Merlin Entertainments S.à r.l

Managers' report and consolidated financial statements 2010

Registered number B154.309

(with the report of the Réviseur d'Entreprises Agréé thereon)

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Managers' report

The managers present their 2010 managers' report and consolidated financial statements covering a trading period of 52 weeks ended 25 December 2010 *(2009: 52 weeks ended 26 December 2009).*

Principal activities

The Group's principal activity is the operation of visitor attractions and theme parks in the United Kingdom, Continental Europe, North America and the Far East. The Group's results are detailed on page 5 of the consolidated financial statements.

The Company was incorporated on 18 June 2010. The Company's principal activity is that of a holding company. The Company has established a US branch with the sole activity of holding certain loan instruments assigned to it by the Company.

Business review

The Group has enjoyed another successful year during 2010, with growth in both revenue and underlying operating profits. Three new visitor attractions were opened, including one in Bangkok, Thailand, a new area of operation.

On 7 January 2010, the Group acquired the business and assets of Cypress Gardens, a theme park in Florida, USA, which is currently under development and will be re-opened as the fifth LEGOLAND Park later in 2011. Further information is provided in note 5.

On 31 March 2010 the Group was appointed by Blackpool Council, in the United Kingdom, to manage the redevelopment and operations of the iconic Blackpool Tower complex and the Louis Tussauds Waxworks and subsequently took over the operations of the Blackpool Tower in November 2010. Further information is provided in note 5.

Shareholder transaction

On 24 June 2010, funds advised by CVC Capital Partners ('CVC') agreed to acquire a significant stake in the Group, with certain existing shareholders reducing their share accordingly. This shareholder transaction completed on 23 July 2010. As part of a group re-organisation this Company became the new holding company for the Merlin Entertainments Group as a whole, replacing Merlin Entertainments Group Luxembourg S.à r.l. These financial statements are accordingly presented so as to include the results of the Group for all of the year under review. Further details of the new Company's capital structure are provided in note 26.

At the same time as the above re-organisation the Group restructured its financing arrangements, entering into new financing facilities. Further details of these new facilities are provided in note 20.

Research and development

The Group does not engage in significant research and development activities.

Financial instruments

Information on financial instruments is detailed in note 27.

Proposed dividend

The managers do not recommend the payment of a dividend.

Market value of land and buildings

In the opinion of the managers, the market value of the land and buildings of the Group is not materially different from their net book value.

Subsequent events

Shortly after the year-end, the Group acquired the Sydney Attractions Group which includes the Sydney Aquarium, Sydney Wildlife World and the Sydney Tower Observatory and Skywalk, together with Kelly Tarlton's Antarctic Encounter Underwater World in Auckland, New Zealand from Village Roadshow Limited ('VRL'). This acquisition marks the Group's entry into the Australian and New Zealand markets. Further information is provided in note 31.

As part of financing this acquisition, the Group drew down new debt under its existing financing facilities.

Managers' report *(continued)*

Group's likely future development

The managers consider that the Group's existing operations will continue, attracting increasing market share and generating profits. Opportunities to increase its portfolio by opening new attractions will be sought out and evaluated, and, where appropriate, the Group will acquire other existing businesses. The Group will continue as a market leader in branded visitor attractions.

Managers and managers' interests

The managers who held office during the year were as follows:

John Sutherland	(appointed 18 June 2010)
Claus Andersen	(appointed 23 July 2010)
Lars Bone	(appointed 23 July 2010)
Emanuela Brero	(appointed 23 July 2010)
Robert Friedman	(appointed 23 July 2010)
Benedicte Moens-Colleaux	(appointed 23 July 2010)

None of the managers who held office at the end of the financial year had any disclosable interest in the shares of Group companies.

Certain managers benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

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

Disclosure of information to auditors

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

Auditors

Pursuant to a partners' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit S.à r.l. will therefore continue in office.

By order of the board

John Sutherland
Manager

19, rue de Bitbourg, L-1273, Luxembourg

17 March 2011

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Merlin Entertainments S.à r.l. for the 52 week period ended December 25, 2010, which comprise the consolidated statement of financial position as at December 25, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the 52 week period then ended, and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Merlin Entertainments S.à r.l. as of December 25, 2010, and of its consolidated financial performance and its consolidated cash flows for the 52 week period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

KPMG Audit S.à r.l., a Luxembourg private limited company, is a subsidiary of KPMG Europe LLP and a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss enity

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Capital 25.000 €
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Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

Luxembourg, 17 March 2011

KPMG Audit S.à r.l.
Cabinet de révision agréé

Thierry Ravasio

Consolidated income statement

For the 52 weeks ended 25 December 2010

(2009: 52 weeks ended 26 December 2009)

	Note	2010 Underlying trading £m	2010 Exceptional and non-trading items [2] £m	2010 Total £m	2009 Underlying trading £m	2009 Exceptional and non-trading items [2] £m	2009 Total £m
Revenue	3,6	800.8	-	800.8	769.0	-	769.0
Cost of sales	7	(105.0)	-	(105.0)	(104.4)	-	(104.4)
Gross profit		695.8	-	695.8	664.6	-	664.6
Staff expenses	8	(198.9)	(20.5)	(219.4)	(191.2)	-	(191.2)
Other operating expenses		(241.1)	(15.4)	(256.5)	(237.7)	-	(237.7)
EBITDA [1]	3	255.8	(35.9)	219.9	235.7	-	235.7
Depreciation, amortisation and impairment	12,13	(57.8)	(3.7)	(61.5)	(59.0)	-	(59.0)
Operating profit		198.0	(39.6)	158.4	176.7	-	176.7
Finance income	10	0.6	19.1	19.7	0.7	10.6	11.3
Finance costs	10	(144.7)	(7.4)	(152.1)	(179.0)	(22.7)	(201.7)
Profit/(loss) before tax		53.9	(27.9)	26.0	(1.6)	(12.1)	(13.7)
Taxation	11	(32.6)	4.3	(28.3)	(22.1)	5.0	(17.1)
Loss for the year		**21.3**	**(23.6)**	**(2.3)**	**(23.7)**	**(7.1)**	**(30.8)**
Loss attributable to:							
Owners of the Company		19.5	(23.6)	(4.1)	(23.8)	(7.1)	(30.9)
Non-controlling interest		1.8	-	1.8	0.1	-	0.1
Loss for the year		**21.3**	**(23.6)**	**(2.3)**	**(23.7)**	**(7.1)**	**(30.8)**

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

(2) Details of exceptional and non-trading items are provided in note 4.

Consolidated statement of comprehensive income

For the 52 weeks ended 25 December 2010

(2009: 52 weeks ended 26 December 2009)

	Note	2010 £m	2009 £m
Loss for the year		(2.3)	(30.8)
Other comprehensive income			
Exchange differences on retranslation of subsidiaries		(19.3)	(0.7)
Exchange differences relating to the net investment in foreign operations	10	24.3	19.2
Effective portion of changes in fair value of cash flow hedges		(0.6)	-
Defined benefit plan actuarial gains and losses	24	1.5	(0.9)
Income tax on other comprehensive income	11	(1.1)	1.6
Other comprehensive income for the year net of income tax		4.8	19.2
Total comprehensive income for the year		**2.5**	**(11.6)**
Total comprehensive income attributable to:			
Owners of the Company		0.9	(11.5)
Non-controlling interest		1.6	(0.1)
Total comprehensive income for the year		**2.5**	**(11.6)**

Consolidated statement of financial position

at 25 December 2010

(2009: 26 December 2009)

	Note	**2010 £m**	**2009 £m**
Non-current assets			
Property, plant and equipment	12	951.6	909.0
Intangible assets	13	916.9	945.7
Investment in joint ventures	14	0.6	0.7
Other receivables	17	3.2	4.1
Deferred tax assets	15	16.4	31.9
		1,888.7	1,891.4
Current assets			
Inventories	16	16.1	11.6
Trade and other receivables	17	48.2	40.5
Other financial assets	18	2.0	-
Cash and cash equivalents	19	67.5	87.0
		133.8	139.1
Total assets		2,022.5	2,030.5
Current liabilities			
Bank overdrafts	19	0.4	0.4
Interest-bearing loans and borrowings	20	11.5	27.6
Finance leases	20	2.2	2.1
Other financial liabilities	20	65.0	83.3
Trade and other payables	22	126.6	102.4
Tax payable		6.4	1.9
Provisions	23	7.3	7.0
		219.4	224.7
Non-current liabilities			
Interest-bearing loans and borrowings (excluding shareholder loans)	20	1,061.6	1,081.1
Finance leases	20	85.9	89.3
Other payables	22	17.4	15.1
Provisions	23	17.4	14.8
Employee benefits	24	3.1	4.9
Deferred tax liabilities	15	113.2	119.0
		1,298.6	1,324.2
Total liabilities excluding non-current shareholder loans		1,518.0	1,548.9
Net assets excluding non-current shareholder loans		**504.5**	**481.6**
Non-current shareholder loans	20	-	595.9
Net assets/(liabilities)		**504.5**	**(114.3)**
Issued capital and reserves attributable to owners of the Company		499.2	(118.0)
Non-controlling interest		5.3	3.7
Total equity	26	**504.5**	**(114.3)**

The accompanying notes form an integral part of these consolidated financial statements

Consolidated statement of changes in equity

For the 52 weeks ended 25 December 2010

(2009: 52 weeks ended 26 December 2009)

