITAL (CONTINUED)

#### Ageing of trade receivables

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

	2021	2020
	£m	£m
Neither past due nor impaired	10	11
Up to 30 days overdue	5	2
Between 30 and 60 days overdue	1	1
Between 60 and 90 days overdue	1	1
Over 90 days overdue	4	5
	21	20

Information about the Group's exposure to credit risk is included in note 4.3.

#### Trade and other payables

	Current liabilities		Non-current liabilities	
	2021	2020	2021	2020
	£m	£m	£m	£m
Trade payables	60	111	-	-
Accruals	202	155	-	-
Deferred income	190	189	-	-
Other payables	32	20	20	24
	484	475	20	24

#### Accruals

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

#### Deferred income

Deferred income comprises revenues received or invoiced at the reporting date which relate to future periods. The main components of deferred income relate to advanced ticket revenues in respect of online bookings and annual pass purchases; pre-booked accommodation; and certain sponsorship and similar arrangements.

In 2021, at year end exchange rates, this also includes £50 million (2020: £54 million) received in respect of funding and infrastructure support for the development of LEGOLAND Korea. Upon the opening of the park in May 2022, this will be accounted for as a capital grant and offset against the total project costs within property, plant and equipment. Further details are provided in note 5.3.

## SECTION 3

# OPERATING ASSETS AND LIABILITIES

CONTINUED

Figures ended 31 December 2021 (2020/21) and ended 31 December 2020.

### 3.5 PROVISIONS

#### Recognition and measurement

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

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

#### Assets

	Asset retirement provisions	Other	Total
	£m	£m	£m
Balance at 31 December 2020	83	21	104
Provisions made during the year	5	31	36
Utilised during the year	-	(5)	(5)
Unused amounts reversed	(4)	(5)	(9)
Unwinding of discount	1	-	1
Effect of movements in foreign exchange	(2)	-	(2)
Balance at 31 December 2021	83	41	124
<b>2021</b>			
Current	-	8	8
Non-current	83	33	116
	83	41	124
<b>2020</b>			
Current	-	9	9
Non-current	83	12	95
	83	21	104

#### Asset retirement provisions

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

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

#### Other

Other provisions largely relate to 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 4.4) that may become payable at the start of the additional 35 year period. Remaining balances relate to the estimated cost arising from open insurance claims, tax matters and legal issues.

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

*Manuscript accepted 7 December 2019; first published online 16 December 2019*

1. *Chlorophyll a* and *Chlorophyll b* were determined by the method of Arar and Collins (1971).

	29 December 2019 £m	Net cash flows £m	Non-cash movements £m	Effect of movements in foreign exchange £m	26 December 2020 £m
Cash and cash equivalents	176	122	-	8	306
Interest-bearing loans and borrowings	(3,195)	(246)	(199)	(37)	(3,677)
Lease liabilities	(1,321)	57	(89)	(11)	(1,364)
<b>Net debt</b>	<b>(4,340)</b>	<b>(67)</b>	<b>(283)</b>	<b>(40)</b>	<b>(4,735)</b>

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

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

# SECTION 4

## CAPITAL STRUCTURE

## AND FINANCING CONTINUED

12 weeks ended 25 November 2021 (2020, 12 weeks ended 25 December 2020).

### 4.1 INTEREST-BEARING LOANS AND BORROWINGS

#### Recognition and measurement

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.

#### Measurement of interest-bearing liabilities

	Current liabilities		Non-current liabilities		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
£400 million floating rate revolving credit facility due 2026	-	-	-	-	-	-
Floating rate bank facilities due 2025	10	-	2,186	2,259	2,196	2,259
€500 million fixed rate notes due 2025	-	-	412	443	412	443
\$400 million fixed rate notes due 2026	-	-	311	310	311	310
€370 million fixed rate notes due 2027	-	-	304	323	304	323
\$410 million fixed rate notes due 2027	-	-	297	292	297	292
Shareholder loans	-	15	-	-	-	15
Other loans	2	2	1	5	3	7
Interest payable	25	28	-	-	25	28
	37	45	3,517	3,632	3,554	3,677

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

At 25 December 2021, the Group's senior facilities are the following:

#### Senior secured debt

- €1,460 million and \$1,358 million drawn facilities to mature in November 2026 entered into by the Company's subsidiary Motion Finco S.à r.l. The margins on these facilities are dependent on the Group's adjusted leverage ratio and at 25 December 2021 were at a margin of 3.0% (2020: 3.0%) for EUR borrowings and 3.25% (2020: 3.25%) for USD borrowings over the floating interest rates when drawn. The relevant floating interest rate is USD LIBOR, which was 0.13% at 25 December 2021 (0.22% at 26 December 2020). No floating rate is added to the EUR borrowings while EURIBOR is negative.
- €500 million of 7.0% senior secured notes due 2025 entered into by the Company's subsidiary Motion Finco S.à r.l. The notes are listed on The International Stock Exchange.
- \$400 million 5.75% senior notes due 2026 entered into by the Company's subsidiary Merlin Entertainments Limited. The notes are listed on The International Stock Exchange.
- A £400 million revolving credit facility to mature in May 2026. £28 million was utilised by way of establishing certain ancillary facilities, including letters of credit. The relevant floating rate used for the facility was amended on 1 January 2022 from GBP LIBOR to the Sterling Overnight Index Average (SONIA).

#### Other senior debt

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

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

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



## SECTION 4

# CAPITAL STRUCTURE AND FINANCING CONTINUED

12 months ended 25 December 2021 (2020: 12 months ended 26 December 2020)

### 4.2 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

The Group issued £156 million of 0% subordinated unsecured shareholder loan notes in 2019. These were initially recognised at fair value of £150 million with the difference treated as a capital contribution (see note 4.5). During 2020 the shareholder loans were repaid and the proceeds reinvested in a further issue of new ordinary and preference shares to the existing shareholders.

Shareholder loans of £15 million in 2020 related to funding from KIRKBI Invest A/S for the deferral of certain payments. These were repaid during 2021.

Other loans of £3 million (2020: £7 million) have been taken out in respect of specific capital projects.

#### Covenants

A financial covenant has existed from 30 September 2020 but is only required when the revolving credit facility is drawn by 40% or more (net of cash and cash equivalents). The covenant requires the Group to maintain adjusted consolidated senior secured leverage below 10x. Effective June 2021, the Group agreed with its revolving facility lenders to waive the leverage covenant until Q3 2023. As part of this agreement the Group is required to maintain a minimum liquidity of £75 million (to include amounts undrawn from the revolving credit facility, and cash and cash equivalents), over the period of the waiver.

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

### 4.3 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 25 December 2021 the Group had £185 million of cash and cash equivalents (2020: £306 million) and access to a £400 million revolving credit facility, of which £28 million was utilised in 2021 (2020: £29 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 years £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m	Contractual cash flows £m
<b>2021</b>					
Floating rate bank facilities due 2026	(82)	(82)	(2,541)	-	(2,705)
€500 million fixed rate notes due 2025	(27)	(27)	(413)	-	(467)
\$400 million fixed rate notes due 2026	(17)	(17)	(343)	-	(377)
€370 million fixed rate notes due 2027	(14)	(14)	(43)	(327)	(398)
\$410 million fixed rate notes due 2027	(21)	(21)	(57)	(326)	(430)
Other loans	(2)	(1)	-	-	(3)
Lease liabilities	(107)	(129)	(289)	(2,325)	(3,350)
Trade payables	(60)	-	-	-	(60)
	(330)	(291)	(3,691)	(3,478)	(7,790)

72 weeks ended 27 January 2020 (52 weeks ended 26 February 2020)

	2019-2020	2019-2021	2019-2025	5 years and over	Contingent liabilities
	£m	£m	£m	£m	£m
2020					
Floating rate bank facilities due 2026	(86)	(86)	(253)	(2,382)	(2,807)
\$500 million fixed rate notes due 2025	(26)	(26)	(434)	-	(486)
\$400 million fixed rate notes due 2026	(17)	(17)	(52)	(304)	(390)
€370 million fixed rate notes due 2027	(15)	(15)	(46)	(363)	(439)
\$410 million fixed rate notes due 2027	(20)	(20)	(61)	(344)	(445)
Shareholder loans	(15)	-	-	-	(15)
Other loans	(4)	(2)	(1)	-	(7)
Lease liabilities	(128)	(101)	(291)	(1,519)	(2,039)
Trade payables	(111)	-	-	-	(111)
	(422)	(267)	(1,138)	(4,912)	(6,739)

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

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

In aggregate 37% (2020: 37%) of the year end interest-bearing loans and borrowings is at a fixed rate for a weighted average period of 5 years (2020: 6 years). 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 (which are part of cash flow hedging relationships) and fixed to floating interest rate swaps (which are part of fair value hedging relationships). At 25 December 2021 the Group had no interest rate swaps (2020: nil).

