Merlin Attractions Operations Limited

Annual Report and financial statements

Registered number 06272935

52 weeks ended 28 December 2019

Contents

Strategic Report

The Directors present their Strategic Report for the 52 weeks ended 28 December 2019.

Strategic management

The principal activity of the Company throughout the period continued to be the operation of visitor attractions and providing corporate support functions to these and other attractions for Merlin Entertainments Limited (formerly Merlin Entertainments plc) and its subsidiaries (the Group).

The Company continued to operate a number of attractions, including:

- Madame Tussauds London and Madame Tussauds Blackpool – the world famous wax attraction.
- Warwick Castle – a family theme park at the historic Castle site.
- Alton Towers Resort – a destination theme park resort, focused on outdoor attractions including rides and shows, and providing accommodation for both leisure and corporate visitors.
- The Blackpool Tower complex – an observation attraction and other attractions at the iconic Blackpool Tower location.
- Chessington World of Adventures Resort – a destination theme park resort, focused on outdoor attractions including rides and shows, and providing accommodation for both leisure and corporate visitors.
- LEGOLAND Windsor Resort – a destination theme park resort, focused on outdoor attractions including rides and shows, incorporating LEGO product throughout, and providing accommodation for both leisure and corporate visitors.
- The London Eye visitor attraction – the world famous observation wheel.
- Thorpe Park Resort – a destination theme park resort, focused on outdoor attractions including rides and shows, and providing accommodation for both leisure and corporate visitors.
- DreamWorks Tours Shrek's Adventure! – an indoor, show based attraction incorporating DreamWorks Animation characters into the theme.
- The Bear Grylls Adventure – launched in 2018, an indoor / outdoor activity based attraction developed together with the world famous adventurer, Bear Grylls.

Under agency agreements, the Company directs other companies to perform operational tasks in connection with the attractions concerned, for which it pays an agency fee.

At the start of the year the trade and assets of Merlin Entertainments Developments Limited, a fellow subsidiary of the Group, hived across into the Company. The principal activity of this Company is the provision of development services to Group companies and third parties, the production of wax figures and LEGO modes for sites worldwide and the production of themed visitor attraction displays.

The Directors are committed to developing all the businesses with the introduction of new features for 2020.

Business performance

The new accounting standard, IFRS 16 'Leases', has been adopted using the fully retrospective approach. The 2018 balances presented in this Strategic Report and financial statements reflect restatements to that year's results so that they are presented consistently with the current year.

The Directors have determined that the result before tax and the net assets or liabilities are the most appropriate key performance indicators (KPIs) for an understanding of the development, performance and position of the Company. The results for the Company show a profit before tax of £50,699,000 *(2018 restated: £80,563,000)* and revenue of £502,813,000 *(2018: £448,616,000)*. As at 28 December 2019, the Company had net assets of £423,330,000 (*29 December 2018 restated: £385,230,000*). This is in line with expectations and the Directors are satisfied with the performance and position of the Company.

Strategic Report *(continued)*

Business environment

Competition in the leisure and entertainments industry, together with the influence of the weather and socio-economic environment on visitor numbers, represents continuing risks for the Company. The principal risks are discussed within the Annual Report and accounts of Merlin Entertainments Limited and details of how to obtain these accounts can be found in note 1. Accordingly no specific risks and uncertainties are identified in these financial statements.

COVID-19

The COVID-19 coronavirus has surfaced in nearly all regions around the world, resulting in governments in affected areas taking unprecedented steps to impose a range of restrictions on both individuals and organisations. Hospitality and leisure businesses have been significantly impacted as a result of the combination of mandated closures, the capacity restrictions created by 'social distancing' and lower consumer demand in many markets. At the foundation of all business decisions that the Merlin Entertainments Group makes in response to the COVID-19 pandemic is the health, safety, and wellbeing of employees and visitors around the globe. As such, government advice has been followed and, in many cases, the Group has gone beyond those requirements to ensure a socially responsible response. Best practice enhanced hygiene and safety measures have been rolled out across the Group's operations. These measures have received positive feedback from customers, local authorities and health agencies. The Merlin Entertainments Group has also implemented a number of operating cost and cash control measures.

The impact of the COVID-19 outbreak is uncertain and its effect on people's ability or desire to travel and gather in public spaces (including within the attractions industry) will continue to impact the Group's financial condition and results of operations. We cannot predict when all attractions will be allowed to open. Moreover, social distancing and other policies to slow the further spread of the disease may impact the operation and consumer appeal of our attractions. Even once these policies are lifted, interest in visiting our attractions may remain weak for a significant length of time and we cannot predict if and when each of our attractions will return to pre-outbreak demand or ticket pricing.

Brexit

The Directors, as part of the wider Merlin Entertainments Group, continue to monitor the potential impact of Brexit to the Group and the Company. A number of exercises have been undertaken to identify hot spots, perform analysis of particular contractual arrangements that could be threatened or become more expensive, assess increasing costs of duty, and analyse alternative supply options and the volume and location of inventory holdings. If there is no agreement between the UK and the EU, the Directors believe that there could be both structural issues, for example the impact of leaving the EU tax and trade treaty umbrella and immigration restrictions, and transitory issues that would be shorter term impacts. The transitory issues would occur as a consequence of administrative, process or market changes, which will unwind over a number of months after exiting the EU. The principal areas where these issues may occur are delays in the movement or availability of goods and products that disrupt retail, food and beverage and ride operations, when either sourced directly or through third party providers in the supply chain. There are also a number of potential consequences of Brexit that are being considered as both a risk and an opportunity.

Directors' Report

The Directors present their Directors' Report and the audited financial statements for the 52 weeks ended 28 December 2019. Details of the Company's principal activity and future developments; its principal risks and uncertainties; and its KPIs can be found within the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend *(2018: £nil).*

Directors

The Directors who held office during the year and up until the date of the signing of these financial statements were as follows:

F Montgomery	(resigned 31 July 2019)
N Mackenzie	(resigned 18 April 2019)
F Rose	
M Jowett	
F Eastwood	
S Brooksbank	
E Catterall	(resigned 28 December 2019)
C Godfrey	(appointed 28 December 2019)

During the year the Company maintained liability insurance for its Directors and officers.