	Note	Share capital £m	Share premium £m	Capital reserve £m	Trans-lation reserve £m	Hedging reserve £m	Reserve for own shares £m	Retained earnings £m	Total parent equity £m	Non control-ling interest £m	Total equity £m
At 28 December 2008 as previously stated		0.6	88.0	-	(66.6)	-	-	(129.9)	(107.9)	3.8	(104.1)
Adjustment for reverse acquisition	2	0.7	1,141.9	(1,142.6)	-	-	-	-	-	-	-
At 28 December 2008		1.3	1,229.9	(1,142.6)	(66.6)	-	-	(129.9)	(107.9)	3.8	(104.1)
Loss for the year		-	-	-	-	-	-	(30.9)	(30.9)	0.1	(30.8)
Other comprehensive income for the year net of income tax		-	-	-	20.0	-	-	(0.6)	19.4	(0.2)	19.2
Total comprehensive income for the year		-	-	-	20.0	-	-	(31.5)	(11.5)	(0.1)	(11.6)
Equity-settled share-based transactions	25	-	-	-	-	-	-	1.4	1.4	-	1.4
At 26 December 2009		**1.3**	**1,229.9**	**(1,142.6)**	**(46.6)**	**-**	**-**	**(160.0)**	**(118.0)**	**3.7**	**(114.3)**
Loss for the year		-	-	-	-	-	-	(4.1)	(4.1)	1.8	(2.3)
Other comprehensive income for the year net of income tax		-	-	-	4.4	(0.5)	-	1.1	5.0	(0.2)	4.8
Total comprehensive income for the year		-	-	-	4.4	(0.5)	-	(3.0)	0.9	1.6	2.5
Reverse acquisition	2	-	-	649.5	-	-	(0.2)	0.2	649.5	-	649.5
Equity-settled share-based transactions	25	-	-	-	-	-	-	0.3	0.3	-	0.3
Cash-settled share-based transactions	25	-	-	-	-	-	-	(33.5)	(33.5)	-	(33.5)
At 25 December 2010		**1.3**	**1,229.9**	**(493.1)**	**(42.2)**	**(0.5)**	**(0.2)**	**(196.0)**	**499.2**	**5.3**	**504.5**

Consolidated statement of cash flows

For the 52 weeks ended 25 December 2010

(2009: 52 weeks ended 26 December 2009)

	Note	**2010 £m**	**2009 £m**
Cash flows from operating activities			
Loss for the year:		(2.3)	(30.8)
Adjustments for:			
Depreciation, amortisation and impairment charges	12,13	61.5	59.0
Finance income	10	(19.7)	(11.3)
Finance costs	10	152.1	201.7
Taxation	11	28.3	17.1
		219.9	235.7
Amortisation of grants		(0.4)	(0.3)
Loss on sale of property, plant and equipment		0.1	0.3
Working capital changes		6.0	2.9
Increase in provisions and other non-current liabilities		4.1	-
Cash-settled share-based transactions		(33.9)	-
		195.8	238.6
Tax paid		(12.5)	(5.0)
Net cash inflow from operating activities		183.3	233.6
Cash flows from investing activities			
Interest received		0.6	0.7
Acquisition of subsidiaries	5	(15.6)	(0.7)
Acquisition of intangibles		(0.5)	(0.3)
Acquisition of property, plant and equipment		(103.3)	(100.9)
Disposal of property, plant and equipment		0.5	0.4
Government grants received		1.8	-
Net cash outflow from investing activities		(116.5)	(100.8)
Cash flows from financing activities			
Proceeds from issue of share capital		8.8	-
Proceeds from bank loans		1,093.1	-
Proceeds from shareholder loans		75.4	-
Refinancing costs		(42.7)	-
Capital repayments of finance leases		(2.0)	(2.4)
Interest paid		(109.2)	(100.4)
Repayment of borrowings		(1,056.9)	(82.5)
Repayment of shareholder loans		(51.7)	-
Disposal of available-for-sale financial assets		-	23.6
Dividends paid to minority interests		-	(0.1)
Net cash outflow from financing activities		(85.2)	(161.8)
Net decrease in cash and cash equivalents		(18.4)	(29.0)
Cash and cash equivalents, net of bank overdrafts, at beginning of period		86.6	114.9
Effect of exchange rate fluctuations		(1.1)	0.7
Cash and cash equivalents, net of bank overdrafts, at end of period	19	**67.1**	**86.6**

The accompanying notes form an integral part of these consolidated financial statements

Notes *(forming part of the financial statements)*

52 weeks ended 25 December 2010

1 Accounting policies

Merlin Entertainments S.à r.l. (the "Company") is a company incorporated in Luxembourg and its registered office is 19, rue de Bitbourg, L-1273, Luxembourg.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in joint ventures.

These consolidated financial statements were approved by the Board of Managers on 17 March 2011.

The consolidated financial statements have been prepared and approved by the managers in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

The accounting policies set out below 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. Judgements made by the managers in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

Basis of preparation

These consolidated financial statements have been prepared for the 52 weeks ended 25 December 2010 *(2009: 52 weeks ended 26 December 2009)*. The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments measured at their fair value.

The Group has net current liabilities of £85.6 million *(2009: £85.6 million)*, net assets of £504.5 million *(2009: net liabilities of £114.3 million)* and a loss for the year of £2.3 million *(2009: £30.8 million)*, and the consolidated financial statements have been prepared on the going concern basis. The treatment assumes that the Group will continue in operational existence, and will be able to meet its liabilities as they fall due, for at least 12 months from the date of signature of the consolidated financial statements. As highlighted in note 20 the Group is funded by a bank loan facility, due for renewal in 2015. The Group's forecasts show that it should be able to operate within the level of its current facilities. The managers consider this assumption to be reasonable because after reviewing the Group's cash flow forecasts and trading budgets and making appropriate enquiries, they believe the Group to be operationally and financially robust, and that it will generate sufficient cash to meet its borrowing requirements for the next 12 months.

Functional and presentation currency

This financial information is presented in Sterling based on the preference of the managers. The functional currency of the Company is Euros.

All values are stated in £m except where otherwise indicated.

Basis of consolidation

On 23 July 2010 the entire share capital and shareholder Preferred Equity Certificates ("PECs") of the Group's previous parent company, Merlin Entertainments Group Luxembourg S.à r.l were acquired by Merlin Entertainments S.à r.l funded by an issue of the equity instruments of Merlin Entertainments S.à r.l in exchange for these instruments. There were no changes in rights or proportions of control in the Group as a result of this transaction.

Whilst the equity instruments of Merlin Entertainments Group Luxembourg S.à r.l were legally acquired, in substance the managers have determined that Merlin Entertainments Group Luxembourg S.à r.l is the accounting acquirer of Merlin Entertainments S.à r.l. As such, this transaction has been accounted for as a reverse acquisition.

Accordingly, these financial statements are issued in the name of the new legal parent, Merlin Entertainments S.à r.l, but are a continuation of the financial statements of Merlin Entertainments Group Luxembourg S.à r.l. In accordance with the requirements of IFRS 3: 'Business Combinations', the financial statements of Merlin Entertainments Group Luxembourg S.à r.l, including comparative information, have been retroactively adjusted to reflect the legal capital position of Merlin Entertainments S.à r.l. For further details, see note 2.

The consolidated financial statements comprise the financial statements of Merlin Entertainments S.à r.l and its subsidiaries and branches at the end of each reporting period, and include its share of its joint ventures' results using the equity method.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Notes *(continued)*

52 weeks ended 25 December 2010

1 Accounting policies *(continued)*

Basis of consolidation *(continued)*

In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

Business combinations

In determining the acquirer in a business combination, the managers consider the terms of IFRS 3: 'Business Combinations' including the rights and intentions of the managers of both entities and the overall controlling parties before and after acquisition to determine who, in substance, the acquiring party is.

Exceptional and non-trading items

Exceptional and non-trading items, as disclosed on the face of the income statement, are items which, due to their material nature, have been classified separately in order to draw them to the attention of the reader of the accounts. They are adjustments that, in the judgement of the managers, are required in order to show the underlying business performance of the Group more accurately.

Investments in joint ventures

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

Operating segments

The Group determines and presents operating segments based on the information that is provided internally to the Chief Executive Officer, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. 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, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment.

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, except when deferred in equity as qualifying net investment hedges.

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

i) assets and liabilities are translated at the closing rate at the date of the statement of financial position;

ii) income and expenses are translated at average exchange rates during the year;

iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. The Group treats specific inter-company 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.

Notes *(continued)*

52 weeks ended 25 December 2010

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Financial assets and liabilities

Derivative financial instruments – interest rate swaps and forward exchange contracts

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to exit the swap at the end of the reporting period, taking into account current interest rates, the current creditworthiness of the swap counterparties, own credit risk and the impact of the bid/ask spread. The fair value of forward exchange contracts is the present value of future cash flows.

Subsequent to initial recognition the gain or loss on remeasurement to fair value is recognised immediately in the income statement, except in specific circumstances where the Group may choose to adopt hedge accounting under IAS 39. Then derivatives are measured at fair value, and changes therein are accounted for as described below.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss.

Notes *(continued)*

52 weeks ended 25 December 2010

1 Accounting policies *(continued)*

***Financial assets and liabilities** (continued)*

Cash flow hedges (continued)

In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are recognised at fair value and any subsequent changes in fair value are recognised in equity. When derecognised, the cumulative gain or loss is transferred to the income statement.