Based on the net debt position as at 25 December 2021 a 100 basis points rise in market interest rates would result in an increase in net interest paid of £14 million (2020: £20 million) and a 100 basis points fall in market interest rates would result in an increase in net interest paid of £1 million (2020: increase of £1 million). This has been calculated by applying the interest rate change to the Group's variable rate cash, borrowings and derivatives.

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 25 December 2021 the fair value of foreign currency swap assets was £1 million (2020: £4 million) and of foreign currency swap liabilities was £3 million (2020: £1 million), none of which are hedge accounted.

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.

The Group's results, as presented in Sterling, are subject to fluctuations as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but, where material, may carry out net asset hedging by borrowing in the same currencies as the currencies of its operating units or by using forward foreign exchange contracts. The Group's debt (excluding lease liabilities) is therefore denominated in Euros, US Dollars and Sterling and at 25 December 2021 consisted of £2,330 million and \$2,168 million. There are forward foreign exchange contracts in place in respect of IPY 14,900 million.

12 weeks ended 21 December 2021 (2020: 53 weeks ended 29 December 2020)

## SECTION 4

# CAPITAL STRUCTURE AND FINANCING

CONTINUED

12 weeks ended 21 December 2021 (2020: 53 weeks ended 29 December 2020)

### 4.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

	Closing rate for	Weighted average rate for	Closing rate for	Weighted average rate for	Closing rate for
	2019	2020	2020	2021	2021
US Dollar	1.31	1.29	1.36	1.38	1.34
Euro	1.17	1.11	1.11	1.17	1.18

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

	Carrying value				Total
	Sterling £m	Euro £m	US Dollar £m	Other £m	£m
<b>2021</b>					
Cash and cash equivalents	133	12	11	29	185
Floating rate bank facilities due 2026	7	(1,209)	(994)	-	(2,196)
€500 million fixed rate notes due 2025	-	(418)	-	-	(418)
\$400 million fixed rate notes due 2026	-	-	(311)	-	(311)
€370 million fixed rate notes due 2027	-	(304)	-	-	(304)
\$410 million fixed rate notes due 2027	-	-	(297)	-	(297)
Other loans	-	(3)	-	-	(3)
Lease liabilities	(953)	(172)	(93)	(240)	(1,458)
	(813)	(2,094)	(1,684)	(211)	(4,802)
<b>2020</b>					
Cash and cash equivalents	240	9	17	40	306
Floating rate bank facilities due 2026	9	(1,283)	(985)	-	(2,259)
€500 million fixed rate notes due 2025	-	(443)	-	-	(443)
\$400 million fixed rate notes due 2026	-	-	(310)	-	(310)
€370 million fixed rate notes due 2027	-	(323)	-	-	(323)
\$410 million fixed rate notes due 2027	-	-	(292)	-	(292)
Shareholder loans	-	(15)	-	-	(15)
Other loans	-	(7)	-	-	(7)
Lease liabilities	(824)	(189)	(83)	(268)	(1,364)
	(575)	(2,251)	(1,653)	(228)	(4,707)

# SECTION 4

## CAPITAL STRUCTURE

## AND FINANCING CONTINUED

22 weeks ended 27 March 2021 (2020: 52 weeks ended 26 December 2020)

### 4.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Sensitivity analysis on foreign currency risk

A 10% strengthening of all currencies against Sterling would increase net debt by £359 million (2020: £370 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 £13 million (2020: £21 million).

#### Credit risk

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

The Group manages credit exposures in connection with financing and treasury activities including exposures arising from bank deposits, cash held at banks and derivative transactions, by appraisal, formal approval and ongoing monitoring of the credit position of counterparties. Counterparty exposures are measured against a formal transaction limit appropriate to that counterparty's credit position. The Group robustly appraises investments before they are made to ensure the associated credit risk is acceptable. Performance of investments are closely monitored, in some cases through Board participation, to ensure returns are in line with expectations and credit risk remains acceptable. There were no overdue amounts in respect of investments and no impairments have been recorded (2020: £nil).

#### Derivatives

##### 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.

		2021		2020	
	Fair value hierarchy	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
<i>Held at amortised cost</i>					
Floating rate bank facilities due 2026		(2,196)	(2,200)	(2,259)	(2,224)
£500 million fixed rate notes due 2025		(418)	(443)	(443)	(476)
\$400 million fixed rate notes due 2026		(311)	(313)	(310)	(309)
£370 million fixed rate notes due 2027		(304)	(300)	(323)	(325)
\$410 million fixed rate notes due 2027		(297)	(310)	(292)	(310)
Shareholder loans		-	-	(15)	(15)
Other loans		(3)	(3)	(7)	(7)
<i>Held at fair value</i>					
Derivative financial instruments	Level 2	(2)	(2)	3	3
Minority equity investments	Level 3	14	14	8	8
		(3,517)	(3,557)	(3,338)	(3,355)

## Financial Statement Disclosures

# SECTION 4

## CAPITAL STRUCTURE AND FINANCING

CONTINUED

12 months ended 23 December 2020 / 2019 12 mois ended 23 December 2020

### 4.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The fair values shown above for the bank facilities and fixed rate notes have been calculated using market values. The fair value of leases are determined by reference to incremental borrowing rates that would prevail at the reporting date. 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 2021 or 2020.

### 4.4 LEASE OBLIGATIONS

#### Recognition of lease

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 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 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 3.5.

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

#### Ongoing measurement

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

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

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

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

## SECTION 4

# CAPITAL STRUCTURE AND FINANCING CONTINUED

2021 represents the 12 months to 31 December 2021 (2020: 12 months to 31 December 2020)

### 4.1 LEASE OBLIGATIONS (CONTINUED)

#### Short term and low value leases

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

#### Rent reductions and concessions

In response to the COVID-19 pandemic, in 2020 the International Accounting Standards Board (IASB) issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. On 31 March 2021 the IASB extended their amendments to IFRS 16 beyond 30 June 2021. Therefore, as a lessee we have applied the practical expedient for the whole of the financial year and are not required to assess whether eligible rent concessions are lease modifications. Accordingly, where the Group has agreed concessions in the form of a one-off reduction in rent, they have been accounted for as a variable lease payment and have been recognised in profit or loss. The total recognised in the income statement was £1 million (2020: £1 million).

#### United Kingdom sites

The Group's most significant lease arrangements relate to sale and leaseback transactions originally undertaken by the Merlin Group during 2007, involving the PPE of an attraction within the Midway Attractions Operating Group, located in the United Kingdom and other attractions within the Resort Theme Parks Operating Group, located within the United Kingdom and Germany.

Each of these lease agreements was 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 Continental Europe. The Group had the option, but was not contractually required, to extend each of the lease agreements individually for two further terms of 35 years, to 2077 and then to 2102, subject to an adjustment to market rates at that time. This remains the case for the lease that relates to the Midway attraction.

At the time of approving these financial statements, the agreements in respect of the Resort Theme Parks leases have been modified and agreements have been entered into to secure their tenure for an additional 35 years from 2042 to 2077.

For the United Kingdom sites the modification was completed before the end of the reporting period and as a result the relevant balances have been adjusted accordingly in the 2021 financial statements. The transaction has been treated as a lease modification. It does 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 linked to CPI +0.5% (with a floor of 1%, and a maximum increase of 4%). Under the previous agreement the sites were subject to RPI based annual upwards only increases without any maximum. The minimum 1% per annum has been reflected in the modification calculation. As part of the transaction the Group received a cash payment of £25 million from the landlord and will receive a further £3 million within the following year.

For the European site, the terms of the modification were agreed and completed after the end of the reporting period. At the reporting date it was not reasonably certain that the modification would take place. Accordingly the modification has been reflected as a non-adjusting subsequent event in these financial statements (see note 5.6), and will be reflected in the 2022 financial statements. As part of the transaction the Group received a payment of £6 million from the landlord after the end of the reporting period.

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

The modification and securing of tenure of the UK sites has resulted in an increase to the lease liability of £149 million. The second extension option from 2077 to 2102 still remains available for the Group to exercise in the future for the United Kingdom and Continental Europe sites.

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 LJJ Investco K.K., a subsidiary of KIRKBI Invest A/S (note 5.3). KIRKBI Invest A/S holds KIRKBI's investment as a shareholder of the Group. The lease is for a period of 50 years.

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

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

1.4 LEASE OBLIGATIONS (CONTINUED)

# SECTION 4

## CAPITAL STRUCTURE

## AND FINANCING CONTINUED

1.4 LEASE OBLIGATIONS (CONTINUED)

### 1.4 LEASE OBLIGATIONS (CONTINUED)

On certain leases the Group is required to make other contractual rent payments in addition to or instead of any fixed or minimum rent amounts, usually in the form of rent based on a percentage of the turnover generated by the relevant attraction. These rent payments are outside of the scope of IFRS 16. They are charged directly to the income statement and do not result in any adjustment to the lease liabilities or ROU assets as they are contingent on performance and as such there is no future obligation until that performance occurs. As noted below, the expense relating to variable lease payments was £12 million in 2021 (2020: £6 million).