Political donations

The Company made no political donations during the year *(2018: £nil).*

Employees

Regular informal meetings are held between management and employees in order to keep employees informed on current developments within the Company and to take account of their views in making decisions likely to affect their interests. In addition a quarterly newsletter is produced.

Disabled persons

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

Subsequent events and going concern

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

In making this statement the Directors have satisfied themselves that based on its current base case projections, the Company has access to sufficient cash funds and / or the ability to call on intercompany loan receivables to meet the Company's foreseeable cash requirements.

This assessment takes into account an assessment of the ongoing impact of the COVID-19 pandemic. A fellow Merlin Entertainments Group undertaking, Merlin Entertainments Group Holdings Limited, has also given a letter of support to the Company indicating its intention to provide financial and other support to the Company. The ability of other group entities to support the Company is dependent on the performance and liquidity of the wider Merlin Entertainments group of companies. Merlin Entertainments Group Holdings Limited is itself reliant on the support of Merlin Entertainments Limited which had a material uncertainty in relation to going concern disclosed in its consolidated 2019 financial statements.

The situation is constantly changing and subject to unforeseeable developments. Therefore, it remains possible that further significant negative developments may arise, over and above the scenarios that have been modelled. These circumstances therefore represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. For further details see note 1 to the financial statements.

Directors' Report

Section 172 statement

The Directors acknowledge the need to maintain high standards of business conduct and recognise the importance of stakeholder engagement within any decision making process. The Directors understand their obligations under section 172 of the Companies Act 2006 and in order to ensure that this is fulfilled, delegate their authority to senior managers within the Merlin Entertainments Group. During the decision-making process management ensure they have regard for the impact of their decisions on the Company's stakeholders, as required in section 172 of the Companies Act 2006, taking into account the likely consequences of any decision in the long term. Management ensures that they understand the views of stakeholders seriously and strives to build productive business relationships with them. During 2019, Merlin has engaged significantly with stakeholders throughout the year and will look to further the inclusion of stakeholders' interests within the decision-making processes.

Employees

During the year management has considered engagement with our employees in a constructive way to enable consideration of employees effectively when making decisions and designing strategies. In order to better understand the levels of engagement and how our working environments can be improved, we conduct an annual 'Wizard Wants to Know' survey. In 2019 we updated the approach as a 'temperature check' pulse survey, focusing on our three core Merlin engagement areas - being a Great Place to Perform; a Great Place to Work; and a Great Place for Customers. 'The Merlin Way' is our set of values which embody everything we do, and which provide the basis for our goals and objectives. We advocate The Merlin Way through many of our global engagement activities such as our 'STAR' peer to peer recognition programme, our 'All.Together.' diversity and inclusion strategy and our employer brand ethos 'Love your Work. Work your Magic'.

'Your Voice Counts' (YVC) forums across the UK has been put in place to discuss matters which affect the immediate working environment and to agree changes. Since 2019 these local forums have had the opportunity to discuss important topics with a member of the Merlin Executive Management Team on an annual basis via the 'UK Your Voice Counts' information sharing meeting.

Offering an inclusive working environment, where differences are valued, is a crucial part of our strategy, so we are committed to ensuring that diverse groups are fully and properly represented at all levels of our organisation. We strive to ensure we have the best people for every role, regardless of gender, race, disability, sexual orientation, or any other factor. We are proud of the inclusive environment we create for everyone who works at Merlin and are actively encouraging and promoting more females into senior roles. Wherever possible, we encourage greater female participation in traditionally male orientated occupations such as engineering where there are proportionally fewer female employees, and host a number of initiatives to educate and inspire career progression within Merlin among female staff.

Suppliers

Merlin believes a collaborative approach with suppliers enables the most mutually beneficial relationship, allowing us to engage on matters that affect both Merlin's and our supplier's key strategies. An example is the return in 2019 of our partnership with Coca-Cola Great Britain, offering consumers 50% off entry to Merlin attractions, in exchange for their used plastic bottles.

Guests

The satisfaction of our guests is consistently monitored at each attraction with a centralised product excellence team who help to drive improvements. Management understands that the key to Merlin's continued success is to maintain high levels of guest satisfaction. This is therefore monitored through business updates and a detailed annual report on guest satisfaction is presented by Merlin's customer excellence team.

Merlin aims to provide magical and memorable days out for everyone, including the many guests with disabilities that visit our attractions. This is something management take very seriously. In May 2019 Merlin became the first company in the leisure sector to join the 'Valuable 500' campaign which aims to raise awareness and unlock the business, social and economic value of people living with disabilities across the world. We work with many local charities including our charity partner Merlin's Magic Wand to create memorable days out for guests and to work collaboratively to enhance the accessibility of our sites.

Directors' Report

Section 172 statement *(continued)*

Communities and the environment

Merlin understands that our business has an impact on communities, and we engage with them in a number of different ways. Our strong social conscience informs how the Company operates, including both the people and creatures connected to our business. This is exemplified by our ethical animal husbandry activities, our partnerships with Merlin's Magic Wand and the SEA LIFE Trust, and how we approach visitor accessibility.

In addition to supporting the SEA LIFE Trust in its mission to protect marine life and habitats across the world, we support additional animal welfare initiatives that are not connected to the marine environment. Chessington World of Adventures Resort in the UK maintain their long-standing commitment to animal breeding or managed species programmes.

In addition to our commitments to employees with disabilities, we are focused on improving the accessibility of our attractions. At Merlin we care about creating memorable experiences for all our guests including those with disabilities who choose to visit us each year. This includes making necessary reasonable adjustments to our facilities to ensure all our guests can 'experience the magic'. We understand our obligations and we care about continuously improving accessibility. To that end we are committed to listening to feedback and reviewing our facilities in order to ensure that we continue to meet the needs of all our guests.

We recognise that our operations impact 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. Merlin's Executive Management Team is responsible for setting strategy, policy, principles and guidance. Our Chief Executive Officer ensures that the strategic policy is implemented and that our sustainability objectives are aligned throughout the business. We participate in the UK Carbon Reduction Commitment (CRC) energy efficiency scheme and other applicable environmental regulations globally. Specific budgets are made available each year to test and implement environmentally focused initiatives. Each attraction has a sustainability champion who is responsible for the delivery of our sustainability objectives at a local level.