Property, plant and equipment

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below. All other leases are accounted for as operating leases.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Assets under construction are not depreciated until they come in to use, when they are transferred to buildings or plant and equipment as appropriate.

The estimated useful lives are as follows:

Freehold / long leasehold buildings	50 years
Leasehold buildings	20 – 50 years
Plant and equipment	5 – 30 years

On inception of a lease the estimated cost of decommissioning the leased asset is included within property, plant and equipment and depreciated over the lease term and a corresponding asset retirement provision set-up and released to the income statement over the lease term.

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill and brands represent amounts arising on acquisition of subsidiaries and joint ventures. In respect of business acquisitions, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired and contingent liabilities assumed. Identifiable intangible assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to 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.

Negative goodwill arising on an acquisition is recognised in the income statement.

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

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Notes *(continued)*

52 weeks ended 25 December 2010

1 Accounting policies *(continued)*

Intangible assets and goodwill *(continued)*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at the end of each reporting period. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Brands	Indefinite
Licences	Life of licence (from 5 to 15 years)
Other intangible assets	Relevant contractual period (up to 30 years)

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Other receivables are stated at their amortised cost less impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of each reporting period.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units, then to reduce the carrying amount of other intangible assets and the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes *(continued)*

52 weeks ended 25 December 2010

1 Accounting policies *(continued)*

Impairment *(continued)*

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value, being the amount of the consideration received less the directly attributable transaction costs associated with the borrowing. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. In the event of any change in assumptions in respect of the period of the borrowings, the effective interest rate calculated at the inception of the borrowings is maintained, with unexpected variations in cash flows being recognised through the income statement.

Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit schemes

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan 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 the fair value of any plan 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 into equity through other comprehensive income.

Share-based payment transactions – equity-settled arrangements

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

Share-based payment transactions – cash-settled arrangements

The fair value of options granted is recognised directly as an employee expense. The fair value is measured at grant date with any subsequent changes in fair value being recognised in profit or loss.

Notes *(continued)*

52 weeks ended 25 December 2010

1 Accounting policies *(continued)*

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

The Group measures provisions at the managers' best estimates of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking account of information available and different possible outcomes. Specific asset retirement provisions are established in respect of assets where necessary on inception and discounted back to present value. The discount on these provisions is then unwound through the income statement as part of financing costs.

Revenue

Revenue represents the amounts (excluding VAT and similar taxes) received from customers for the sale of goods, specifically, admissions tickets, room revenue, retail and food and beverage sales. Revenue from the sale of annual passes is deferred and then recognised over the period that the pass is valid. Ticket revenue is recognised at point of entry. From time to time, the Group enters into service contracts for attraction development and revenue is recognised under these contracts on a percentage completion basis.

Cost of sales

Cost of sales represents variable expenses (excluding VAT and similar taxes) incurred from revenue generating activity. The expense of food and beverage and retail consumables are the principal expenses included under this category.

Government grants

Capital based government grants are included within accruals and deferred income in the statement of financial position and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Revenue based grants are credited to the income statement so as to match them with the expenditure to which they relate.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received and predetermined non-contingent rent increases are recognised in the income statement as an integral part of the total lease expense over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing costs and income

Financing costs comprise interest payable, finance charges on finance leases, applicable foreign exchange losses and losses on hedging instruments that are recognised in the income statement (see 'Interest-bearing borrowings' accounting policy).

Financing income comprises interest receivable, dividend income, applicable foreign exchange gains, and gains on hedging instruments that are recognised in the income statement.

Interest income and interest payable is recognised as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Notes *(continued)*

52 weeks ended 25 December 2010

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 except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

New standards and interpretations

With effect from 1 January 2010 the Group adopted the following pronouncements:

IFRS 3 (Revised) "Business Combinations"; The revised standard has resulted in a number of changes, notably that directly attributable acquisition costs are to be expended rather than included as part of the purchase price, and contingent consideration is to be accounted for at fair value at the acquisition date with subsequent changes in the fair value being recognised in the income statement. In addition, where a group gains control of a subsidiary undertaking through a step acquisition, the standard requires the existing interest owned to be remeasured at fair value with the difference between fair value and book value being recognised in the income statement. Directly attributable acquisition costs of £1.8 million were incurred in 2010, which are included in other operating expenses as an exceptional item (note 4). In 2009, under the transitional provisions of this standard, the Group retained transaction costs of £0.3 million within other receivables in the statement of financial position, which related to acquisitions which would be accounted for under IFRS 3 (Revised). These were expensed in the current year.

The following standards and interpretations, issued by the IASB or IFRIC, have been adopted by the Group with no significant impact on its consolidated financial statements:

- IFRS 2 (Amendment) "Share-based Payment – Scope of IFRS 2 and revised IFRS 3 Business Combinations" and "Group Cash-settled Share-based Payment Transactions";
- IFRS 5 (Amendment) "Non-current Assets Held for Sale and Discontinued Operations – Disclosures of non-current assets (or disposal groups) classified as held";
- IAS 1 (Amendment) "Presentation of financial statements – Current / non-current classification of convertible instruments";
- IAS 7 (Amendment) "Statement of Cash flows – Classification of expenditures on unrecognised assets";
- IAS 17 (Amendment) "Leases – Classification of leases of land and buildings";
- IAS 18 (Amendment) "Revenue – Determining whether an entity is acting as a principal or as an agent";
- IAS 27 (Amendment) "Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3";
- IAS 36 (Amendment) "Impairments of Assets – Unit of accounting for goodwill impairment test";
- IAS 38 (Amendment) "Intangible Assets – Additional consequential amendments arising from revised IFRS 3" and "Measuring the fair value of an intangible asset acquired in a business combination";
- IAS 39 "Financial Instruments: Recognition and Measurement – Treating loan prepayment penalties as closely related embedded derivatives", "Scope exemption for business combination contracts", "Cash flow hedge accounting" and "Eligible Hedged Items";
- IFRIC 9 "Reassessment of Embedded Derivatives – Scope of IFRIC 9 and revised IFRS 3";
- IFRIC 15 "Agreements for the Construction of Real Estate";
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation – Amendment to the restriction on the entity that can hold hedging instruments";

Notes *(continued)*

52 weeks ended 25 December 2010

1 Accounting policies *(continued)*

***New standards and interpretations** (continued)*

- IFRIC 17 "Distributions of Non-Cash Assets to Owners";
- IFRIC 18 "Transfers of Assets from Customers".

IFRS and interpretations with effective dates after 31 December 2010 relevant to the Group will be implemented in the financial year where the standards become effective.

The IASB has issued the following standards, amendments to standards and interpretations that will be effective for the Group as from 1 January 2011 or after. The Group does not expect any significant impact of these amendments on its consolidated financial statements.

- IFRS 3 (Amendment) "Business Combinations – Transitional requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS", "Measurement of non-controlling interests" and "Unreplaced and voluntarily replaced share-based payment awards";
- IFRS 7 (Amendment) "Financial Instruments: Disclosures – Amendments to disclosures";
- IAS 1 (Amendment) "Presentation of Financial Statements – Presentation of statement of changes in equity";
- IAS 24 (Revised) "Related Party Disclosures";
- IAS 27 (Amendment) "Consolidated and Separate Financial Statements – Transition requirements for amendments made as a result of IAS 27 (2008) to IAS 21, IAS 28 and IAS 31";
- IAS 32 (Amendment) "Classification of Rights Issues";
- IFRIC 13 (Amendment) "Customer Loyalty Programmes – Fair value of award credit";
- IFRIC 14 (Amendment) "Prepayments of a Minimum Funding Requirement";
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments".

2 Reverse acquisition accounting

As described in note 1, these financial statements are issued in the name of the legal parent, Merlin Entertainments S.à r.l, but are a continuation of the financial statements of Merlin Entertainments Group Luxembourg S.à r.l. The financial statements of Merlin Entertainments Group Luxembourg S.à r.l, including comparative information, have been retroactively adjusted to reflect the legal capital position of Merlin Entertainments S.à r.l.

In retroactively adjusting these financial statements to the earliest date that would be disclosed in these financial statements, a capital reserve of £1,142.6m was created, being the difference between the share capital and share premium value of Merlin Entertainments S.à r.l, and that of Merlin Entertainments Group Luxembourg S.à r.l at the time. This capital reserve reduced as the PEC's that had previously formed part of shareholder debt were effectively converted to equity as part of the shareholder transaction that took place in July 2010 and taken to this reserve.

No other adjustments have arisen in respect of this reverse acquisition.

Notes *(continued)*

52 weeks ended 25 December 2010

3 Operating segments

The Group delivers two different types of visitor experiences, through its portfolio of Theme Parks and Midway sites. The Group's Theme Parks portfolio consists of "Resort Theme Parks" which are national or regional theme parks and generally aimed at families with older children as well as at young adults, and "LEGOLAND Parks" which are aimed at families with young children and which have the LEGO product as their central theme. Midway sites are predominantly indoor attractions providing visits of a shorter duration than the outdoor theme parks. The management of the Group's business is aligned directly to these three attraction types and organised into three Operating Groups, which form the operating segments on which the information shown below is prepared.