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

In the current year there was no significant impact of the amendments to IFRS 16 'Leases' relating to Interest Rate Benchmark Reform (IBOR). This reform may impact new leases and future modified leases from 2022 onwards due to the impact benchmark rate changes will have on discount rates used to calculate lease liabilities.

### 1.4 LEASE OBLIGATIONS (CONTINUED)

	Land and buildings £m	Plant and equipment £m	Total £m
<b>Cost</b>			
At 29 December 2019	1,348	111	1,459
Additions	49	1	50
Movements in asset retirement provisions	2	-	2
Disposals	(2)	-	(2)
Effect of movements in foreign exchange	8	2	10
<b>Balance at 26 December 2020</b>	<b>1,405</b>	<b>114</b>	<b>1,519</b>
Additions	185	16	201
Movements in asset retirement provisions (note 3.5)	12	(11)	1
Disposals	(7)	(1)	(8)
Effect of movements in foreign exchange	(21)	(4)	(25)
<b>Balance at 25 December 2021</b>	<b>1,574</b>	<b>114</b>	<b>1,688</b>
<b>Depreciation</b>			
At 29 December 2019	12	1	13
Depreciation for the year	74	5	79
Impairment	14	-	14
Effect of movements in foreign exchange	(1)	-	(1)
<b>Balance at 26 December 2020</b>	<b>99</b>	<b>6</b>	<b>105</b>
Depreciation for the year	72	5	77
Impairment	(1)	-	(1)
Disposals	(3)	(1)	(4)
Effect of movements in foreign exchange	(1)	-	(1)
<b>Balance at 25 December 2021</b>	<b>166</b>	<b>10</b>	<b>176</b>
<b>Carrying amounts</b>			
At 28 December 2019	1,336	110	1,446
At 26 December 2020	1,306	108	1,414
At 25 December 2021	1,408	104	1,512

## SECTION 4

# CAPITAL STRUCTURE AND FINANCING

CONTINUED

12 months ended 15 December 2021 (2020: 12 months ended 16 December 2020)

### 4.1 LEASE OBLIGATIONS (CONTINUED)

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 2.3. An impairment credit has been recorded in the year of £1 million in respect of one Midway location that was subject to impairment in 2020. In 2020 impairment charges of £14 million were made primarily in respect of certain of the Group's Midway attractions, arising from a review of market and economic conditions at those locations.

#### 4.1.1 Balance sheet

	2021	2020
	£m	£m
Current	34	79
Non-current	1,424	1,285
<b>Total</b>	<b>1,458</b>	<b>1,364</b>

The maturity analysis of lease liabilities is disclosed within note 4.3. The cash outflow for leases is disclosed within note 4.1.

#### 4.1.2 Profit and loss (including other comprehensive income)

	2021	2020
	£m	£m
Expense relating to variable lease payments	12	6
Depreciation expense of right-of-use assets	77	79
Interest expense on lease liabilities	52	51
<b>Total</b>	<b>141</b>	<b>136</b>

### 4.5 EQUITY AND CAPITAL MANAGEMENT

#### 4.5.1 Overview and policy

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

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



# Financial Statements 2021/22

## SECTION 4 CAPITAL STRUCTURE AND FINANCING CONTINUED

12 months ended 31 December 2021 (2020 ended 31 December 2020)

### 4.5 EQUITY AND CAPITAL MANAGEMENT (CONTINUED)

#### Share capital

	2021 Number	2021 £m	2020 Number	2020 £m
<i>Ordinary shares of £0.01 each</i>				
At beginning of year	28,759,359	-	25,802,236	-
Shares issued	-	-	2,957,123	-
	28,759,359	-	28,759,359	-
<i>Preference shares of £0.01 each</i>				
At beginning of year	2,847,137,139	29	2,554,382,037	26
Shares issued	-	-	292,755,102	3
	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

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

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

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

#### Preference shares

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

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

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

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

#### Capital reserve

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

In accordance with the accounting policy as set out in note 1.1, these were classed as financial liabilities. Reflecting the off-market interest rate attached to these loan notes, these were initially recognised at fair value of £150 million with the difference of £6 million treated as a capital contribution (see note 4.2). The capital reserve has been eliminated through retained earnings in the year.

#### 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 25 December 2021 (2020: £nil).

#### Translation reserve

The translation reserve of £(17) million (2020 as restated: £163 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 4.3.

# SECTION 4

## CAPITAL STRUCTURE

## AND FINANCING CONTINUED

2021 results ended 31 December 2021 (2020: 31 December 2020)

### 4.5 EQUITY AND CAPITAL MANAGEMENT (CONTINUED)

#### Share-based payment

In the year, the Group granted three employee share incentive plans relating to the Company's subsidiary Motion TopCo Limited (see note 4.6). 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 was £4,362,865 with the nominal value of the shares subscribed for being £108,019 (2020: £nil). Upon the vesting date of the incentive plans, employees will hold a non-controlling interest in Motion TopCo Limited of 0.16%. Until vesting, Motion TopCo Limited recognises these as treasury shares that result in a reduction to equity; this reduction is eliminated on consolidation.

3,650,900 of the shares issued to employees as part of the share incentive plans are held in an employee benefit trust, with a nominal value of £36,509. The Group does not have control of these shares or the trust; as such the shares are not treated as treasury shares and the trust is not consolidated into the Group.

### 4.6 SHARE-BASED PAYMENT TRANSACTIONS

#### Share-based payment

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 both 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.

#### Employee share plans

The Group operates three employee share incentive plans:

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

In the year, the Group issued share awards to employees, with all plans being in respect of the Company's subsidiary entity Motion TopCo Limited. Some of these share awards issued are held in an employee benefit trust (see note 4.5)

The total charge for the year for all plans is less than £1 million, and at the reporting date, liabilities in respect of share-based payment transactions in the year are also less than £1 million.

	25 December 2021		
	LTB	EI	MSS
Performance condition <sup>(1)</sup>	Y	Y	Y
Method of settlement accounting	Cash-settled	Compound instrument	Part compound instrument, part equity-settled, part cash-settled
Number of allocated awards <sup>(2)</sup>	-	4,770,951 <sup>(3)</sup>	6,547,400 <sup>(3), (4)</sup>
Date of grant	11 November 2021	11 November 2021	11 November 2021 / 23 December 2021
Weighted average award life (years) <sup>(5)</sup>	4.0	4.0	5.9
Exercise price <sup>(6)</sup>	-	-	-

<sup>(1)</sup> 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 both schemes in the same manner, and accordingly have concluded that for all awards there is a non-market based performance condition that the awards will vest on the earlier of a defined interim trigger event or exit. Using the Group's approved five year business plan and considering ongoing future strategies of both the Group and the Group's shareholders, the most likely length until the events have been estimated to be four or ten years for interim trigger events and exit respectively, with the ten year vesting period aligning to published investor exit strategies. The blend of compound, cash-settled or equity-settled instruments within each scheme therefore impacts the calculated weighted average award life.

<sup>(2)</sup> Comprising 4,630,132 preference B shares and 140,769 ordinary B shares.

<sup>(3)</sup> Ordinary C shares.

<sup>(4)</sup> Inclusive of 516,500 awards entitling the employee to a cash bonus equivalent in value to a notional number of shares and 6,030,900 allocated shares.

<sup>(5)</sup> Number of allocated awards - all awards were made during 2021 and no awards were forfeited, exercised, lapsed or expired during the year.

<sup>(6)</sup> Exercise price - the exercise price for all plans is £nil and hence no weighted average exercise prices are presented.

# SECTION 4

## CAPITAL STRUCTURE

## AND FINANCING CONTINUED

12 weeks ended 20 December 2021 (2020: 52 weeks) and 23 December 2020

### 4.5 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 in aggregate to an amount equal to 0.75% of the equity value of Motion Topco Limited upon vesting, which is expected to occur upon an interim trigger event. The cash payment is based on the value of equity instruments of Motion Topco Limited (there are no equity settlement alternatives) and continuity of service, and hence falls in scope to be cash-settled.

The fair value of this award is estimated at £15 million following consideration of future uncertainties and the volatility of business values, and it could change in future years should the value of the Group rise over time. As the award is cash-settled, valuations calculating the expected fair value of awards are re-performed on an annual basis.

#### Senior Management Equity Investment Plan (EI)

The Senior Management Equity Investment (EI) plan was granted from Motion Topco Limited on 11 November 2021 following eligible employee investment of £0.84 per preference B share and £0.279 per ordinary B share, resulting in 4,630,182 preference B shares and 140,769 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 of 4% per annum, which accrues (but is not payable) on each preference share on a daily basis from 1 April 2021. Payment of these dividends is at the discretion of the Board of Motion Topco Limited. Accordingly, these awards have been classified as equity and hence fall under the scope of IFRS 2 'Share-based Payment'.

There is a put option for cash on up to 100% of the shares at fair market value, exercisable at the expected vesting date, which is the earlier of the interim trigger event or exit. Hence, the interim trigger event 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.

The weighted average fair value per award at the measurement date is £nil as the expected value at vesting based on current valuations is less than the amount paid. This is due to the valuation of preference shares being significantly lower than that of the ordinary shares.