Corporate Governance

The Directors continue to believe that effective corporate governance is the foundation of a well-run company and is committed to maintaining the highest standards of governance throughout the Company. The Directors recognise that a strong governance framework is fundamental to the execution of strategic objectives, underpinned by a clear purpose and well understood culture and values. Merlin's overriding purpose is to create truly memorable experiences for visitors and long term value for our investors. Our corporate governance framework has been designed to safeguard these. The Merlin Group applied the provisions of the UK Corporate Governance Code up to the date of delisting (having adopted the revised provisions of the Code, as published in July 2018). During 2020 the Group has concluded that the appropriate approach to corporate governance is to adopt the Wates Corporate Governance Principles for Large Private Companies, which in many respects follow similar principles to the Code. The Company will also follow these principles.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Directors' Report *(continued)*

Information presented in other sections

Details of the Company's principal activity and future developments; its principal risks and uncertainties; and its KPIs can be found within the Strategic Report. The going concern assessment can be found within note 1 of the financial statements.

The Strategic Report and the Directors' Report were both approved by the Board on 16 December 2020.

By order of the Board

F Rose
Director
Link House
25 West Street
Poole
Dorset
BH15 1LD

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 Company and to prevent and detect fraud and other irregularities.

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.

KPMG

Independent Auditor's Report to the members of Merlin Attractions Operations Limited

Opinion

We have audited the financial statements of Merlin Attractions Operations Limited ("the company") for the 52 weeks period ended 28 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the challenges posed by the COVID-19 pandemic mean that the Company's ability to continue as a going concern is reliant on continued support from Merlin Entertainments Group Holdings Limited. This company has indicated its intention to provide financial and other support to the Company for a period of 12 months from the date of approval of the financial statements. The ability of Merlin Entertainments Group Holdings Limited to provide support is dependent on the performance and liquidity of the wider Merlin Entertainments Group, the majority of whose portfolio of attractions around the world have been impacted by the COVID-19 pandemic. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Strategic Report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Independent Auditor's Report to the members of Merlin Attractions Operations Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Hugh Green
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

Statement of comprehensive income

for the 52 weeks ended 28 December 2019 (2017: 52 weeks ended 29 December 2018)

	Note	2019	2018 *restated*
		£000	£000
Revenue	2	**502,813**	448,616
Cost of sales		**(95,431)**	(72,550)
Gross profit		**407,382**	376,066
Operating expenses		**(315,288)**	(258,177)
Operating profit	3	**92,094**	117,889
Finance income	6	**11,883**	10,773
Finance costs	7	**(53,278)**	(48,099)
Profit before tax		**50,699**	80,563
Taxation	8	**(17,755)**	(18,371)
Profit for the year		**32,944**	62,192
Other comprehensive income for the year net of income tax		**-**	-
Total comprehensive income for the year		**32,944**	62,192

The accompanying notes for part of these financial statements.

Statement of financial position

as at 29 December 2019 (2018: as at 29 December 2018)

	Note	**2019**	2018 *restated*	2017 *restated*
		£000	£000	£000
Non-current assets				
Property, plant and equipment	9	**414,661**	424,648	402,245
Right-of-use assets	22	**540,309**	537,838	530,356
Goodwill and intangible assets	10	**179,848**	166,856	166,854
Investments	11	**26,471**	35,438	32,994
Other receivables	13	**37,105**	36,809	33,447
Deferred tax assets	16	**12,167**	17,021	11,420
		1,210,561	1,218,610	1,177,316
Current assets				
Inventories	12	**30,285**	12,597	8,787
Trade and other receivables	13	**85,229**	82,700	74,090
Cash and cash equivalents	21	**96,534**	70,324	-
		212,048	165,621	82,877
Total assets		**1,422,609**	1,384,231	1,260,193
Current liabilities				
Lease liability	22	**(15,739)**	(17,647)	(14,633)
Trade and other payables	14	**(199,946)**	(162,352)	(164,880)
Tax payable		**(6,805)**	(16,566)	(24,768)
Provisions	15	**(1,582)**	(1,380)	(934)
Cash and cash equivalents	21	**-**	-	(9,250)
		(224,072)	(197,945)	(214,465)
Non-current liabilities				
Lease liability	22	**(634,386)**	(635,840)	(625,799)
Other payables	14	**(105,271)**	(142,192)	(80,623)
Provisions	15	**(35,550)**	(23,024)	(17,813)
		(775,207)	(801,056)	(724,235)
Total liabilities		**(999,279)**	(999,001)	(938,700)
Net assets		**423,330**	385,230	321,493
Capital and reserves				
Share capital	17	**-**	-	-
Capital reserve		**12,836**	7,680	6,135
Retained earnings		**410,494**	377,550	315,358
Total equity		**423,330**	385,230	321,493

These financial statements were approved by the Board of Directors on 16 December 2020 and were signed on its behalf by:

Fiorella Rose

F Rose
Director

Statement of changes in equity

for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

	Share capital £000	Capital reserve £000	Retained earnings £000	Total equity £000
At 30 December 2017	-	6,135	390,173	**396,308**
Adjustment on initial application of IFRS 16 (net of tax)	-	-	(74,815)	**(74,815)**
At 30 December 2017 *(restated)*	-	6,135	315,358	**321,493**
Profit for the period	-	-	62,192	**62,192**
Equity-settled share-based payment transactions	-	1,545	-	**1,545**
At 29 December 2018 *(restated)*	-	7,680	377,550	**385,230**
Profit for the period	-	-	**32,944**	**32,944**
Equity-settled share-based payment transactions	-	**5,156**	**-**	**5,156**
At 28 December 2019	**-**	**12,836**	**410,494**	**423,330**

Notes to the financial statements

for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

1 Accounting policies

Basis of preparation

These financial statements have been prepared for the 52 weeks ended 28 December 2019 *(2018: 52 weeks ended 29 December 2018).*

Merlin Attractions Operations Limited (the Company) is a company incorporated, registered and domiciled in the UK. It is a private company limited by shares. The address of its registered office is Link House, 25 West Street, Poole, Dorset BH15 1LD.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. The Company's ultimate parent undertaking is Motion JVco Limited. Motion JVco Limited and Merlin Entertainments Limited (an intermediary parent company), both include the Company in their consolidated financial statements. The consolidated financial statements of Merlin Entertainments Limited are prepared in accordance with Adopted IFRSs and are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

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 Financial Reporting Standards as adopted by the EU (Adopted IFRSs), 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.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned Group companies;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Merlin Entertainments Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of Group settled share-based payments;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- 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.