Information regarding the results of each operating segment is included below. Performance is measured based on segment EBITDA, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

	Resort Theme Parks		LEGOLAND Parks		Midway Attractions		Total	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Segment revenue	310.5	312.0	215.0	203.1	273.5	246.9	799.0	762.0
Central and other revenue							1.8	7.0
Revenue							800.8	769.0

	Resort Theme Parks		LEGOLAND Parks		Midway Attractions		Total	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Segment profit, being segment EBITDA	89.0	88.9	73.7	67.6	115.8	103.1	278.5	259.6
Central costs							(22.7)	(23.9)
EBITDA before exceptional and non-trading items							255.8	235.7
Exceptional and non-trading items within EBITDA (note 4)							(35.9)	-
Total EBITDA							219.9	235.7
Depreciation, amortisation and impairment							(61.5)	(59.0)
Net finance costs							(132.4)	(190.4)
Consolidated profit/(loss) before income tax							26.0	(13.7)

Geographical areas

In presenting information on geographical areas, revenue and assets are based on the geographical location of the visitor attractions concerned. Each Operating Group is managed on a worldwide basis.

Notes *(continued)*

52 weeks ended 25 December 2010

3 Operating segments *(continued)*

Geographical information

	Revenues 2010 £m	Non-current assets 2010 £m	Revenues 2009 £m	Non-current assets 2009 £m
United Kingdom	382.3	717.5	355.5	732.3
Continental Europe	282.0	861.7	294.5	917.2
North America	120.0	277.2	107.8	201.0
Far East	16.5	15.3	11.2	8.3
	800.8	1,871.7	769.0	1,858.8
Deferred tax assets		16.4		31.9
Investments		0.6		0.7
		1,888.7		1,891.4

The Company does not generate revenues in Luxembourg, which is its country of domicile.

4 Exceptional and non-trading items

The following items are exceptional or non-trading and have been separated on the face of the consolidated income statement:

	2010 £m	2009 £m
Within staff expenses:		
Cash-settled share-based payments and other related costs (1)	20.5	-
	20.5	-
Within other operating expenses:		
Costs in respect of potential IPO (2)	4.9	-
Costs in respect of group re-organisation (3)	8.7	-
Acquisition costs (4)	1.8	-
	15.4	-
Within depreciation, amortisation and impairment:		
Impairment of property, plant and equipment (note 12)	3.7	-
	3.7	-
Within finance income and costs:		
Unrealised gain on re-measurement of financial derivatives at fair value (5)	(19.1)	(3.4)
Unrealised loss on re-measurement of financial derivatives at fair value (5)	-	11.9
Gain on re-measurement of financial liabilities measured at amortised cost (6)	-	(7.2)
Loss on re-measurement of financial liabilities measured at amortised cost (6)	-	10.8
Foreign currency translation differences for foreign operations (7)	7.4	-
	(11.7)	12.1
Exceptional and non-trading items before income tax	27.9	12.1
Exceptional and non-trading income tax credit	(4.3)	(5.0)
Exceptional and non-trading items for the year	23.6	7.1

Notes *(continued)*

52 weeks ended 25 December 2010

4 Exceptional and non-trading items *(continued)*

(1) Prior to the shareholder transaction described in the Managers' report, the Group's existing share option scheme that enabled key management personnel and senior employees to purchase options in the Group was accounted for on an equity-settled basis, with the fair value of options granted recognised as an employee expense together with a corresponding increase in equity. On 23 June 2010, in anticipation of the shareholder transaction, the scheme rules were modified to enable the settlement of these options in cash. As part of this modification the Group elected to take the resulting charge, insofar as it related to options already granted, directly to equity. Where grants of options were made subsequent to the scheme modification and prior to the completion of the shareholder transaction, the resulting charge is taken as part of operating expenses. These, together with other related payments to employees, and any social insurance or other costs, are separately presented as they are not part of the Group's underlying operating expenses.

(2) During the year the Group considered a number of future financing options, including the possibility of listing shares in the Group through an Initial Public Offering. Certain professional and advisory fees were incurred as part of this process which are separately presented as they are not part of the Group's underlying operating expenses.

(3) Certain professional and advisory fees were incurred in connection with the shareholder transaction, the creation of the new holding company for the Group and subsequent group re-organisation. These are separately presented as they are not part of the Group's underlying operating expenses.

(4) Directly attributable acquisition costs were incurred in respect of the business combinations described in note 5, as well as the transaction that completed immediately after the year end as described in note 31. These are separately presented as they are not part of the Group's underlying operating expenses.

(5) The Group has separately presented unrealised gains and losses on mark-to-market derivative financial instruments, where the items are not hedge accounted, in order to better present the underlying finance cost for the Group (see note 10).

(6) Gains and losses on re-measurement of financial liabilities at amortised cost have been separately presented as these items represent one-off adjustments to the amortisation period of loan issuance costs and therefore are not part of the Group's underlying finance cost (see note 10).

(7) The shareholder transaction and subsequent group re-organisation resulted in the settlement of certain intra-group loans that had previously been treated as net investment hedging instruments. Historic foreign exchange gains and losses that had been taken direct to equity were therefore recycled through the income statement as the hedges became ineffective. These are separately presented as they are not part of the Group's underlying finance cost.

5 Business combinations

2010

Cypress Gardens

On 7 January 2010, the Group acquired the business and assets of Cypress Gardens, a theme park in Florida, USA, for the sum of £15.6 million. Of this £14.9 million was settled in cash at completion and £0.7 million was deferred and paid within four months of completion. Directly attributable acquisition costs of £0.3 million were incurred on the transaction.

A significant redevelopment of the site is in progress and the Group plans to reopen it as the fifth LEGOLAND Park in 2011.

During the period to 25 December 2010, while the site has been closed, the business incurred net costs of £1.3 million, which formed part of the consolidated underlying operating profit of the Group.

Notes *(continued)*

52 weeks ended 25 December 2010

5 Business combinations *(continued)*

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

	Fair values at acquisition £m
Acquiree's net assets at the acquisition date:	
Land and buildings	13.9
Plant and equipment	1.2
Net identifiable assets and liabilities	15.1
Goodwill	0.5
Consideration	15.6
Analysis of consideration:	
Cash	15.6
	15.6
Analysis of net cash outflow:	
Cash paid at acquisition	15.6
Net cash outflow	15.6

Goodwill has arisen on the above acquisition as it provides opportunities to further deliver the Group's strategy of growth through the creation of a fifth LEGOLAND Park. Had this acquisition occurred on 27 December 2009, there would be no impact on the Group's revenue or operating profit as the theme park was closed.

To assist with the acquisition and development of the Cypress Gardens theme park, the Group entered into an agreement with an existing shareholder to invest $30 million in return for the issue of shares and PECs, in the previous holding company of the Group.

A clause in the share subscription agreement under which these shares were issued allows for additional shares to be issued to the shareholder to protect the value of their investment from movements in the valuation of the Group between the issue date and 31 August 2012 or the listing or sale of the Group. There is currently no value to this derivative. The Group has the option to request further capital contributions from the shareholder in respect of this development on the same terms.

Blackpool Tower Complex

On 31 March 2010 the Group was appointed by Blackpool Council, in the United Kingdom, to manage the redevelopment and operations of the Blackpool Tower complex and Louis Tussauds Waxworks and subsequently took over the operations of the Blackpool Tower in November 2010.

The business combination had no effect on the Group's assets and liabilities. No consideration was paid and no assets were acquired, with the site being occupied under an operating lease arrangement over the period of the development and management agreements.

2009

The Group made no acquisitions during 2009.

The accounting for the acquisitions made in 2008 was finalised during 2009 and no adjustments were made to the values of the assets and liabilities acquired. The purchase consideration was subject to trading performance in 2009 and as such an additional consideration of £0.4m became payable, together with £0.3m of legal fees, which resulted in an increase in goodwill of £0.7m in 2009 (see note 13).

Notes *(continued)*

52 weeks ended 25 December 2010

6 Revenue

Revenue is comprised entirely of revenues receivable from the operation of visitor attractions and theme park resorts. Service contract revenue in the year is not material.

7 Cost of sales

	2010 £m	2009 £m
Change in inventories	(1.0)	0.8
Goods for resale purchased	106.0	103.6
	105.0	104.4

8 Staff numbers and costs

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

	2010	2009
Operations	9,129	8,963
Attraction management and central administration	1,511	1,329
	10,640	10,292

The aggregate payroll costs of these persons were as follows:

	2010 £m	2009 £m
Wages and salaries	179.4	163.8
Share based payments	6.4	1.4
Social security costs	28.3	21.4
Other pension costs	5.3	4.6
	219.4	191.2

9 Auditors' remuneration

	2010 £m	2009 £m
Audit fees	0.9	0.9
Audit related fees	0.3	0.1
Tax fees	0.4	0.6
Other fees	0.8	1.5
	2.4	3.1

Notes *(continued)*

52 weeks ended 25 December 2010

10 Finance income and costs

	2010 £m	2009 £m
Finance income:		
Interest income	0.6	0.7
Unrealised gain on re-measurement of financial derivatives at fair value	19.1	3.4
Gain on re-measurement of financial liabilities measured at amortised cost (note 34)	-	7.2
	19.7	11.3
Finance cost:		
Interest expense on financial liabilities measured at amortised cost	114.7	120.8
Interest expense on shareholder loans	32.4	48.5
Net foreign exchange loss	3.6	1.1
Unrealised loss on re-measurement of financial derivatives at fair value	-	11.9
Loss on re-measurement of financial liabilities measured at amortised cost (note 34)	-	10.8
Other interest expense	1.4	8.6
	152.1	201.7
The above financial income and expenses include the following in respect of assets/(liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	0.6	7.9
Total interest expense on financial liabilities	148.5	188.7
Recognised in consolidated statement of other comprehensive income:		
Foreign currency translation differences for foreign operations [1]	(24.3)	(19.2)

[1] Foreign currency translation differences for foreign operations are stated before a charge of £0.8 million *(2009: credit of £1.3 million)* of attributable income tax (see note 11).