#### Management Share Schemes (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 11 November 2021 and 23 December 2021 respectively following eligible employee investment of £0.072 per ordinary C share in Motion Topco Limited. This resulted in the issuance of 6,030,900 ordinary C shares (2,380,000 of which were allocated to senior management on 11 November 2021) and 516,500 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. 3,452,600 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 will be allocated before an interim trigger event. Hence, the total value of the 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. Whilst in the case of the senior management issues, the Board has retained some flexibility on the terms of settlement, it has exercised its judgement to conclude there is sufficient parity between MSS awards granted to both senior management and other employees to account for both plans 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, an interim trigger event in 2025 has been assumed to be the most likely vesting date; therefore the full 60% is assumed to become eligible for cash-settlement ('the cash settlement option'). Should the interim trigger event occur at an earlier date the number of MSS share awards eligible for cash settlement decreases.

The 60% of MSS share awards which have a cash settlement option are subject to a put option; this option requires Motion JVco Limited to purchase the shares at fair market value for cash upon exercise at an interim trigger event. If the put option is not exercised, ordinary C shares in Motion Topco Limited would be retained by the employee and hence 60% of MSS share awards issued are treated as compound instruments. The equity component of the instrument is deemed to have an expected value of £nil at vesting (as the expected benefit relating to this portion of the award is identical to the expected cash benefit), and hence the entire share-based payment expense relating to 60% of MSS share awards issued relate 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 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. The estimated fair value per award at final exit is lower than at an interim trigger event due to the increased uncertainty surrounding a longer time horizon. Amounts due to tax authorities in respect of shares issued are the obligation of the employee to settle. Taxes due on cash bonus awards, equivalent to the value of a notional number of shares, will be settled via payroll.

Should the employee leave service after an interim trigger event but prior to a final exit event, they will receive a cash-settlement equivalent to the fair market value of their converted 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.

# SECTION 4

## CAPITAL STRUCTURE

### AND FINANCING CONTINUED

2020 ended 27 October 2021 (2020 ended under 26 December 2020)

#### 4.6 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

Plan	Settlement accounting	Number of awards	Date of grant	Exercise price (£)	Share price at grant date (£)	Weighted average fair value per award at measurement date (£)	Expected dividend yield (%)	Expected volatility (%)	Risk-free rate (%)	Weighted average award life (years)
LTB	Cash-settled	n/a	11/11/2021	-	n/a	14,805,130	0.0%	51.5%	0.5%	4.0
EL	Compound	4,770,951 <sup>(1)</sup>	11/11/2021	-	0.823	-	0.0%	51.5%	0.5%	4.0
MSS	Compound	3,618,540 <sup>(2)</sup>	11/11/2021 / 23/12/2021	-	0.072	6.72	0.0%	51.5%	0.5%	4.0
MSS	Equity-settled	1,672,384 <sup>(2)</sup>	11/11/2021 / 23/12/2021	-	0.072	5.83	0.0%	34.3%	0.8%	10.0
MSS	Cash-settled	1,256,476 <sup>(2)(3)</sup>	11/11/2021 / 23/12/2021	-	0.072	7.80	0.0%	46.4%	0.6%	5.8

<sup>(1)</sup> Comprising 4,630,182 preference B shares and 140,769 ordinary B shares

<sup>(2)</sup> Ordinary C shares

<sup>(3)</sup> Inclusive of 516,500 awards entitling the employee to a cash bonus equivalent in value to a notional number of shares. 3,452,600 MSS awards remain unallocated as at 25 December 2021

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

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

# SECTION 5

## OTHER NOTES

12 weeks ended 20 December 2021 (2020: 52 weeks ended 20 December 2020)

### 5.1 INVESTMENTS

#### Investment portfolio

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	Gangwon Jungdo Development Corporation	Shanghai LEGOLAND Co	LL Dubai Hotel	Total
	£m	£m	£m	£m	£m
Balance at 27 December 2020	5	3	-	11	19
Additions	-	-	7	-	7
Net change in fair value - included in OCI	(1)	-	-	-	(1)
Share of reserves in joint ventures	-	-	-	(1)	(1)
At 25 December 2021	4	3	7	10	24

#### Investment in Indonesia

##### 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 5.3).

##### Gangwon Jungdo Development Corporation

The Group has a minority equity investment in Gangwon Jungdo Development Corporation Ltd, the local company providing funding and infrastructure support to the development of LEGOLAND Korea (see note 5.3).

##### Shanghai LEGOLAND Co

The Group has a minority equity investment in Shanghai LEGOLAND Co., Ltd., the company developing the LEGOLAND Shanghai Resort.

##### 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). The BIG BUS city tour business is heavily reliant on international tourists visiting city centre locations, and therefore has been severely impacted by the COVID-19 pandemic. As a result, BIG BUS raised further funding and completed a capital restructuring exercise during 2020 whereby the priority of the Group's investment reduced compared to other investors. Accordingly a negative adjustment of £39 million to the fair value was reflected in 2020 taking the value to £nil. Should the business prove successful in its planned recovery, positive value adjustments could occur in the future.

The Group also holds a minority equity investment valued at £nil (2020: £nil).

#### Investment in Dubai Hotel and Leisure

##### LL Dubai Hotel

The Group holds a 40% equity interest in LL Dubai Hotel LLC. This is the company that developed the hotel at LEGOLAND Dubai, which opened in January 2022. The negative share of reserves reflects pre-opening costs for the hotel.

### 5.2 EMPLOYEE BENEFITS

#### Defined contribution

##### 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.

# SECTION 5

## OTHER NOTES CONTINUED

12 weeks ended 20 December 2021 (2020: 52 weeks ended 26 December 2020)

### 5.2 EMPLOYEE BENEFITS (CONTINUED)

#### Defined benefit pension schemes

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

#### Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes and the total expense relating to those schemes in the current year was £11 million (2020: £11 million).

#### Principal defined benefit scheme

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

The most recent full actuarial valuation of the scheme was carried out as at 31 December 2018. As a result, it was agreed to pay annual deficit reduction contributions of £497,800, increasing at 3% per annum, payable monthly for a period of 4 years and 8 months from 1 January 2020 to 31 August 2024. An actuarial valuation as at 31 December 2021 is in progress.

The Group expects £1 million in ongoing contributions to be paid to its defined benefit schemes in 2022. The weighted average duration of the defined benefit obligation at 25 December 2021 was 17 years (2020: 17 years).

The assets and liabilities of the schemes are:

	2021	2020
	£m	£m
Equities	19	17
Corporate bonds and cash	17	13
Pooled investment funds (property)	2	5
Fair value of scheme assets	38	35
Present value of defined benefit obligations	(45)	(46)
<b>Net pension liability</b>	<b>(7)</b>	<b>(11)</b>

#### Movement in the net pension liability

	Present value of scheme assets	Present value of defined benefit obligations	Net pension liability
	£m	£m	£m
At 29 December 2019	35	(42)	(7)
Net interest	1	(1)	-
Benefits paid	(1)	1	-
Remeasurement loss	-	(1)	(1)
At 26 December 2020	35	(46)	(11)
Contributions by employer	1	-	-
Benefits paid	(1)	1	-
Remeasurement gain	3	-	3
At 25 December 2021	38	(45)	(7)

Financial statements for the year ended 25 December 2021

## SECTION 5

# OTHER NOTES

CONTINUED

12 months ended 25 December 2021 (2020: 12 months ended 26 December 2020)

### 5.1 EMPLOYEE BENEFITS (CONTINUED)

The amount recognised in the income statement was £nil (2020: £nil). The amount recognised in the statement of other comprehensive income was a profit of £3 million (2020: a loss of £4 million).

#### Actuarial assumptions

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

	2021	2020
Discount rate	1.3%	1.5%
Rate of price inflation	3.5%	3.1%

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

Assumptions regarding future mortality are based on published statistics and mortality tables. For the Tussauds Group scheme the actuarial table used is S2PxA. The mortality assumption adopted predicts that a current 65 year old male would have a life expectancy to age 97 and a female would have a life expectancy to age 89.

### 5.2 RELATED PARTY TRANSACTIONS

#### Related party relationships

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 5.2).

#### Transactions with related parties (continued from note 5.2)

##### Goods and services

Transactions including the purchase and sale of goods, and the payment of fees and royalties, and trading balances outstanding at 25 December 2021 and 26 December 2020 were as follows:

	Goods and services			
	Sales	Amount owed by related party	Purchases and royalties	Amount owed to related party
	£m	£m	£m	£m
<b>2021</b>				
KIRKBI Invest A/S	1	1	14	4
LEGO Group	-	2	59	4
<b>2020</b>				
KIRKBI Invest A/S	1	-	6	2
LEGO Group	-	1	40	3
	1	1	46	5

#### 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 4.2. Balances outstanding at 25 December 2021 are: KIRKBI Invest A/S £451 million (2020: £470 million) and funds advised by parties related to Blackstone £26 million (2020: £32 million). Interest is paid and accrued on the same terms as described in note 4.2.