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

1 Accounting policies *(continued)*

New accounting standards

The standard that has been implemented in the year that has had the most significant impact is IFRS 16 'Leases', as explained below. No other new accounting standards, or amendments, have had a material impact on the Company during the year.

IFRS 16 'Leases' became effective for 2019 reporting periods onwards and introduces a single, on-balance sheet lease accounting model for lessees.

The Company has considered its lease portfolio which substantially relates to land, buildings and infrastructure assets, as follows:

- For leases previously classified as operating leases, the Company has recognised a new asset in the form of a right-of-use (ROU) asset, together with an associated lease liability. The income statement now includes a depreciation charge for the ROU asset and an interest expense on the lease liability. This replaces the previous accounting for operating leases that were expensed within operating expenses on a straight-line basis over the term of the lease. Where lease expense is linked to turnover or other performance criteria, this element continues to be recorded as rent within operating expenses.
- Existing finance leases have also been reviewed against the new standard. As a result a number of leases entered into under historic sale and leaseback transactions have been re-assessed due to differences in the accounting treatment between IAS 17 and IFRS 16 of unguaranteed residual values. This has required re-assessment of the values of leased assets at inception and their treatment under IFRS 16 in subsequent periods. Regarding classification, these assets were accounted for as PPE under IAS 17 but are treated as ROU assets under IFRS 16.
- The Company has elected to take recognition exemptions for short term leases and leases of low-value items. Leases that fall within the Company's defined parameters for these exemptions have been excluded from the IFRS 16 lease accounting requirements and are expensed on a straight-line basis over the life of the lease.

IFRS 16 requires certain judgements and estimates to be made. The most significant of these relate to the following:

- The discount rate used in the calculation of the lease liability, which involves estimation. Discount rates are calculated on a lease by lease basis. For the property leases that make up substantially all of the Company's lease portfolio this results in two approaches. For a number of the Company's leases, the rate implicit in the lease can be calculated and is therefore adopted. Otherwise, the rate used is based on estimates of incremental borrowing costs. As a result, reflecting the breadth of the Company's lease portfolio; the transition approach adopted which has required estimation of historic discount rates; and estimations as to lease lives, there are a number of discount rates used within a wide range.
- 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 Company to extend the lease term, the Company makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable; current trading; future trading forecasts as to the ongoing profitability of the attraction; and the level and type of planned future capital investment. A number of large leases held by the Company came into effect as part of a sale and leaseback transaction that occurred in 2007. These leases have an initial lease period of 35 years, with an option to extend for two further periods of 35 years, subject to an adjustment to market rates at that time. At this point it is not reasonably certain that these leases will be renewed, taking into account the factors noted above. This judgement is reassessed at each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and a material adjustment to the associated balances.

The Company has applied IFRS 16 from 30 December 2018, using the fully retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 has been recognised, in line with IAS 8 'Accounting policies, changes in accounting estimates and errors', by restating the 52 week period ended 29 December 2018 and making an opening equity adjustment as at 31 December 2017. The Company has taken the practical expedient to grandfather the definition of a lease on transition. This means that IFRS 16 has been applied to all contracts entered into before 30 December 2018 and identified as leases in accordance with IAS 17 and IFRIC 4. The impact on transition has been explained further in note 22.

Notes to the financial statements *(continued)*

for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

1 Accounting policies *(continued)*

New accounting standards *(continued)*

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

Going concern

The financial statements have been prepared on a going concern basis. The Directors consider this to be appropriate for the reasons set out below.

In previous years, including 2019, the Company has traded profitably and generated positive cash flows on its own account, participating in the Merlin Entertainments Group's centralised treasury arrangements and sharing banking arrangements with its fellow Group companies. The Directors believe that ordinarily the Company would be well placed to manage its business risks successfully with adequate resources to continue in operational existence for a period of 12 months from the date of approval of the accounts.

The Directors have prepared cash flow forecasts as part of a Group cash flow forecasting exercise. This indicates that for a period of 12 months from the date of approval of these financial statements, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from a fellow subsidiary undertaking, to meet its liabilities as they fall due for that period. The Company meets its day-to-day working capital requirements through a combination of consolidated banking arrangements and intergroup loan facilities. Based on this, the Company will be able to operate within the level of its currently available funding with the support of a Group entity.

As at the date of approving these financial statements, the impact of the Coronavirus (COVID-19) pandemic (COVID-19) on trading is being assessed continually. While understanding that it is currently difficult to forecast accurately the impact of COVID-19 at this time, but reflecting the latest situation, our current base case assumption is that there will continue to be a gradual and sustained recovery to more normalised trading levels.

The Directors have prepared cash flow forecasts until the end of 2021 which take into account the Group's immediately available cash reserves, the access to liquidity via the Merlin Entertainments Group's shared banking arrangements, and the Company's receivable balances owed by other Merlin Group companies. These forecasts indicate that the Company will have sufficient access to cash reserves and /or access to intra-group funding to meet its liabilities as they fall due for that period.

The availability of that intra-group support funding is reliant on the ability of other Group entities to remit cash as required. This is dependent on the performance and liquidity of the wider Merlin Entertainments group of companies, where the spread of COVID-19 has had a material negative impact on the Group's portfolio of attractions around the world. At the end of Q1 2020, substantially all of Merlin's attractions were closed. The Group's geographic diversity subsequently enabled attractions to be opened where possible during Q2 and Q3 2020 and by the end of Q3, the majority of attractions were open and the Group generated positive cash flow in Q3 2020. A small number of the Group's most significant locations remained closed and a limited number of attractions that had opened subsequently closed again. Certain of the larger seasonal theme park attractions have as usual closed or will have limited trading over the winter period. The situation is constantly changing and subject to unforeseeable developments. Additional lockdown and other restrictions have recently been implemented in certain countries; this may extend in due course to other territories.