Capitalised borrowing costs amounted to £1.7 million in 2010 *(2009: £0.5 million*), with a capitalisation rate of 8.7% *(2009: 8.3%).*

Notes *(continued)*

52 weeks ended 25 December 2010

11 Taxation

Recognised in the income statement

	2010 £m	2009 £m
Current tax expense		
Current year	12.1	17.7
Adjustment for prior periods	2.3	(10.0)
Total current income tax	14.4	7.7
Deferred tax expense		
Origination and reversal of temporary differences	15.3	7.4
Change in tax rate	(1.1)	0.1
Adjustment for prior periods	(0.3)	1.9
Total deferred tax	13.9	9.4
Total tax expense in income statement	28.3	17.1

Reconciliation of effective tax rate

	2010 %	2010 £m	2009 %	2009 £m
Profit/(loss) before tax		26.0		(13.7)
Income tax using the domestic corporation tax rate	(29.6%)	7.7	(29.6%)	(4.1)
Non-deductible expenses	(60.4%)	15.7	130.7%	17.9
Tax exempt income	170.0%	(44.2)	(11.7%)	(1.6)
Effect of tax rates in foreign jurisdictions	(18.1%)	4.7	8.0%	1.1
Effect of changes in tax rate	4.2%	(1.1)	0.7%	0.1
Unrecognised temporary differences	(167.3%)	43.5	86.1%	11.8
Adjustments from prior years	(7.7%)	2.0	(59.1%)	(8.1)
Total tax shown in income statement	(108.9%)	28.3	125.1%	17.1

Income tax recognised directly in consolidated statement of other comprehensive income

	2010 £m	2009 £m
Foreign exchange translation differences relating to the net investment in foreign operations	0.8	(1.3)
Effective portion of changes in fair value of cash flow hedges	(0.1)	-
Actuarial gains and losses	0.4	(0.3)
Total tax expense/(income) in consolidated statement of other comprehensive income	1.1	(1.6)

Notes *(continued)*

52 weeks ended 25 December 2010

12 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Under construction £m	Total £m
Cost				
Balance at 28 December 2008	600.1	421.7	30.9	1,052.7
Additions	7.5	25.9	66.8	100.2
Movements in asset retirement provisions	(0.2)	(3.5)	-	(3.7)
Disposals	(0.1)	(11.6)	-	(11.7)
Transfers	19.5	35.3	(54.8)	-
Effect of movements in foreign exchange	(31.8)	(13.4)	(2.4)	(47.6)
Balance at 26 December 2009	595.0	454.4	40.5	1,089.9
Acquisitions through business combinations	13.9	1.2	-	15.1
Additions	4.8	32.8	74.4	112.0
Movements in asset retirement provisions	(1.0)	0.7	-	(0.3)
Disposals	(0.3)	(4.1)	-	(4.4)
Transfers	16.1	43.3	(59.4)	-
Effects of movements in foreign exchange	(16.2)	(9.4)	(0.5)	(26.1)
Balance at 25 December 2010	612.3	518.9	55.0	1,186.2
Depreciation				
Balance at 28 December 2008	58.0	85.2	-	143.2
Depreciation for the year - owned assets	17.4	35.9	-	53.3
Depreciation for the year - leased assets	1.8	2.7	-	4.5
Disposals	(0.1)	(11.1)	-	(11.2)
Effect of movements in foreign exchange	(4.3)	(4.6)	-	(8.9)
Balance at 26 December 2009	72.8	108.1	-	180.9
Depreciation for the year - owned assets	14.2	37.5	-	51.7
Depreciation for the year - leased assets	2.1	2.8	-	4.9
Impairment	2.7	1.0	-	3.7
Disposals	(0.1)	(3.7)	-	(3.8)
Effects of movements in foreign exchange	0.2	(3.0)	-	(2.8)
Balance at 25 December 2010	91.9	142.7	-	234.6
Carrying amounts				
At 26 December 2009	522.2	346.3	40.5	909.0
At 27 December 2009	**522.2**	**346.3**	**40.5**	**909.0**
At 25 December 2010	**520.4**	**376.2**	**55.0**	**951.6**

Property, plant and equipment were tested for impairment in accordance with the Group's accounting policy. As a result, land and buildings totalling £2.7 million *(2009: £nil)* and plant and equipment totalling £1.0 million *(2009: £nil)* have been written down in the year. The impairment in 2010 was in respect of one of the Group's Midway attractions, arising from a review of the market conditions unique to the location. The charge was included within depreciation, amortisation and impairment in the consolidated income statement.

Notes *(continued)*

52 weeks ended 25 December 2010

12 Property, plant and equipment *(continued)*

The Group leases buildings under a number of finance lease agreements, some of which arose as a result of a number of sale and leaseback arrangements referred to in note 21. The leased buildings secure lease obligations. At 25 December 2010 the net carrying amount of leased buildings was £43.7 million *(2009: £48.6 million)*.

The Group leases plant and equipment under a number of finance lease agreements, some of which arose as a result of a number of sale and leaseback arrangements referred to in note 21. The leased equipment secures lease obligations. At 25 December 2010 the net carrying amount of leased plant and machinery was £44.5 million *(2009: £50.2 million)*.

Bank loans and overdrafts are secured by a fixed and floating charge over all the assets held by the Group. These loans are repayable over varying periods as detailed in note 20.

13 Intangible assets

	Goodwill	Brands	Other intangible assets	Total
	£m	£m	£m	£m
Cost				
Balance at 28 December 2008	912.1	200.7	18.1	1,130.9
Acquisitions through business combinations	0.7	-	-	0.7
Additions	-	-	0.3	0.3
Effect of movements in foreign exchange	(26.9)	(5.9)	(1.0)	(33.8)
Balance at 26 December 2009	885.9	194.8	17.4	1,098.1
Acquisitions through business combinations	0.5	-	-	0.5
Additions	-	-	1.3	1.3
Effects of movements in foreign exchange	(25.3)	(4.6)	(0.1)	(30.0)
Balance at 25 December 2010	861.1	190.2	18.6	1,069.9
Amortisation and impairment				
Balance at 28 December 2008	133.8	13.3	5.3	152.4
Amortisation for the year	-	-	1.2	1.2
Effect of movements in foreign exchange	(0.5)	(0.5)	(0.2)	(1.2)
Balance at 26 December 2009	133.3	12.8	6.3	152.4
Amortisation for the year	-	-	1.2	1.2
Effects of movements in foreign exchange	(0.1)	(0.3)	(0.2)	(0.6)
Balance at 25 December 2010	133.2	12.5	7.3	153.0
Carrying amounts				
At 26 December 2009	752.6	182.0	11.1	945.7
At 27 December 2009	**752.6**	**182.0**	**11.1**	**945.7**
At 25 December 2010	**727.9**	**177.7**	**11.3**	**916.9**

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

Notes *(continued)*

52 weeks ended 25 December 2010

13 Intangible assets *(continued)*

Impairment reviews

Intangible assets were tested for impairment in accordance with the Group's accounting policy. As a result, no goodwill has been written off in the year *(2009: £nil).*

Goodwill

For the purpose of impairment testing, goodwill is allocated to the Operating Groups which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. As outlined in note 3, the Group has three such Operating Groups, which it considers as separate cash-generating units ("CGUs"), being Resort Theme Parks, LEGOLAND Parks and Midway Attractions.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	2010 £m	2009 £m
Resort Theme Parks	243.5	257.5
LEGOLAND Parks	39.6	40.1
Midway Attractions	444.8	455.0
	727.9	752.6

Brands

The Group has identified the following significant brands, all with indefinite useful economic lives (see note 34). They are all denominated in their relevant local currencies:

	2010 £m	2009 £m
Resort Theme Parks		
Gardaland Resort	49.0	52.0
Alton Towers Resort	32.1	32.1
Thorpe Park	14.8	14.8
Heide Park	11.7	12.4
Other	12.3	12.3
	119.9	123.6
Midway Attractions		
Madame Tussauds	26.4	26.3
SEA LIFE	13.5	14.0
London Eye	9.7	9.7
Other	8.2	8.4
	57.8	58.4
	177.7	182.0

The Gardaland Resort, Alton Towers Resort, Thorpe Park, Heide Park and London Eye brands all arise from those specific visitor attractions. The Madame Tussauds brand value is predominantly related to the London attraction but includes further brand value identified with the Group's other Madame Tussauds attractions. The SEA LIFE brand arises from the Group's portfolio of SEA LIFE attractions across the UK and Continental Europe.

Notes *(continued)*

52 weeks ended 25 December 2010

13 Intangible assets *(continued)*

Impairment reviews *(continued)*

Impairment assumptions

The recoverable amounts used in the impairment tests are based on value in use calculations. These calculations use cash flow projections based on the 5 year business plan. Cash flows beyond the 5 year business plan are extrapolated using a 2.5% growth rate. The growth rate is consistent with historic experience and future expected trends in respect of both market development and market share growth. Common assumptions have been adopted for the purpose of testing goodwill across each CGU and for testing brand values as their risk profiles are similar.