Also included in interest-bearing loans and borrowings in 2020 were shareholder loans of £15 million relating to funding from KIRKBI Invest A/S for the deferral of certain payments which were repaid during 2021.

# SECTION 5

## OTHER NOTES CONTINUED

2021 ended 25 December 2021 (2020: 2020 ended 24 December 2020)

### 5.3 RELATED PARTY TRANSACTIONS (CONTINUED)

#### Lease agreements

As set out in note 4.4 the Group previously 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 45 years remaining at the reporting date. The Group's obligations come in the form of fixed rental payments, turnover rent and service charges totalling £6 million (2020: £6 million). The total undiscounted commitment relating to fixed rental payments is £259 million over the remaining lease term (2020: £289 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 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 (2020: less than £1 million). The total undiscounted commitment relating to fixed rental payments is £6 million over the remaining lease term (2020: £7 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 20 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 (2020: less than £1 million). The total undiscounted commitment relating to fixed rental payments is £8 million over the remaining lease term (2020: £9 million).

The Group also previously entered into lease agreements with parties that are related parties of the Blackstone Investment Funds that are shareholders in the Company. These parties are: Multi Corporation B.V. in relation to SEA LIFE and LEGOLAND Discovery Centre Istanbul; Shopcore in relation to LEGOLAND Discovery Centre Chicago; NEC Group Ltd, relating to The Bear Grylls Adventure and LEGOLAND Discovery Centre attractions in Birmingham, and Network Rail Infrastructure Limited (in relation to an area associated with the London Eye site, which particular agreement ended in 2020). The Group's obligations for these agreements consist of fixed rental payments, turnover rent and services charges totalling £2 million (2020: £1 million). The total undiscounted commitment relating to fixed rental payments on these leases is £27 million over the remaining terms of each lease (2020: £27 million).

#### Other transactions

Included in deferred income is £2 million (2020: £10 million) received from a KIRKBI Group company (LEGO Juris A/S) to support certain development activities being undertaken in future periods.

#### Transactions with related parties and related parties

Key management of the Group, being the Directors of the Board, the members of the Merlin Executive Committee and their immediate relatives control nil% (2020: nil%) of the Company. The remuneration of key management is disclosed in note 2.1.

Two members of key management were provided with loans from the Group equalling £120,000 in aggregate, for use by the individuals in investing in the Senior Management Equity Investment share-based payment plan (see note 4.6). The loans have been repaid subsequent to the year end. No interest was payable on the loans.

#### Transactions with related parties and 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 5.1). 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 25 December 2021 and 26 December 2020, are as follows:

	2021	2020
	£m	£m
Sales to related party	2	2
Amounts owed by related party	2	2

#### LEGOLAND Korea

The Group has a minority equity investment in and has entered into transactions with Gangwon Jungdo Development Corporation Ltd, a Korean company which acts under the direction of the Gangwon Province and is providing funding and infrastructure support of KRW 80 billion (£50 million, at 2021 year end exchange rates) to the development of LEGOLAND Korea, which the Group has committed to spend on costs associated with the project. All of these funds had been received by 25 December 2021 and are recorded within deferred income. Upon the opening of the park, the funding and infrastructure support will be accounted for as a capital grant and offset against the total project costs within property, plant and equipment. The conditions of the funding require that the Group completes the park's construction and operates the park for a period of time post-opening.



## SECTION 5

# OTHER NOTES

CONTINUED

12 months ended 21 December 2021 (2020: 52 weeks ended 20 December 2020)

### 5.4 NEW STANDARDS AND INTERPRETATIONS

Amendments to IFRS 16 'COVID-19 – related rent concessions beyond 30 June 2021' was implemented in the year, the impact of which is covered in note 4.4.

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest rate benchmark reform – Phase 2'

The IASB has also issued the following amendments to standards that will be effective for the Group for the 2022 reporting period. The Group does not expect any significant impact on its consolidated financial statements from these amendments.

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

In April 2021, the IFRS Interpretations Committee published guidance in relation to the capitalisation of costs relating to configuration or customisation of application software under software-as-a-service arrangements. See note 1.1 for further details of the impact on these financial statements.

### 5.5 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](http://www.merlinentertainments.biz).

### 5.6 SUBSEQUENT EVENTS

#### Continental Europe site

As stated in note 4.4, terms for the extension to 2077 and certain modifications of the leases at the Continental Europe site were not agreed until after the end of the reporting period. As such this transaction has been treated as a non-adjusting event as it is indicative of a condition that arose after the end of the reporting period and therefore does not result in adjustment to the financial statements.

Under the extension agreement the 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 will result in a modification to the associated leases with an increase to the lease liability of £95 million, to be recognised in 2022.

The incremental borrowing rate (IBR) for the leases at this site has been calculated on the same basis as that described for the United Kingdom sites in note 4.4.

#### Cadbury World attraction

In January 2022 the Group entered into an agreement to take over the operations of the Cadbury World attraction in the UK. The transaction is expected to complete within the next year once all conditions precedent have been satisfied. As part of the agreement, the Group will be responsible for the day to day running of the Cadbury World site, its employees, and all operational decisions, as well as holding brand usage rights for Cadbury World in the UK. The financial impact of the transaction is not expected to be material to the Group.

# SECTION 5

## OTHER NOTES CONTINUED

52 weeks ended 27 December 2021 (2020: 52 weeks ended 26 December 2020)

### 5.7 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 2021	Ownership 2020
AAE Unit Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
AQDEV Pty Limited	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Illawarra Tree Topps Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Melbourne Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Living and Leisure Australia Limited	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Living and Leisure Australia Management Limited	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Living and Leisure Australia Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
Living and Leisure Finance Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
LLA Aquariums Pty Limited	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Melbourne Underwater World Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Melbourne Underwater World Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
ME LoanCo (Australia) Pty Limited	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (Australia) Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
MUW Holdings Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Northbank Development Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
Northbank Place (Vic) Pty Ltd	Australia <sup>(2)</sup>	Ordinary	50.0%	50.0%
Oceanis Australia Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Oceanis Australia Unit Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
Oceanis Developments Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Oceanis Foundation Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Oceanis Holdings Limited	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Oceanis Korea Unit Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
Oceanis NB Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Oceanis Northbank Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
Oceanis Unit Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
Sydney Attractions Group Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Sydney Tower Observatory Pty Limited	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Sydney Wildlife World Pty Limited	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
The Otway Fly Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
The Otway Fly Unit Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
The Sydney Aquarium Company Pty Limited	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
Underwater World Sunshine Coast Pty Ltd	Australia <sup>(1)</sup>	Ordinary	100.0%	100.0%
US Fly Trust	Australia <sup>(1)</sup>	-	100.0%	100.0%
Madame Tussauds Austria GmbH	Austria <sup>(3)</sup>	Ordinary	100.0%	100.0%
MT Austria Holdings GmbH	Austria <sup>(3)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Belgium N.V. (formerly SEA LIFE Centre Belgium N.V.)	Belgium <sup>(4)</sup>	Ordinary	100.0%	100.0%
Christchurch Investment Company Limited	British Virgin Islands <sup>(5)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (Canada) Inc	Canada <sup>(6)</sup>	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Beijing) Company Limited	China <sup>(7)</sup>	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Shanghai) Company Limited	China <sup>(8)</sup>	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Wuhan) Company Limited	China <sup>(8)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Hong Kong Limited	China <sup>(9)</sup>	Ordinary	100.0%	100.0%

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# SECTION 5

## OTHER NOTES CONTINUED

32 weeks ended 27 December 2021 (2020: 52 weeks ended 26 December 2020)