The Directors have therefore considered a severe but plausible downside scenario that models a reoccurrence of a prolonged worldwide shutdown across the Merlin estate during late 2020 through to April 2021 without any further cost mitigation. In this situation the Merlin Entertainments Group would continue to have access to sources of liquidity throughout 2021 and into 2022.

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

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

1 Accounting policies *(continued)*

Going concern *(continued)*

A fellow Merlin Entertainments Group undertaking, Merlin Entertainments Group Holdings Limited, has given a letter of support to the Company indicating its intention to provide financial and other support to the Company. Merlin Entertainments Group Holdings Limited is itself reliant on the support of Merlin Entertainments Limited which had a material uncertainty in relation to going concern disclosed in its consolidated 2019 financial statements. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

Goodwill and other intangibles

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 not amortised but is tested annually for impairment.

Other intangible assets comprise software licences, sponsorship rights and other contract 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:

Licences	Life of licence (up to 15 years)
Other intangible assets	Relevant contractual period (up to 30 years)

Property, plant and equipment

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.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of PPE. 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. No residual values are typically considered.

The estimated useful lives are as follows:

Buildings	50 years, or the period of the lease if shorter
Plant and equipment	5 - 30 years

On inception of a lease the estimated cost of decommissioning the leased asset is included within PPE and depreciated over the lease term. A corresponding asset retirement provision is set-up and the discounting applied is unwound over the lease term.

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

1 Accounting policies *(continued)*

Impairment testing

The carrying amounts of the Company's goodwill, intangible assets and PPE are reviewed annually 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 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.

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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

Interest-bearing loans and borrowings

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.

Investments

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.

Finance income and costs

Finance costs comprise interest expense, finance charges on shares classified as liabilities and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Finance income comprises interest income from funds invested, gains on foreign exchange contracts and net foreign exchange gains.

Interest income and interest expense are recognised in the income statement as they accrue, using the effective interest rate method.

Foreign currencies

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.

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

1 Accounting policies *(continued)*

Leases

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 Company 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.

At the lease commencement date the Company, as the lessee, will recognise; a lease liability representing its obligation to make lease payments and an asset representing its right to use the underlying leased asset (ROU asset).

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

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

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 recognised.

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.

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

After the commencement date the Company 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.

Revenue

Revenue represents the amounts received from customers (excluding VAT and similar taxes) for admissions tickets, accommodation, retail, food and beverage sales, other commercial offerings, and sponsorship. From time to time, the Group also enters into service contracts for attraction development.

Tickets, annual passes and other services can be bought in advance, generally online, in which case these advanced revenues are held in deferred revenue until the visitor uses those tickets or services. Visitor revenue is then recognised when the visitor enters the attraction. Revenue from the sale of annual passes is deferred and then recognised evenly over the period that the pass is valid. Retail and food and beverage sales revenues are recognised at the point of sale. Accommodation revenue is recognised at the time when a customer stays at Merlin accommodation. Sponsorship revenue is recognised over the relevant contract term. Revenue for attraction development is recognised as performance obligations under the contract are met.

Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes to the financial statements *(continued)*

for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

1 Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised directly in equity, or when it relates to items recognised in other comprehensive income, when it is recognised through the statement of comprehensive income.

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

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

Share-based payments

The fair value of equity-settled share-based payments under share plans operated by Merlin Entertainments plc (now Merlin Entertainments Limited) was recognised as an employee expense with a corresponding increase in equity, in the form of a parent company capital contribution. The fair value is measured at grant date and charged as the employees become unconditionally entitled to the rights.

The fair value of the share plans is recognised as an expense over the expected vesting period net of deferred tax with a corresponding entry to the income statement. The fair value of the share plans is determined at the date of grant. Non-market based vesting conditions (i.e. earnings per share and return on capital employed targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest 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.

2 Revenue

Revenue is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

3 Operating profit

	2019	2018 *restated*
	£000	£000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	**48,669**	44,722
Depreciation of right-of-use assets	**25,415**	25,229
Impairment of property, plant and equipment	**9,459**	-
Impairment of right-of-use assets	**5,912**	-
Expense relating to variable rent payments	**5,541**	6,101

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

3 Operating profit *(continued)*

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	**171**	148
Other assurance services	**1**	11

Fees payable to the Company's auditor for services other than the statutory audit of the Company are disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent.

4 Staff numbers and costs

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

	2019	2018
Attraction management and central administration	**781**	530
Operations	**5,722**	5,956
	6,503	6,486

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	**110,708**	107,791
Share-based payments	**5,156**	1,544
Social security costs	**9,227**	7,226
Other pension costs	**3,738**	2,640
	128,829	119,201

5 Directors' remuneration

The Directors received no remuneration from the Company during the year *(2018: £nil)* and are paid by other Group undertakings. None of the Directors received remuneration for their services to the Company as the services provided to the Company form part of their wider role in the Group.

6 Finance income

	2019 £000	2018 £000
Interest income on amounts owed by Group undertakings	**11,883**	9,082
Net foreign exchange gains	**-**	1,691
	11,883	10,773

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

7 Finance costs

	2019	2018 *restated*
	£000	£000
Interest expense on amounts owed to Group undertakings	**14,722**	12,061
Net foreign exchange losses	**1,857**	-
Unwinding of discount on asset retirement provision	**647**	432
Finance lease charges	**36,052**	35,606
	53,278	48,099

8 8 Taxation

Recognised in the income statement

	2019	2018
	£000	£000
Current tax expense		
Current year	**15,429**	16,724
Adjustments for prior periods	**(2,881)**	7,248
Total current income tax	**12,548**	23,972
Deferred tax expense (note 16)		
Origination and reversal of temporary differences	**1,749**	1,123
Changes in tax rate	**(224)**	41
Adjustments for prior periods	**3,682**	(6,765)
Total deferred tax	**5,207**	(5,601)
Total tax expense in income statement	**17,755**	18,371

Reconciliation of effective tax rate

	2019	2019	2018	2018
	%	**£000**	%	£000
Profit before tax		**50,699**		80,563
Income tax using the domestic corporation tax rate	**19.0%**	**9,633**	19.0%	15,307
Expense not deductible for tax purposes	**12.1%**	**6,119**	2.5%	1,975
Impact of share-based payments	**2.8%**	**1,426**	0.3%	216
Effect of changes in tax rate	**(0.4%)**	**(224)**	0.5%	390
Adjustments in respect of prior periods	**1.6%**	**801**	0.6%	483
Total tax expense in the income statement	**35.0%**	**17,755**	22.8%	18,371

The standard rate for UK corporation tax used in the 52 weeks ended 28 December 2019 was 19.0% *(2018: 19.0%)*. A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 28 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Company's future tax charge.