The calculation of value in use is most sensitive to the following key assumptions:

Visitor numbers and revenue

Projections are based on market analysis, including 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.

Operating costs

Projections are based on historical data, adjusted for variations in visitor numbers and planned expansion of site activities as well as general market conditions.

Capital expenditure

Projections are based on the sites' long-term development plans, taking into account the capital investment necessary to maintain and sustain the performance of the assets of the attractions and parks as outlined above.

Discount rate

The pre-tax discount rate applied to the cash flow projections was between 10% and 12% *(2009: 11%)*. The discount rates used are calculated as a "market participant's" weighted average cost of capital with appropriate adjustment where necessary to reflect the Group's assessment of the specific risks relating to the relevant geographical region.

The managers consider that no reasonably foreseeable change in any of the above key assumptions would significantly alter the outcome of the calculations.

14 Investment in joint ventures

	2010 £m	2009 £m
At beginning of year	0.7	0.7
Effects of movement in foreign exchange	(0.1)	-
At end of year	0.6	0.7

Notes *(continued)*

52 weeks ended 25 December 2010

14 Investment in joint ventures *(continued)*

Summary financial information on joint ventures is as follows, based on 100% of their results:

	2010 £m	**2009 £m**
Non-current assets	1.5	1.7
Current assets	0.3	0.3
Total assets	1.8	2.0
Non-current liabilities	0.7	0.6
Current liabilities	0.4	0.6
Total liabilities	1.1	1.2
Revenue	2.4	2.5
Expenses	2.5	2.5
Loss for the year	(0.1)	-

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2010 £m	**2009 £m**	**2010 £m**	**2009 £m**	**2010 £m**	**2009 £m**
Property, plant and equipment	-	-	(60.7)	(57.2)	(60.7)	(57.2)
Other short term temporary differences	8.0	21.5	(1.3)	(8.3)	6.7	13.2
Intangible assets	-	-	(51.2)	(53.5)	(51.2)	(53.5)
Tax value of loss carry-forwards	8.4	10.4	-	-	8.4	10.4
Net tax assets/(liabilities)	16.4	31.9	(113.2)	(119.0)	(96.8)	(87.1)

Other short term temporary differences primarily relate to investments, deferred foreign exchange gains, and revaluation of financial instruments.

Unrecognised deferred tax assets

	2010 £m	**2009 £m**
Property, plant and equipment	30.8	29.3
Other short term temporary differences	28.6	47.1
Intangible assets	5.8	0.3
Tax value of loss carry-forwards	80.6	59.1
Net tax assets	145.8	135.8

The unrecognised tax losses include £2.2 million which expire within 5 years and £0.8 million which expire within 10 years. The remaining losses and other timing differences do not expire under current tax legislation.

Notes *(continued)*

52 weeks ended 25 December 2010

15 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the previous year

	28 December 2008 £m	Recognised in income £m	Recognised in other comprehensive income £m	Effects of movement in foreign exchange £m	26 December 2009 £m
Property, plant and equipment	(61.1)	1.9	-	2.0	(57.2)
Other short term temporary differences	17.4	(5.2)	0.6	0.4	13.2
Intangible assets	(55.6)	0.3	-	1.8	(53.5)
Tax value of loss carry-forwards	17.1	(6.4)	-	(0.3)	10.4
Net tax assets/(liabilities)	(82.2)	(9.4)	0.6	3.9	(87.1)

Movement in deferred tax during the current year

	27 December 2009 £m	Recognised in income £m	Recognised in other comprehensive income £m	Effects of movement in foreign exchange £m	25 December 2010 £m
Property, plant and equipment	(57.2)	(6.7)	-	3.2	(60.7)
Other short term temporary differences	13.2	(5.9)	(0.1)	(0.5)	6.7
Intangible assets	(53.5)	0.8	-	1.5	(51.2)
Tax value of loss carry-forwards	10.4	(2.1)	-	0.1	8.4
Net tax assets/(liabilities)	(87.1)	(13.9)	(0.1)	4.3	(96.8)

16 Inventories

	2010 £m	2009 £m
Maintenance stock	3.2	2.9
Work in progress	3.3	-
Goods for resale	9.6	8.7
	16.1	11.6

In 2010 changes in inventories recognised as a credit to cost of sales amounted to £1.0 million *(2009: charge of £0.8 million)*. In 2010 the write-down of inventories to net realisable value amounted to £0.3 million *(2009: £0.5 million)*. The reversal of write-downs amounted to £0.2 million *(2009: £0.2 million)*. The write-down and reversal are included in cost of sales.

17 Trade and other receivables

Non-current assets

	2010 £m	2009 £m
Prepayments and accrued income	3.2	4.1

Notes *(continued)*

52 weeks ended 25 December 2010

17 Trade and other receivables *(continued)*

Current assets

	2010 £m	2009 £m
Trade receivables	14.4	7.6
Amounts owed by joint ventures	-	0.1
Other receivables	7.4	13.2
Prepayments and accrued income	26.4	19.6
	48.2	40.5

Impairment of trade receivables

	2010 £m	2009 £m
Trade receivables	14.9	8.2
Provision for impairment of trade receivables	(0.5)	(0.6)
	14.4	7.6

Included in the provision for impairment of trade receivables are specific trade receivables where recovery of the balance due is considered by the managers to be less than certain.

The ageing analysis of trade receivables, net of provisions, is as follows:

	2010 £m	2009 £m
Neither past due nor impaired	9.7	5.0
Overdue 1-30 days	1.9	1.4
Overdue 30 days	2.4	0.9
Overdue 60 days	0.2	0.2
Overdue greater than 90 days	0.2	0.1
	14.4	7.6

The managers do not consider that the risk attached to late trade receivables is material, as the operation of visitor attractions and theme parks is essentially cash based in nature.

18 Other financial assets

	2010 £m	2009 £m
Derivative financial instruments - foreign exchange contracts	2.0	-

The Group's exposure to interest rate, liquidity, foreign currency and credit risks is disclosed in note 27.

Notes *(continued)*

52 weeks ended 25 December 2010

19 Cash and cash equivalents / bank overdrafts

	2010 £m	2009 £m
Cash and cash equivalents	67.5	87.0
Bank overdrafts used for cash management purposes	(0.4)	(0.4)
Cash and cash equivalents per cash flow statement	67.1	86.6

Included in the above amounts are restricted funds of £5.2 million at 25 December 2010 *(2009: £5.2 million)*.

20 Financial liabilities

Current interest-bearing loans and borrowings

	2010 £m	2009 £m
Secured bank loans	4.7	7.0
Italian shareholder debt	-	16.4
Interest payable	6.8	4.2
	11.5	27.6

Current finance leases

	2010 £m	2009 £m
Finance leases	2.2	2.1

Other financial liabilities

	2010 £m	2009 £m
Derivative financial instruments:		
Hedge accounted interest rate swaps	0.6	-
Non-hedge accounted interest rate swaps	64.4	83.0
Non-hedge accounted foreign exchange contracts	-	0.3
	65.0	83.3

Non-current interest-bearing loans and borrowings (excluding shareholder loans)

	2010 £m	2009 £m
Secured bank loans	1,061.6	1,081.1

Notes *(continued)*

52 weeks ended 25 December 2010

20 Financial liabilities *(continued)*

Non-current finance leases

	2010 £m	2009 £m
Finance leases	85.9	89.3

Non-current shareholder loans

	2010 £m	2009 £m
Shareholder loans	-	595.9

Terms and debt repayment schedule

This table provides information about the contractual terms of the Group's interest-bearing loans and borrowings, showing both the principal value of the instruments concerned, and their carrying values which are measured at amortised cost. For more information about the Group's exposure to interest rate, liquidity, foreign currency and credit risks, see note 27.

	Currency	Nominal interest rate	Year of maturity	2010 Principal value £m	2010 Carrying amount £m	2009 Principal value £m	2009 Carrying amount £m
Secured bank loan	GBP	-	-	-	-	473.7	468.4
Secured bank loan	EUR	-	-	-	-	478.4	478.9
Secured bank loan	USD	-	-	-	-	134.0	133.8
Secured bank loan	GBP	5.58%	2015	396.0	383.2	-	-
Secured bank loan	EUR	5.80%	2015	428.9	414.5	-	-
Secured bank loan	USD	5.26%	2015	272.5	263.9	-	-
Secured bank loan	RMB	6.00%	2011	4.7	4.7	7.0	7.0
Finance lease liabilities	GBP	5.62%	2042	54.5	54.5	54.4	54.4
Finance lease liabilities	EUR	3.01%	2012	4.1	4.1	6.5	6.5
Finance lease liabilities	EUR	9.11%	2042	29.5	29.5	30.5	30.5
				1,190.2	1,154.4	1,184.5	1,179.5
A PECs	EUR			-	-	170.3	248.0
B PECs	EUR			-	-	27.0	37.3
C PECs	EUR			-	-	198.2	255.3
D PECs	EUR			-	-	44.4	55.3
Italian shareholder debt	EUR			-	-	13.5	16.4
				-	-	453.4	612.3
				1,190.2	1,154.4	1,637.9	1,791.8

Notes *(continued)*

52 weeks ended 25 December 2010

20 Financial liabilities *(continued)*

Terms and debt repayment schedule (continued)

Bank loan and finance leases

In July 2010 the Group completed a refinancing of its banking arrangements. These new loans are repayable in July 2015, and, as with the previous facility, are secured by a fixed and floating charge over all the assets held by the Group.