### 5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2021	Ownership 2020
Merlin Entertainments (Shanghai) Company Limited	China <sup>(11)</sup>	Ordinary	100.0%	100.0%
Merlin Exhibition (Chongqing) Company Limited	China <sup>(12)</sup>	Ordinary	100.0%	100.0%
Merlin Exhibition (Shenyang) Company Limited	China <sup>(13)</sup>	Ordinary	100.0%	100.0%
Merlin Indoor Children's Playground (Shanghai) Company Limited	China <sup>(14)</sup>	Ordinary	100.0%	100.0%
Merlin (Shanghai) Management Advisory Company Limited	China <sup>(15)</sup>	Ordinary	100.0%	-
Shanghai Chang Feng Oceanworld Co. Ltd	China <sup>(16)</sup>	Ordinary	100.0%	100.0%
Shanghai LEGOLAND Management Co., Ltd	China <sup>(17)</sup>	Ordinary	85.0%	-
LEGOLAND ApS	Denmark <sup>(18)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group Denmark Holdings ApS	Denmark <sup>(18)</sup>	Ordinary	100.0%	100.0%
SEA LIFE Helsinki Oy	Finland <sup>(19)</sup>	Ordinary	100.0%	100.0%
SEA LIFE France SARL	France <sup>(20)</sup>	Ordinary	100.0%	100.0%
Dungeon Deutschland GmbH	Germany <sup>(21)</sup>	Ordinary	100.0%	100.0%
Heide-Park Soltau GmbH	Germany <sup>(22)</sup>	Ordinary	100.0%	100.0%
LEGOLAND Deutschland Freizeitpark GmbH	Germany <sup>(23)</sup>	Ordinary	100.0%	100.0%
LEGOLAND Deutschland GmbH	Germany <sup>(23)</sup>	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Deutschland GmbH	Germany <sup>(21)</sup>	Ordinary	100.0%	100.0%
LEGOLAND Holidays Deutschland GmbH	Germany <sup>(23)</sup>	Ordinary	100.0%	100.0%
LLD Share Beteiligungs GmbH	Germany <sup>(23)</sup>	Ordinary	100.0%	100.0%
LLD Share GmbH & Co. KG	Germany <sup>(23)</sup>	Ordinary	100.0%	100.0%
Madame Tussauds Deutschland GmbH	Germany <sup>(24)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group Deutschland GmbH	Germany <sup>(21)</sup>	Ordinary	100.0%	100.0%
SEA LIFE Deutschland GmbH	Germany <sup>(21)</sup>	Ordinary	100.0%	100.0%
SEA LIFE Konstanz GmbH	Germany <sup>(21)</sup>	Ordinary	100.0%	100.0%
Tussauds Deutschland GmbH	Germany <sup>(25)</sup>	Ordinary	100.0%	100.0%
Tussauds Heide Metropole GmbH	Germany <sup>(22)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments India Private Limited	India <sup>(24)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 1 Limited <sup>(26)</sup>	Ireland <sup>(25)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Ireland 2 Limited <sup>(26)</sup>	Ireland <sup>(25)</sup>	Ordinary	100.0%	100.0%
Motion Bondco Designated Activity Company	Ireland <sup>(26)</sup>	Ordinary	100.0%	100.0%
SEA LIFE Centre Bray Limited	Ireland <sup>(25)</sup>	Ordinary	100.0%	100.0%
Gardaland S.r.l.	Italy <sup>(27)</sup>	Ordinary	99.9%	99.9%
Gardaland Holidays S.r.l.	Italy <sup>(26)</sup>	Ordinary	99.9%	99.9%
Merlin Attractions Italy S.r.l.	Italy <sup>(27)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group Italy S.r.l.	Italy <sup>(27)</sup>	Ordinary	100.0%	100.0%
Merlin Water Parks S.r.l.	Italy <sup>(27)</sup>	Ordinary	100.0%	100.0%
Ronchi del Garda S.p.A.	Italy <sup>(28)</sup>	Ordinary	49.4%	49.4%
Ronchi S.p.A.	Italy <sup>(27)</sup>	Ordinary	90.4%	90.4%
LEGOLAND Japan Limited	Japan <sup>(29)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (Japan) Limited	Japan <sup>(31)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group Luxembourg 3 S.à r.l.	Luxembourg <sup>(32)</sup>	Ordinary	100.0%	100.0%
Merlin Lux Finco 1 S.à r.l.	Luxembourg <sup>(32)</sup>	Ordinary	100.0%	100.0%
Merlin Lux Finco 2 S.à r.l.	Luxembourg <sup>(32)</sup>	Ordinary	100.0%	100.0%
Motion Finco S.à r.l.	Luxembourg <sup>(32)</sup>	Ordinary	100.0%	100.0%

# SECTION 5

## OTHER NOTES

CONTINUED

Figures are as at 31 December 2021 (2020) unless indicated otherwise

### 5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2021	Ownership 2020
Motion Finco 2 S.a.r.l.	Luxembourg <sup>(32)</sup>	Ordinary	100.0%	100.0%
LEGOLAND Malaysia Hotel Sdn. Bhd	Malaysia <sup>(34)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group (Malaysia) Sdn. Bhd	Malaysia <sup>(34)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Studios (Malaysia) Sdn. Bhd	Malaysia <sup>(34)</sup>	Ordinary	100.0%	100.0%
Amsterdam Dungeon B.V.	Netherlands <sup>(35)</sup>	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Scheveningen B.V.	Netherlands <sup>(35)</sup>	Ordinary	100.0%	100.0%
Madame Tussauds Amsterdam B.V.	Netherlands <sup>(37)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Den Haag B.V.	Netherlands <sup>(38)</sup>	Ordinary	100.0%	-
Merlin Entertainments Holdings Nederland B.V.	Netherlands <sup>(35)</sup>	Ordinary	100.0%	100.0%
SEA LIFE Centre Scheveningen B.V.	Netherlands <sup>(39)</sup>	Ordinary	60.0%	60.0%
Auckland Aquarium Limited	New Zealand <sup>(40)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (New Zealand) Limited	New Zealand <sup>(40)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal <sup>(41)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Singapore Pte. Ltd	Singapore <sup>(42)</sup>	Ordinary	100.0%	100.0%
LEGOLAND Korea LLC	South Korea <sup>(43)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Korea Limited <sup>(4)</sup>	South Korea <sup>(44)</sup>	Ordinary	100.0%	100.0%
SLCS SEA LIFE Centre Spain S.A.	Spain <sup>(45)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (Thailand) Limited	Thailand <sup>(46)</sup>	Ordinary	100.0%	100.0%
Siam Ocean World Bangkok Co Ltd	Thailand <sup>(47)</sup>	Ordinary	100.0%	100.0%
Istanbul Suatı Dnyası Turizm Ticaret A.Ş	Turkey <sup>(48)</sup>	Ordinary	100.0%	100.0%
Madame Tussauds Museum LLC	UAE <sup>(49)</sup>	-	<sup>(a)</sup> 48.0%	<sup>(b)</sup> 48.0%
Merlin Holdings Limited	UAE <sup>(50)</sup>	Ordinary	<sup>(a)</sup> 1.0%	<sup>(b)</sup> 1.0%
Alton Towers Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Alton Towers Resort Operations Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Charcoal CLG 1 Limited (company limited by guarantee)	UK <sup>(51)</sup>	-	100.0%	100.0%
Charcoal CLG 2 Limited (company limited by guarantee)	UK <sup>(51)</sup>	-	100.0%	100.0%
Charcoal Holdco Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Charcoal Midco 1 Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Charcoal Newco 1 Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Charcoal Newco 1a Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Chessington Hotel Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Chessington World of Adventures Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Chessington World of Adventures Operations Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Chessington Zoo Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
CWA PropCo Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
LEGOLAND US Holdings Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
LEGOLAND Windsor Park Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
London Aquarium (South Bank) Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
London Dungeon Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
London Eye Holdings Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
London Eye Management Services Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Madame Tussaud's Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Madame Tussauds Touring Exhibition Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%

# SECTION 5

## OTHER NOTES

CONTINUED

Twelve weeks ended 26 December 2020, 52 weeks ended 26 December 2020

### 3.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2021	Ownership 2020
Merlin Attractions Operations Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Magic Making Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (Asia Pacific) Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (Blackpool) Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (Dungeons) Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (NBD) Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE) Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Crown (UK) Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Developments Limited <sup>(6)</sup>	UK	Ordinary	-	100.0%
Merlin Entertainments Group Employee Benefit Trustees Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group Holdings Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group Operations Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin's Magic Wand Trustees Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin UK Finance 1A Limited <sup>(10)</sup>	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin UK Finance 2A Limited <sup>(10)</sup>	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin UK Finco 1 Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin UK Finco 2 Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Merlin US Holdings Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Motion Topco Limited <sup>(10)</sup>	UK <sup>(51)</sup>	Ordinary	99.8%	100.0%
Motion Midco Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Motion Acquisition Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
SEA LIFE Centre (Blackpool) Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
SEA LIFE Centres Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
SEA LIFE Trustees Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
The London Planetarium Company Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
The Millennium Wheel Company Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
The Seal Sanctuary Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
The Tussauds Group Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Thorpe Park Operations Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Tussauds Attractions Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Tussauds Group (UK) Pension Plan Trustee Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Tussauds Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Warwick Castle Limited	UK <sup>(51)</sup>	Ordinary	100.0%	100.0%
Lake George Fly LLC	USA <sup>(52)</sup>	-	100.0%	100.0%
LEGOLAND California LLC	USA <sup>(53)</sup>	-	100.0%	100.0%
LEGOLAND Discovery Center Arizona LLC	USA <sup>(53)</sup>	-	100.0%	100.0%
LEGOLAND Discovery Center Boston LLC	USA <sup>(53)</sup>	-	100.0%	100.0%
LEGOLAND Discovery Center Columbus LLC	USA <sup>(53)</sup>	-	100.0%	100.0%
LEGOLAND Discovery Centre (Dallas) LLC	USA <sup>(53)</sup>	-	100.0%	100.0%
LEGOLAND Discovery Centre (Meadowlands) LLC	USA <sup>(53)</sup>	-	100.0%	100.0%