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

9 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Assets in course of construction £000	Total £000
Cost				
At 31 December 2017 *(restated)*	187,446	511,098	42,522	741,066
Inter group transfers	-	-	(2,042)	(2,042)
Additions	7,222	9,476	52,542	69,240
Disposals	-	(1,561)	-	(1,561)
Transfers between classes	16,889	44,532	(61,421)	-
At 29 December 2018 *(restated)*	211,557	563,545	31,601	806,703
Inter group transfers	-	162	(535)	(373)
Transfer of assets from fellow group company	3,897	9,512	623	14,032
Additions	954	14,479	28,645	44,078
Disposals	(4,424)	(64,857)	(528)	(69,809)
Transfers between classes	1,306	30,160	(31,466)	-
At 28 December 2019	**213,290**	**553,001**	**28,340**	**794,631**
Depreciation				
At 31 December 2017 *(restated)*	55,626	283,195	-	338,821
Inter group transfers	-	-	-	-
Charge for the year	4,938	39,784	-	44,722
Disposals	(6)	(1,482)	-	(1,488)
At 29 December 2018 *(restated)*	60,558	321,497	-	382,055
Charge for the year	5,824	42,845	-	48,669
Inter group transfers	-	(30)	-	(30)
Transfer of assets from fellow group company	2,458	6,490	-	8,948
Impairment	5,702	3,807	-	9,509
Disposals	(4,486)	(64,695)	-	(69,181)
At 28 December 2019	**70,056**	**309,914**	**-**	**379,970**
Carrying value				
At 31 December 2017 *(restated)*	131,820	227,903	42,522	402,245
At 29 December 2018 *(restated)*	150,999	242,048	31,601	424,648
At 28 December 2019	**143,234**	**243,087**	**28,340**	**414,661**

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

10 Goodwill and intangible assets

	Goodwill £000	Other intangibles £000	Total £000
Cost			
At 1 January 2018	248,479	394	248,873
Additions	-	33	33
At 29 December 2018	248,479	427	248,906
Additions	-	13,310	13,310
Disposals	(127)	(291)	(418)
At 28 December 2019	248,352	13,446	261,798
Amortisation			
At 1 January 2018	82,007	12	82,019
Charge for the year	-	31	31
At 29 December 2018	82,007	43	82,050
Disposals	(127)	-	(127)
Charge for the year	-	27	27
At 28 December 2019	81,880	70	81,950
Carrying value			
At 31 December 2016	166,472	382	166,854
At 29 December 2018	166,472	384	166,856
At 28 December 2019	**166,472**	**13,376**	**179,848**

Impairment testing

Goodwill is not amortised but is tested annually for impairment. This involved estimating the recoverable amounts, being the greater of value in use and fair value less costs to sell. The estimation of the recoverable amount concluded that there is considerable headroom which is not sensitive to even significant changes in any of the key assumptions. Accordingly no impairment of goodwill is required.

11 Investments

	Shares in subsidiary undertakings £000
Cost and carrying value	
At 1 January 2018	32,994
Additions	2,444
At 29 December 2018	35,438
Additions	987
Impairment of subsidiary	(9,954)
At 28 December 2019	**26,471**

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

11 Investments *(continued)*

Additions in the year to shares in subsidiary undertakings relate to £987,000 *(2018: £2,444,000)* in Merlin Entertainments India Private Limited.

During 2019 an impairment was recognised to reflect estimates at the end of the reporting period of the future performance of certain attractions, taking into account reviews of the market and economic conditions at those locations.

The Company has the following direct investments in subsidiary undertakings:

Company	**Country of incorporation**	**Class of shares held**	**Ownership 2019**	Ownership 2018
Iconic Images International Limited [(a)]	UK [(1)]	Ordinary	-	-
The London Planetarium Company Limited	UK [(1)]	Ordinary	100%	100%
London Dungeon Limited	UK [(1)]	Ordinary	100%	100%
Madame Tussaud's Limited	UK [(1)]	Ordinary	100%	100%
Merlin Entertainments India Private Limited	India [(2)]	Ordinary	100%	100%
Sea Life Centres Limited	UK [(1)]	Ordinary	100%	100%
The Seal Sanctuary Limited	UK [(1)]	Ordinary	100%	100%
Tussauds Attractions Limited	UK [(1)]	Ordinary	100%	100%
The Tussauds Group Limited	UK [(1)]	Ordinary	100%	100%
Istanbul Sualti Dunyasi Turizm Ticaret A.S	Turkey [(3)]	Ordinary	100%	100%
Tussauds Limited	UK [(1)]	Ordinary	100%	100%
Warwick Castle Limited	UK [(1)]	Ordinary	100%	100%
Merlin Holdings Limited [(b)]	UAE [(4)]	Ordinary	1.0%	1.0%
Madame Tussauds Museum LLC [(b)]	UAE [(4)]	-	48.0%	48.0%

(a) Company dissolved on 6 December 2018.
(b) 100% beneficial ownership of these entities.

Registered offices:
(1) Link House, 25 West Street, Poole, Dorset, BH15 1LD, United Kingdom
(2) 44, Regal Building, Connaught Place, New Delhi, Central Delhi DL, 110001, India
(3) Kocatepe Mah, Pasa Cad, Forum Istanbul AVM No. 5/5, Bayrampasa, Turkey
(4) 201-01 Emaar Square, P.O. Box 37172, Dubai, United Arab Emirates

In addition to the direct investments in subsidiary undertakings listed above, the Company has the following joint venture undertaking:

Company	**Country of incorporation**	**Class of share held**	**Ownership 2019**	Ownership 2018
LL Dubai Hotel LLC	UAE	Ordinary	40.0%	40.0%

The registered office for LL Dubai Hotel LLC is 201-01 Emaar Square, P.O. Box 37172, Dubai, United Arab Emirates.