The nominal interest rate for secured bank loans represents the interest rate which prevailed on the debt at the reporting date. The nominal interest rate for finance leases is calculated as the weighted average effective interest rate. A weighted average interest rate is used because the table above aggregates finance leases with the same maturity date and currency.

Accounting policies and significant estimates and judgements regarding the carrying amount of secured bank loans can be found in notes 1 and 34 respectively.

Preferred Equity Certificates ("PECs")

PECs were held by shareholders of the Group and were repaid or converted to equity share capital as part of the shareholder transaction that took place in the year.

The PECs were all issued in multiples of €1 and carried annual compound interest at the following rates:

	Date of issue	Interest rate
A PECs	24 August 2005	9.00%
B PECs	24 August 2005	7.65%
C PECs	9 November 2006	9.00%
C1 PECs	21 May 2007	9.00%
D PECs	9 November 2006	7.65%
D1 PECs	21 May 2007	7.65%

Interest was payable only on redemption and included within the PECs balance until such time. The PECs were to be redeemed 30 years after the date of issue and could have been redeemed by the Company at any time upon giving 30 days notice. The PECs were all unsecured.

The nominal interest rates for the PECs were the fixed contractual rates.

Italian shareholder debt

The Italian shareholder debt was subject to an agreement whereby the debt holder had an option for a six month period, commencing three years after the date of issue in November 2006, to demand settlement of the debt at nominal value plus accrued interest. Equally, the Group had the option to settle under the same terms in the subsequent six month period, being May to November. On 31 March 2010 the Group settled the debt in full resulting in a payment of £16.7 million.

The nominal interest rate for the Italian shareholder debt was the rate prevailing at the reporting date.

21 Obligations under leases

The Group has entered into a number of sale and leaseback agreements for the operational property, plant and equipment at a number of individual visitor attractions. Each of these lease agreements run for a period of 35 years from inception and allow for annual rent increases based on the inflationary index in the United Kingdom and fixed increases in Continental Europe. The Group has the option, but is not contractually required, to extend each of the lease agreements individually for 2 further terms of 35 years, subject to an adjustment to market rates at that time. As outlined in note 34, the classification of the leases as either operating or finance in nature was considered on an asset by asset basis.

Notes *(continued)*

52 weeks ended 25 December 2010

21 Obligations under leases *(continued)*

In addition, the Group also enters into operating leases for a number of its operating premises. These leases are typically of a duration of between 10 and 60 years, with rent increases generally determined based on local market practice. As noted in the accounting policies in note 1, the key contractual terms in relation to each lease are considered when calculating the rental charge over the lease term. During 2010 £55.3 million *(2009: £52.3 million)* was recognised as an expense in the income statement in respect of operating leases.

The tables below set out the total lease obligations for the Group:

Operating leases

The minimum rentals payable as lessee under non-cancellable operating leases are as follows:

	2010 £m	2009 £m
Less than one year	49.2	44.6
Between one and five years	205.8	190.6
More than five years	1,229.9	1,214.6
	1,484.9	1,449.8

Finance leases

Future minimum lease payments as lessee under finance leases are as follows:

	Future minimum lease payments 2010 £m	Interest 2010 £m	Present value of minimum lease payments 2010 £m	Future minimum lease payments 2009 £m	Interest 2009 £m	Present value of minimum lease payments 2009 £m
Less than one year	7.4	5.2	2.2	7.4	5.3	2.1
Between one and five years	24.1	21.5	2.6	26.5	21.6	4.9
More than five years	262.8	179.5	83.3	273.8	189.4	84.4
	294.3	206.2	88.1	307.7	216.3	91.4

22 Trade and other payables

Current liabilities

	2010 £m	2009 £m
Trade payables	32.9	23.5
Accruals and deferred income	86.9	71.3
Dividend payable to minority interest	0.1	0.1
Other taxation and social security	1.1	2.7
Other payables	5.6	4.8
	126.6	102.4

Notes *(continued)*

52 weeks ended 25 December 2010

22 Trade and other payables *(continued)*

Non-current liabilities

	2010 £m	2009 £m
Deferred income	3.2	2.0
Other payables	14.2	13.1
	17.4	15.1

23 Provisions

	Asset retirement provisions £m	Other £m	Total £m
Balance at 27 December 2009	14.1	7.7	21.8
Provisions made during the year	2.0	4.0	6.0
Utilised during the year	-	(1.0)	(1.0)
Unused amounts reversed	(2.3)	-	(2.3)
Unwinding of discount	0.8	-	0.8
Effects of movements in foreign exchange	(0.3)	(0.3)	(0.6)
Balance at 25 December 2010	14.3	10.4	24.7
2010			
Non-current	14.3	3.1	17.4
Current	-	7.3	7.3
	14.3	10.4	24.7
2009			
Non-current	14.1	0.7	14.8
Current	-	7.0	7.0
	14.1	7.7	21.8

Asset retirement provisions

Certain attractions have entered into leases on their sites and these provisions relate to the anticipated costs of removing assets and restoring the sites concerned at the end of the lease term.

Other

Other provisions largely relate to the estimated total cost arising from open insurance claims as well as provisions for legal fees arising from taxation, insurance and other legal issues.

24 Employee benefits

The Group operates two defined benefit plans: a closed scheme for certain former employees of The Tussauds Group, which was acquired in 2007, and a closed scheme for certain employees of Gardaland. The Tussauds Group plan entitles retired employees to receive an annual payment equal to either 1/60 or 1/80 of final salary for each year of service that the employee provided. The entitlement of the retired employees under the Gardaland scheme is dependant on the state laws in place at the date employment commenced and is subject to a certain minimum period of service. The pension plans have not directly invested in any of the Group's own financial instruments or in properties or other assets used by the Group.

Notes *(continued)*

52 weeks ended 25 December 2010

24 Employee benefits (*continued*)

The assets and liabilities of the plans are:

2010	**Tussauds Group £m**	**Gardaland £m**	**Total £m**
Scheme assets at fair value			
Equities	6.2	-	6.2
Corporate bonds and cash	4.1	-	4.1
Property	2.1	-	2.1
Fair value of scheme assets	12.4	-	12.4
Present value of defined benefit obligations	(13.7)	(1.8)	(15.5)
Net pension liability	(1.3)	(1.8)	(3.1)
2009			
Scheme assets at fair value			
Equities	5.9	-	5.9
Corporate bonds and cash	3.5	-	3.5
Property	1.3	-	1.3
Fair value of scheme assets	10.7	-	10.7
Present value of defined benefit obligations	(13.6)	(2.0)	(15.6)
Net pension liability	(2.9)	(2.0)	(4.9)

Movement in the present value of the defined benefit obligations

	Tussauds Group £m	**Gardaland £m**	**Total £m**
At 28 December 2008	(11.2)	(2.2)	(13.4)
Current service cost	(0.2)	0.1	(0.1)
Interest cost	(0.5)	(0.1)	(0.6)
Benefits paid	0.3	-	0.3
Contributions by plan participants	(0.2)	-	(0.2)
Actuarial (losses)/gains	(1.8)	0.1	(1.7)
Exchange adjustments	-	0.1	0.1
At 26 December 2009	(13.6)	(2.0)	(15.6)
Current service cost	(0.2)	0.1	(0.1)
Interest cost	(0.8)	-	(0.8)
Benefits paid	0.3	-	0.3
Contributions by plan participants	(0.1)	-	(0.1)
Actuarial gains	0.7	-	0.7
Exchange adjustments	-	0.1	0.1
At 25 December 2010	(13.7)	(1.8)	(15.5)

Notes *(continued)*

52 weeks ended 25 December 2010

24 Employee benefits *(continued)*

Movement in the present value of plan assets

	Tussauds Group £m	Gardaland £m	Total £m
At 28 December 2008	9.0	-	9.0
Expected return on plan assets	0.5	-	0.5
Contributions by employer	0.5	-	0.5
Contributions by plan participants	0.2	-	0.2
Benefits paid	(0.3)	-	(0.3)
Actuarial gains	0.8	-	0.8
At 26 December 2009	10.7	-	10.7
Expected return on plan assets	0.6	-	0.6
Contributions by employer	0.5	-	0.5
Contributions by plan participants	0.1	-	0.1
Benefits paid	(0.3)	-	(0.3)
Actuarial gains	0.8	-	0.8
At 25 December 2010	12.4	-	12.4

The actual return on scheme assets for the Tussauds Group Pension Plan was a profit of £1.4 million *(2009: profit of £1.3 million).*

Analysis of amounts charged against profits

2010	Tussauds Group £m	Gardaland £m	Total £m
Operating cost			
Current service cost	0.2	(0.1)	0.1
Finance cost			
Interest on defined benefit pension plan obligation	0.8	-	0.8
Expected return on defined benefit pension plan assets	(0.6)	-	(0.6)
	0.2	-	0.2
Total	0.4	(0.1)	0.3
2009			
Operating cost			
Current service cost	0.2	(0.1)	0.1
Finance cost			
Interest on defined benefit pension plan obligation	0.5	0.1	0.6
Expected return on defined benefit pension plan assets	(0.5)	-	(0.5)
	-	0.1	0.1
Total	0.2	-	0.2

Notes *(continued)*

52 weeks ended 25 December 2010

24 Employee benefits *(continued)*

Actuarial gains and losses recognised directly in other comprehensive income

	Tussauds Group £m	Gardaland £m	Total £m
Cumulative amount at 28 December 2008	(1.2)	-	(1.2)
Net actuarial losses recognised in the year	(1.0)	0.1	(0.9)
Cumulative amount at 26 December 2009	(2.2)	0.1	(2.1)
Net actuarial gains recognised in the year	1.5	-	1.5
Cumulative amount at 25 December 2010	(0.7)	0.1	(0.6)

Actuarial assumptions

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

	Tussauds Group 2010	Tussauds Group 2009	Gardaland 2010	Gardaland 2009
Discount rate	5.50%	5.60%	4.08%	4.91%
Expected rate of return on plan assets	5.50%	5.90%	-	-
Future salary increases	3.70%	3.70%	-	-
Rate of price inflation	3.40%	3.40%	2.00%	2.00%

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.50% assumption.