7. weeks ended 21 December 2019 to 14.0 and 16 December 2020

Company undertaking	Country of incorporation	Class of share held	Ownership 2021	Ownership 2020
LEGOLAND Discovery Center Michigan LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
LEGOLAND Discovery Center Philadelphia LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
LEGOLAND Discovery Center San Antonio LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
LEGOLAND Discovery Center San Jose LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
LEGOLAND Discovery Centre US LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
LEGOLAND New York LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Madame Tussauds Hollywood LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Madame Tussaud Las Vegas LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Madame Tussauds Nashville LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Madame Tussaud's New York LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Madame Tussauds Orlando LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Madame Tussauds San Francisco LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Madame Tussauds Washington LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Merlin Entertainments Chicago LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Merlin Entertainments Crown (US) Inc	USA <sup>(153)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group Florida LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Merlin Entertainments Group US Holdings Inc	USA <sup>(153)</sup>	Ordinary	100.0%	100.0%
Merlin Entertainments Group US LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Merlin Entertainments Group Wheel LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Merlin Entertainments North America LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Merlin Entertainments Short Breaks LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Merlin Entertainments US NewCo LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Motion Finco LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
San Francisco Dungeon LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
SEA LIFE Center San Antonio LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
SEA LIFE Charlotte LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
SEA LIFE Meadowlands LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
SEA LIFE Michigan LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
SEA LIFE Minnesota LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
SEA LIFE Orlando LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
SEA LIFE US LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
The Tussauds Group LLC	USA <sup>(153)</sup>	-	100.0%	100.0%
Joint venture undertaking	Country of incorporation	Class of share held	Ownership 2021	Ownership 2020
LL Dubai Hotel LLC	UAE <sup>(155)</sup>	Ordinary	40.0%	40.0%

Moqan Topco Limited is held by Jin 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 Moqan TopCo Limited of 0.16% (see note 4.5).

## Section 5 – Other Notes

# SECTION 5 OTHER NOTES CONTINUED

12. Last updated 25 December 2021 (2020: 52 weeks ended 26 December 2020)

## 5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

### Subsidiary Undertakings

1	Suite 11, 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 115, 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 Musee Victoria Dockside, 12 Salisbury Road, Tsim Sha Tsui, Kowloon Hong Kong
11	Room No.3F-01b&32&K1, L3 Floor, Zhuhexuhui 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, Bo'an Road, Heping District, Shenyang, China
14	L2-25, 2F, 3F Parkside Plaza, Putuo District, Shanghai, China
15	Room 10-1, 10th Floor, No 2-68 Nanjing West Rd, Huangpu District, Shanghai, China
16	189, Daduhe Road, Pu Tuo District, Shanghai, 200062, China
17	Room 5668, No. 19, Cao Li Road 38 Lane, Feng Jing Town, Jinshan District, Shanghai, China
18	Aastvej 10, 7190 Billund, Denmark
19	Tivolitie 10, Helsinki 00510, Finland
20	Centre Commercial Val d'Europe, Espace 502, 14 cours du Danube, Serris, 77111 Marne-La-Vallée, France
21	Kehrwieder 5, 20457 Hamburg, Germany
22	Heidenhof 1, 29614 Soltau, Germany
23	Legoland Allee, 89312, Gunzburg, Germany
24	No. 46, Aradhana, R. K. Puram, Sector -13, New Delhi- 110066, India
25	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
26	2nd Floor, 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland
27	Via Derna 4, Castelnuovo del Garda, 37014, Verona, Italy
28	Via Vivaldin 7, Castelnuovo del Garda Verona, 37014, Verona, Italy
29	Loc Ronchi, Castel del Garda Verona, 37014, Verona, Italy
30	2-2-1, Kinjofutou Minato-ku, Nagoya-shi, Japan
31	Island Mall, Decks Tokyo Beach, 1-6-1 Daiba, Minato-ku, Tokyo, Japan
32	2-4, Rue Eugène Ruppert, L-2453, Luxembourg
33	2-4, Rue Eugène Ruppert, L-2453, Luxembourg
34	Level 13A-6, Menara Milenium, Jalan Damansara, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia
35	Rokin 78, 1012 KW Amsterdam, Netherlands
36	Gevers Deynootweg 970, 2586 BW Den Haag, Netherlands
37	Dam 20 GEBOUW P2.C, 1012 NP Amsterdam, Netherlands
38	Jasminj 13, Leidschendam, 2262AN, Netherlands
39	Strandweg 13, 2536 JK Den Haag, Netherlands
40	Level 11, 41 Shortland Street, Auckland 1010, New Zealand
41	No. 1 Rua Paricular do Castelo de Queijo, 4100-379, Porto, Portugal
42	10 Changi Business Park Central 2, #01-02, HansaPoint, 486030, Singapore
43	Yoseon-dong, 8F Moorim Building, 16 Joongang-ro, Chuncheon-si, Gangwon-do, Republic of Korea
44	266 Haeundaehaebun-ro, Haenudee-Gu, Busan, Republic of Korea
45	Puerto Marina, Benalmadena-Costa, 29630 Benalmadena, Malaga, Spain
46	989 Siam Discovery, #401 4 Flr., #501 5 Flr., #601 6 Flr., #701 7 Flr., Rama I Road, Pathumwan, Bangkok 10330, Thailand
47	B1-B2 Floor Siam Paragon, 991 Rama I Road, Khweng Pathumwan, Bangkok 10330, Thailand
48	Kocatepe Mah. Pasa Cad. Forum Istanbul AVM No. 5/5, Bayrampasa, Turkey
49	Office 1601, 48 Burj Gate, Burj Khalifa, Dubai, United Arab Emirates
50	Emaar Square, Building 3, Level 5, P.O. Box 37172, Dubai, United Arab Emirates
51	Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom
52	80 State Street, Albany, New York 12207-2543, United States
53	1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, United States
54	200 Bellevue Parkway Suite 210, Wilmington, New Castle County, Delaware, 19809, United States
55	201-01 Emaar Square, P.O. Box 123311, Dubai, United Arab Emirates

# SECTION 5

## OTHER NOTES

CONTINUED

52 weeks ended 27 December 2021 (2020: 52 weeks ended 26 December 2020)

### 5.7 SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS (CONTINUED)

#### 5.7.1 Subsidiaries taking advantage of an exemption 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 25 December 2021.

Subsidiary undertaking	Company number	Subsidiary undertaking	Company number
Alton Towers Resort Operations Limited	06127441	Merlin Entertainments (Asia Pacific) Limited	03767102
Charcoal CLG 1 Limited	06128422	Merlin Entertainments (Blackpool) Limited	02429776
Charcoal Midco 1 Limited	06125930	Merlin Entertainments (NBD) Limited	05010879
Charcoal Newco 1 Limited	06128686	Merlin Entertainments Crown (UK) Limited	09679536
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 UK Finco 1 Limited	08753258
LEGOLAND US Holdings Limited	06273037	Merlin UK Finco 2 Limited	06753263
LEGOLAND Windsor Park Limited	02721723	Merlin US Holdings Limited	06273035
London Aquarium (South Bank) Limited	06553877	SEA LIFE Centre (Blackpool) Limited	02407713
London Eye Holdings Limited	05686179	Thorpe Park Operations Limited	06127478
London Eye Management Services Limited	02896349		

#### 5.7.2 Subsidiaries exempt from preparing individual accounts

The following subsidiaries are taking advantage of an exemption from the requirement to prepare individual accounts under section 394A of the Companies Act 2006.

Subsidiary undertaking	Company number	Subsidiary undertaking	Company number
Alton Towers Limited	02464313	SEA LIFE Trustees Limited	05036964
Charcoal CLG 2 Limited	06128435	SEA LIFE Centres Limited	06287526
Charcoal Holdco Limited	06125928	The London Planetarium Co Limited	00340209
Chessington World of Adventures Limited	03667104	The Millennium Wheel Company Limited	03793329
Chessington Zoo Limited	02083608	The Seal Sanctuary Ltd	06287590
CWA Propco Limited	06273039	The Tussauds Group Limited	06287588
London Dungeon Limited	06287463	Tussauds Attractions Limited	06287489
Madame Tussaud's Limited	02168431	Tussauds Limited	06287589
Merlin Entertainments Group Employee Benefit Trustees Limited	03671050	Warwick Castle Limited	03667101
Merlin's Magic Wand Trustees Limited	06511344		



MOTION JVCO LIMITED

# COMPANY FINANCIAL STATEMENTS

Company statement of financial position at 25 December 2021 (2020: 26 December 2020)

	Note	2021 £m	2020 £m
<b>Non-current assets</b>			
Investments	iii	2,985	2,835
Deferred tax assets		1	1
		<b>2,986</b>	<b>2,836</b>
<b>Current assets</b>			
Cash and cash equivalents		-	150
		<b>-</b>	<b>150</b>
<b>Net assets</b>		<b>2,986</b>	<b>2,986</b>
Issued capital and reserves attributable to owners of the Company	iv	2,986	2,986
<b>Total equity</b>		<b>2,986</b>	<b>2,986</b>

The notes on pages 97 to 100 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 (2020: loss for the year of £4 million).