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

12 Inventories

	2019	2018
	£000	£000
Maintenance inventory	**5,715**	4,301
Goods for resale	**25,192**	8,296
	30,907	12,597

13 Trade and other receivables

	Non-current	Non-current *restated*	**Current**	Current
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade receivables	**-**	-	**18,851**	11,529
Amounts owed from Group undertakings	**23,886**	23,536	**39,444**	40,922
Amounts owed by related parties	**-**	-	**1,050**	610
Other receivables	**11,635**	11,635	**6,253**	6,722
Prepayments and accrued income	**1,584**	1,638	**19,631**	22,022
Other taxation and social security	**-**	-	**-**	895
	37,105	36,809	**85,229**	82,700

Where amounts due from Group undertakings have been agreed as receivable in a period of more than a year from the balance sheet date they have been classified as non-current. Where interest on long term amounts owed by Group undertakings is charged, a rate of 3-5% per annum (2018: 2-4% per annum) is applied.

14 Trade and other payables

	Non-current	Non-current *restated*	**Current**	Current *restated*
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade payables	**-**	-	**10,858**	10,585
Amounts owed to Group undertakings	**105,259**	142,192	**95,585**	72,130
Amounts owed to related parties	**-**	-	**623**	1,250
Other taxation and social security	**-**	-	**149**	51
Other payables	**12**	-	**1,485**	1,539
Accruals and deferred income	**-**	-	**91,246**	76,797
	105,271	142,192	**199,946**	162,352

Where amounts due to Group undertakings have been formally agreed at the balance sheet date by the counterparty agreed as payable in a period of more than a year from the balance sheet date they have been classified as non-current. Where interest on long term amounts owed to Group undertakings is charged, a rate of 4% per annum (2018: 3% per annum) is applied.

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

15 Provisions

	Asset retirement provisions £000	Insurance claims provisions £000	Other provisions £000	Total £000
At 30 December 2018	21,956	1,324	1,124	24,404
Created during the year	11,556	374	755	12,685
Utilised in the year	-	(431)	(128)	(559)
Unused amounts reversed	-	(45)	-	(45)
Unwinding of discount	647	-	-	647
At 28 December 2019	**34,159**	**1,222**	**1,751**	**37,132**
2019				
Current	-	912	670	1,582
Non-current	34,159	310	1,081	35,550
	34,159	**1,222**	**1,751**	**37,132**
2018				
Current	-	764	616	1,380
Non-current	21,956	560	508	23,024
	21,956	**1,324**	**1,124**	**24,404**

Asset retirement provisions relate to the anticipated costs of removing assets from and restoring the sites concerned at the end of their lease term. The insurance claims provisions relate to open insurance claims.

16 Deferred taxation

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £000	Assets *restated* 2018 £000	**Liabilities 2019 £000**	Liabilities *restated* 2018 £000	**Net 2019 £000**	Net *restated* 2018 £000
Property, plant and equipment	**10,150**	7,762	**(9,542)**	(11,355)	**608**	(3,593)
Right-of-use assets/lease liability	**12,181**	21,058	**(1,317)**	(1,420)	**10,864**	19,638
Other short term temporary differences	**778**	1,065	**(83)**	(89)	**695**	976
Net tax assets/(liabilities)	**23,110**	29,885	**(10,942)**	(12,864)	**12,167**	17,021

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

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

16 Deferred taxation *(continued)*

Movement in deferred tax during the current year:

	At 30 December 2018 *restated* £000	**Transfer of assets from fellow group company £000**	**Recognised in income statement £000**	**At 28 December 2019 £000**
Property, plant and equipment	(3,593)	70	4,131	608
Right-of-use assets/lease liability	19,638	-	(8,774)	10,864
Other short term temporary differences	976	283	(564)	695
Net tax assets/(liabilities)	**17,021**	**352**	**(5,207)**	**12,167**

Movement in deferred tax during the previous year:

	At 1 January 2018 *restated* £000	Recognised in income statement £000	At 29 December 2018 £000
Property, plant and equipment	(8,085)	4,492	(3,593)
Right-of-use assets/lease liability	18,261	1,377	19,638
Other short term temporary differences	1,244	(268)	976
Net tax assets/(liabilities)	**11,420**	**5,601**	**17,021**

17 Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	-	-

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

18 Share-based payments

Share-based payments – equity-settled schemes

Until November 2019 and its subsequent delisting from the London Stock Exchange, Merlin Entertainments plc (now Merlin Entertainments Limited) operated four employee share incentive plans: the Performance Share Plan (PSP), the Deferred Bonus Plan (DBP), the Company Share Option Plan (CSOP) and the All Employee Sharesave Plan (AESP), as set out in the tables below. Awards under the PSP vested three years after grant date, upon satisfaction of earnings per share and return on capital employed performance conditions, and continued employment. Awards under the CSOP, the DBP and the AESP vested three years after grant date subject to continued employment. All awards under the PSP and DBP were granted for nil consideration. These share plans all vested at the time of the acquisition of Merlin Entertainments plc in November 2019 and that company's subsequent delisting from the London Stock Exchange. Further details can be found in the Merlin Entertainments Limited Annual Report and Accounts.

	Date of grant	Exercise price (£)	Period when exercisable	Average remaining contractual life (years)	Number of shares 2019	Number of shares 2018
PSP	April 2015 – April 2019	-	2019 – 2022	-	-	1,244,655
DBP	March 2015 – March 2019	-	2019 – 2022	-	-	928
CSOP	November 2013 – April 2019	3.15 - 4.81	2019 – 2029	-	-	1,094,402
AESP	February 2014 – April 2019	2.83 – 4.10	2019 - 2022	-	-	1,740,642

19 Commitments

Capital commitments

At the year end, the Company has a number of outstanding capital commitments in respect of capital expenditure at its attractions.

Capital commitments at the end of the year, for which no provision has been made, are as follows:

	2019 £000	2018 £000
Contracted	**9,783**	7,501

20 Pension commitments

During the year the Company operated a defined contribution pension scheme for a number of its employees. The pension charge for the year was £3,738,000 *(2018: £2,640,000)*. The pension costs are charged to the income statement in the period that they are incurred and any outstanding contributions at the period end are included within creditors. The assets of the scheme are held separately from those of the Company in independently administered funds. At the year end the outstanding contributions due to the scheme were £251,000 *(2018: £194,000)*.

21 Banking arrangements

Along with other Group companies in the United Kingdom, the company is a member of a consolidated banking arrangement which includes notional bank pooling and an overdraft facility. As such it is party to a guarantee to the Bank for all debit balances arising from the Group facility whereby each member company guarantees the debit balance of each other member to the Bank.

As a result of the above pooling arrangements, at any reporting date, group companies will hold assets in a combination of intercompany balances and cash which can vary.

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

22 Lease obligations

Transition to IFRS 16

IFRS 16 'Leases' became effective for 2019 reporting periods onwards and introduces a single, on-balance sheet lease accounting model for lessees. The transition methodology and accounting policy are included in note 1. The impact on transition can be summarised as follows:

	29 December 2018			30 December 2017		
	as reported £000	IFRS 16 adjustment £000	as restated £000	as reported £000	IFRS 16 adjustment £000	as restated £000
Property, plant and equipment	459,775	(35,127)	424,648	434,262	(32,017)	402,245
Right-of-use assets	-	537,838	537,838	-	530,356	530,356
Prepayments (current)	22,998	(976)	22,022	15,555	(740)	14,815
Lease liabilities	(52,689)	(600,798)	(653,487)	(52,689)	(587,743)	(640,432)
Deferred tax assets/(liabilities)	347	16,674	17,021	(3,909)	15,329	11,420
Net impact to equity		**(82,389)**			**(74,815)**	

The ROU assets above include balances relating to leases previously accounted for as finance leases, as well as asset retirement provisions on leased properties. Both of these items were previously classified under property, plant and equipment.

The transition to IFRS 16 resulted in the restatement of the December 2018 income statement as follows:

	2018 as reported £000	IFRS 16 adjustment £000	2018 as restated £000
Gross profit	376,066	-	376,066
Operating costs	(280,761)	22,584	(258,177)
Operating profit	95,305	22,584	117,889
Finance income	10,773	-	10,773
Finance costs	(16,596)	(31,503)	(48,099)
Profit before tax	**89,482**	**(8,919)**	**80,563**

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

22 Lease obligations *(continued)*

Right-of-use assets

	Land and buildings *restated* £000	Plant and machinery *restated* £000	Total £000
Cost			
At 31 December 2017 *(restated)*	685,851	49,588	735,439
Additions	25,458	1,408	26,866
Movements in asset retirement provisions	8,218	(2,299)	5,919
Disposals	(176)	(2,217)	(2,393)
At 29 December 2018 *(restated)*	719,351	46,480	765,831
Additions	20,710	1,315	22,025
Inter group transfers	-	118	118
Transfer of assets from fellow group company	-	142	142
Movements in asset retirement provisions	2,865	8,810	11,675
Disposals	(268)	(2,091)	(2,359)
At 28 December 2019	**742,658**	**54,774**	**797,432**
Depreciation			
At 31 December 2017 *(restated)*	183,847	21,236	205,083
Charge for the period	21,687	3,542	25,229
Effects of movement in foreign exchange	(102)	(2,217)	(2,319)
At 29 December 2018 *(restated)*	205,432	22,561	227,993
Charge for the period	23,260	2,155	25,415
Inter group transfers	-	40	40
Transfer of assets from fellow group company	-	94	94
Impairment	5,912	-	5,912
Disposals	(266)	(2,065)	(2,331)
At 28 December 2019	**234,338**	**22,785**	**257,123**
Carrying value			
At 31 December 2017 *(restated)*	502,004	28,352	530,356
At 29 December 2018 *(restated)*	513,919	23,919	537,838
At 28 December 2019	**505,898**	**31,989**	**540,309**

During the year the Company reviews useful economic lives and tests ROU assets for impairment in accordance with the accounting policy, as referred to in note 1. No material adjustments were made in 2018 or 2019.

Notes to the financial statements *(continued)*
for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

22 Lease obligations *(continued)*

Lease liabilities

	2019	2018 *restated*
	£000	£000
Current	**15,739**	17,647
Non-current	**634,386**	635,840
	650,125	653,487

The following table sets out the contractual maturities of the lease liabilities, including interest payments:

Finance lease liabilities are payable as follows:

	2019	*2018 restated*
	£000	£000
2019		
Less than one year	**15,856**	17,647
Between one and two years	**16,916**	15,246
Two to five years	**55,534**	51,230
Five years and over	**561,820**	569,364
At 28 December 2019	**650,126**	653,487

23 Related party transactions

Related party		Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
KIRKBI Invest A/S	**2019**	**-**	**1,385**	**-**	**242**
KIRKBI Invest A/S	2018	-	1,348	-	781
LEGO Group	**2019**	**-**	**12,980**	**-**	**382**
LEGO Group	2018	12	8,439	12	470
Parties related to LEGOLAND Malaysia	**2019**	**744**	**-**	**664**	**-**
Parties related to LEGOLAND Malaysia	2018	-	-	196	-

These balances have arisen during the normal course of business.

The Group has also entered into lease agreements with parties that are related parties of the Blackstone Investment Funds that are shareholders in the ultimate parent company. The parties are Network Rail Infrastructure Limited for an area associated with the London Eye site, and NEC Group Ltd, relating to The Bear Grylls Adventure attraction in Birmingham. In aggregate the total rent paid in 2019 for these sites was £510,000. Total commitments in respect of these leases are £11 million over the remaining lease term.

Notes to the financial statements *(continued)*

for the 52 weeks ended 29 December 2019 (2018: 52 weeks ended 29 December 2018)

24 Ultimate parent company

The ultimate parent Company is Motion JVco Limited, a Company incorporated in the United Kingdom, which prepares Group financial statements.

The immediate parent company is Charcoal MidCo 1 Limited, with a registered address of Link House, 25 West Street, Poole, Dorset BH15 1LD.

25 Subsequent events and going concern

For further details on how the COVID-19 pandemic has affected the Company's going concern assessment, see note 1 to the financial statements.