The parent Company financial statements were approved by the Board of Directors on 12 April 2022 and were signed on its behalf by:

Søren Thorup Sørensen  
Director



2020年12月31日止年度

# COMPANY FINANCIAL STATEMENTS

Company statement of changes in equity (for 2019: 2019; for 2020: 2020; for 2021: 2021)

		Share capital	Share premium	Capital reserve	Reserves	Total
	Note	£m	£m	£m	£m	£m
At 29 December 2019		26	2,653	6	(1)	2,684
Loss for the year		-	-	-	(4)	(4)
Total comprehensive income for the year		-	-	-	(4)	(4)
Shares issued	iv	3	303	-	-	306
At 26 December 2020		29	2,956	6	(5)	2,986
Total comprehensive income for the year		-	-	-	-	-
Transfer to retained earnings	iv	-	-	(6)	6	-
At 25 December 2021	iv	29	2,956	-	1	2,986

# COMPANY FINANCIAL STATEMENTS

12 months ended 25 December 2021 (2020: 52 weeks ended 26 December 2020)

## 1 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The consolidated financial statements of Motion JVco Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained by visiting the Merlin corporate website at [www.merlinentertainments.biz](http://www.merlinentertainments.biz). Company financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Motion JVco Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 'Fair value measurement' and the disclosures required by IFRS 7 'Financial instrument disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared for the 52 weeks ended 25 December 2021 (2020: 52 weeks ended 26 December 2020).

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.

### Tax

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.

# COMPANY

## FINANCIAL STATEMENTS CONTINUED

12 months ended 25 December 2021 (2020) 52 weeks ended 26 December 2021 (2020)

### i ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments and financial liabilities

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

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

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

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

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

#### Dividends

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

### ii OPERATING EXPENSES

#### Directors' remuneration

The average number of persons employed by the Company during the year was seven (2020: 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.

#### Professional 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).

### iii INVESTMENT IN SUBSIDIARY UNDERTAKING

	Shares in subsidiary undertaking £m
Cost and carrying value	
At 29 December 2019	2,835
Additions	-
At 26 December 2020	2,835
Additions	150
At 25 December 2021	2,985

Financial statements of the Company

# COMPANY

## FINANCIAL STATEMENTS CONTINUED

12 months ended 31 December 2021 (2020: 12 months ended 31 December 2020)

### iii INVESTMENT IN SUBSIDIARY UNDERTAKING (CONTINUED)

The subsidiary undertaking at the year end is as follows:

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

A full list of Group companies is included in note 5.7 of the consolidated financial statements on pages 88 to 93.

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 4.5 of the consolidated financial statements).

### iv EQUITY

	2021 Number	2021 £m	2020 Number	2020 £m
<i>Ordinary shares of £0.01 each</i>				
At beginning of year	28,759,359	-	25,802,236	-
Shares issued	-	-	2,957,123	-
	28,759,359	-	28,759,359	-
<i>Preference shares of £0.01 each</i>				
At beginning of year	2,847,137,139	29	2,554,382,037	26
Shares issued	-	-	292,755,102	3
	2,847,137,139	29	2,847,137,139	29
<b>On issue and fully paid at end of year</b>	<b>2,875,896,498</b>	<b>29</b>	<b>2,875,896,498</b>	<b>29</b>

#### Issue of shares

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

#### Ordinary shares

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

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

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

#### Preference shares

During 2020 the Company issued 292,755,102 6% fixed cumulative preference shares at a nominal value of one pence each for a consideration of £293 million. In accordance with the accounting policy as set out in note 1, these were classed as equity.

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

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

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

Company Financial Statements

# COMPANY FINANCIAL STATEMENTS CONTINUED

year ended 25 December 2021 (2020: 52 weeks ended 24 December 2020)

## IV EQUITY (CONTINUED)

### Shareholder loans

During 2019 the Company issued £156 million 0% subordinated unsecured shareholder loan notes due 31 October 2020. In accordance with the accounting policy as set out in note 1, these were classed as financial liabilities. Reflecting the off-market interest rate attached to these loan notes, these were initially recognised at fair value of £150 million with the difference treated as a capital contribution.

During 2020 the shareholder loans were repaid and the proceeds reinvested in a further issue of new ordinary and preference shares to the existing shareholders.

The capital reserve has been eliminated through retained earnings in the year.

### 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 25 December 2021 (2020: *Nil*).

### Profit or loss

The profit after tax for the year in the accounts of Motion JVco Limited is *£nil* (2020: *loss of £4 million*).

## V RELATED PARTY TRANSACTIONS

For full details of transactions and arrangements with the Company's ultimate shareholders, see note 5.3 of the consolidated financial statements.

# GLOSSARY

<b>Board</b>	Board of Directors of the Company.
<b>Capex</b>	Capital expenditure.
<b>Cluster</b>	A group of attractions located in a city close to one another.
<b>CWE</b>	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.
<b>EBITDA</b>	Profit before finance income and costs, taxation, depreciation, amortisation and impairment and after taking account of attributable profit after tax of joint ventures.
<b>Exceptional items</b>	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.
<b>Existing estate (EE)</b>	EE comprises all attractions other than new openings.
<b>GDPR</b>	General Data Protection Regulation.
<b>IP</b>	Intellectual Property.
<b>Group</b>	Motion J/Co Limited group of companies.
<b>IPO</b>	Initial Public Offering.
<b>KPI</b>	Key Performance Indicator.
<b>LBC</b>	Little BIG City attractions. These are part of the Midway Attractions Operating Group.
<b>LCA</b>	Licence and Co-operation agreement. This agreement sets out the rights granted to the Group to use the LEGO and LEGOLAND brands.
<b>LDC</b>	LEGOLAND Discovery Centre attractions. These are part of the Midway Attractions Operating Group.
<b>Like for like (LFL)</b>	2021 LFL growth refers to the growth between 2020 and 2021 on a constant currency basis using 2020 exchange rates and includes all businesses owned and operated before the start of 2020.
<b>Listing</b>	Listing on the London Stock Exchange.
<b>LLP</b>	LEGOLAND Parks Operating Group.
<b>Merlin Board</b>	The Board of Directors of Merlin Entertainments Limited.
<b>Merlin Magic Making (MMM)</b>	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.
<b>Merlin's Magic Wand (MMW)</b>	MMW forms a key element of Merlin's Corporate Social Responsibility commitment. Our partner children's charity delivers magical experiences around the world to children who are facing challenges of serious illness, disability or adversity.
<b>Midway or Midway attractions</b>	The Midway Attractions Operating Group and/or the Midway attractions within it. Midway attractions are typically smaller, indoor attractions located in city centres, resorts or shopping malls.
<b>MT</b>	Madame Tussauds attractions. These are part of the Midway Attractions Operating Group.
<b>'Net Promoter' score</b>	How we measure the propensity of our customers to recommend our attractions.
<b>New Business Development (NBD)</b>	NBD relates to attractions that are newly opened or under development for future opening, together with the addition of new accommodation at existing sites. New openings can include both Midway attractions and new theme parks. NBD combines with the existing estate to give the full estate of attractions.
<b>Non-core</b>	Attractions which Merlin has ceased the operation of during the period.

# GLOSSARY

<b>Operating free cash flow</b>	Underlying EBITDA less existing estate capex.
<b>Peppa Pig</b>	We have a multi-territory exclusivity arrangement to develop a range of attractions based on the Peppa Pig brand, one of the most well-known pre-school IP's in the world.
<b>Rooms</b>	A single accommodation unit at one of our theme parks, for example a hotel room, lodge or glamping tent.
<b>RPC</b>	Revenue per capita, defined as visitor revenue divided by number of visitors.
<b>RTP</b>	Resort Theme Parks Operating Group.
<b>SEA LIFE Trust</b>	The SEA LIFE Trust forms a key element of Merlin's Corporate Social Responsibility commitment. Our partner marine conservation charity works to protect the marine environment.
<b>Second gate</b>	A visitor attraction at an existing resort with a separate entrance and for which additional admission fees are charged.
<b>SLC</b>	SEA LIFE Centre aquarium attractions. These are part of the Midway Attractions Operating Group.
<b>The Merlin Way</b>	The culture of the Group which encompasses our vision and values.
<b>Top Box</b>	The highest level of customer satisfaction that we record in our customer surveys from touchscreen data at our attractions.
<b>Underlying</b>	Underlying information presented excludes exceptional items that are classified separately within the financial statements.
<b>Visitors</b>	Represents all individual visits to Merlin owned or operated attractions.
<b>Wizard Wants to Know (WWTK)</b>	WWTK is our annual online employee survey.
<b>Yext</b>	A platform we used to monitor online guest reviews and help inform how we improve our attractions.

## Footnotes

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 currency translation

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 2021 revenues of re-translating them at 2020 foreign exchange (FX) rates.

Currency	2020 average FX rates	2021 average FX rates	%age movement in FX rates	Revenue impact £m
USD	1.29	1.38	6.8%	39
EUR	1.11	1.17	4.8%	12
AUD	1.87	1.81	(3.2)%	(1)
Other				8
<b>Increase in 2021 revenues at 2020 FX rates</b>				<b>58</b>