Assumptions regarding future mortality are based on published statistics and mortality tables. For the Tussauds Group scheme the actuarial table used is PA 92. The mortality assumption adopted predicts that a current 65 year old male would have a life expectancy to age 87 and a female would have a life expectancy to age 88.

The assumption considered to be the most significant for the Tussauds Group scheme is the discount rate adopted. If the discount rate were to change by 0.1% then it is predicted that the deficit in the scheme would change by £0.3 million *(2009: £0.3 million)*.

History of actuarial gains and losses

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of the defined benefit obligation	(15.5)	(15.6)	(13.4)	(13.7)	(2.0)
Fair value of plan assets	12.4	10.7	9.0	10.7	-
Deficit in the plans	(3.1)	(4.9)	(4.4)	(3.0)	(2.0)
Actuarial adjustments arising on plan liabilities	0.7	(1.7)	1.5	0.7	-
Actuarial adjustments arising on plan assets	0.8	0.8	(2.9)	(0.5)	-

Notes *(continued)*

52 weeks ended 25 December 2010

24 Employee benefits *(continued)*

Statement of financial position reconciliation

	2010 £m	2009 £m
Liability at beginning of year	(4.9)	(4.4)
Pension expense recognised in profit and loss in the financial year	(0.3)	(0.2)
Amounts recognised in other comprehensive income in the financial year	1.5	(0.9)
Employer contributions made in the financial year	0.5	0.5
Exchange movements	0.1	0.1
Liability at end of year	(3.1)	(4.9)

The Group expects £0.4 million in contributions to be paid to its defined benefit plans in 2011.

Defined contribution plans

The Group operates a number of defined contribution pension plans.

Obligations for contributions to defined contribution pension plans are recognised as an operating expense in the income statement as incurred. The total expense relating to those plans in the current year was £5.2 million (*2009: £4.5 million).*

25 Share-based payments

Prior to the shareholder transaction, the Group's existing share option scheme that enabled key management personnel and senior employees to purchase options in the Group was accounted for on an equity-settled basis, with the fair value of options granted recognised as an employee expense together with a corresponding increase in equity.

On 23 June 2010, in anticipation of the shareholder transaction, the scheme rules were modified to allow for vesting on a qualifying shareholder transaction and to enable the settlement of options in cash. This had the effect of modifying the scheme to a cash-settled scheme. The fair value on modification of the scheme was £33.5 million, which, in line with guidance within IFRS 2: 'Share Based Payment', the company elected to recognise through equity. Subsequent grants were then made up until the date of the shareholder transaction at which point all options were exercised for cash. The charge resulting from these grants is included within operating expenses (see note 4).

Equity-settled scheme

During 2008 the Group had established a share option scheme under which the Board of Managers could offer options to purchase 'B' ordinary shares in the previous holding company to key management personnel and senior employees. The fair value of options granted was determined on the date of the award. The share options vested upon listing or sale of the Company and there were no performance related vesting conditions. The scheme was equity-settled.

The number and weighted average exercise prices (WAEP) of share options are as follows:

	Number 2010	WAEP (£) 2010	Number 2009	WAEP (£) 2009
Outstanding at beginning of year	90,510	0.37	86,795	0.37
Granted during the year	-	0.37	7,605	0.37
Forfeited during the year	(280)	0.37	(3,890)	0.37
Transferred to cash-settled scheme	(90,230)	0.37	-	-
Outstanding at end of year	-	-	90,510	0.37

The options outstanding at 26 December 2009 had an exercise price of €0.50, equating to £0.37 at the date of grant, and a weighted average remaining contractual life of less than one year.

Notes *(continued)*

52 weeks ended 25 December 2010

25 Share based payments *(continued)*

Equity-settled scheme (continued)

No shares were exercised in the year *(2009: nil)*.

The weighted average fair value of options granted during the year was £nil *(2009: £26.25)*.

Cash-settled scheme

Following the change in scheme rules on 23 June noted above, the following movements in share options took place, until all options were exercised on completion of the shareholder transaction:

	Number 2010	WAEP (£) 2010	Number 2009	WAEP (£) 2009
Transferred from equity-settled scheme	90,230	0.37	-	-
Granted during the year	16,395	0.37	-	-
Exercised	(106,625)	0.37	-	-
Outstanding at end of year	-	-	-	-

Share option valuation assumptions

The fair value of options granted was measured using the Black-Scholes method. The weighted average assumptions used in determining the fair value of options granted were as follows:

	Cash-settled scheme 2010	Equity-settled scheme 2009
Share price	£375.81	£26.58
Exercise price	£0.37	£0.37
Expected volatility (weighted average volatility based on statistical estimates)	30%	30%
Option life (expected weighted average life)	Less than 1 year	2 years
Expected dividends	-	-
Risk-free interest rate (based on Government Bonds)	4%	4%

Compensation expense

	2010 £m	2009 £m
Equity-settled scheme		
Share options granted in 2008	0.3	1.3
Share options granted in 2009	-	0.1
Total expense recognised as employee costs, within underlying trading	0.3	1.4
Cash-settled scheme		
Share options granted in 2010	6.1	-
Total expense recognised as employee costs, within exceptional and non-trading items	6.1	-
Total expense recognised as employee costs	6.4	1.4

The carrying amount of the liability relating to cash settled options at 25 December 2010 is £nil *(2009: £nil)*.

Notes *(continued)*

52 weeks ended 25 December 2010

25 Share based payments *(continued)*

Equity-settled schemes

Following the shareholder transaction, equity-settled schemes have been created that enable certain senior employees to acquire 'B' ordinary shares at market value. At the discretion of the Chief Executive Officer further shares can also be made available for certain employees to acquire as recognition of long service or exceptional performance. These shares are expected to vest on a qualifying transaction, including an IPO. There were no issues made during the year.

26 Capital and reserves

Share capital

	Ordinary shares	
	2010	**2009**
On issue at beginning and end of year - fully paid	156,249,710	156,249,710

	2010	**2009**
	£m	**£m**
Authorised		
'A' ordinary shares of €0.01 each	1.1	1.1
'B' ordinary shares of €0.01 each	0.2	0.2
	1.3	1.3
Allotted, called up and fully paid		
'A' ordinary shares of €0.01 each	1.1	1.1
'B' ordinary shares of €0.01 each	0.2	0.2
	1.3	1.3

The share capital above reflects the retroactive adjustment described in note 2.

Ordinary shares

Each of the classes of shares are treated as normal ordinary shares and have the same voting rights. Each share is entitled to one vote at ordinary and extraordinary general meetings. In the event a distribution is made by the Company of amounts available under Luxembourg law, these are made initially to the A class shareholders, up to the amount equal to the issue price of the equity plus a preferred return of 8% per annum, and thereafter pro rata between the A and B class shares. There are no shareholder rights of redemption of either the capital or the preferred return.

Treasury shares

By way of control of the Merlin Entertainments Employee Benefit Trust, the Group owns 20,000,000 'B' class *(2009: 98,035 'B' class, being equity instruments in Merlin Entertainments Group Luxembourg S.à r.l)* Treasury shares held on trust for the beneficiaries of the share-based payment plan. These shares are carried at par value, being £169,205 (*2009: £44,176)* and are shown as a reduction to equity. These shares are legally owned by Merlin Entertainments Share Plan Nominee Limited *(formerly De Facto 1271 Limited)*, a company controlled by certain key management.

Capital management

The capital structure of the Group consists of debt which includes borrowings, as disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent company, as disclosed above. The Group's objective when managing capital is to maintain a strong capital base so as to maintain investor 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.

Notes *(continued)*

52 weeks ended 25 December 2010

26 Capital and reserves *(continued)*

Capital management *(continued)*

The managers monitor returns on capital through constant review of earnings generated from the Group's capital investment programme, and manage capital in a manner so as to ensure the requirements of the Group's debt covenants are met.

The Group does not routinely make additional issues of capital, other than for the purpose of raising finance to fund significant acquisitions or developments intended to increase the overall value of the Group. As such, the growth of the Group does not erode the established capital base.

A share scheme has been created to allow employees of the Group to participate in the ownership of the Group's equity instruments. The Group's 'B' ordinary share capital has been made available for employees to purchase at market value in order to ensure employees are focussed on growing the value of the Group to achieve the aims of all the shareholders.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

27 Financial instruments

Interest rate risk

The Group has drawn floating rate debt in Sterling, Euros, US Dollars and Chinese Renminbi. The Group is required under the terms of its facilities to hedge floating rate borrowings with interest rate swaps. These transactions protect against variability in cash flows (future interest payments) and finance costs associated with floating rate debt. Part of the interest cost is fixed by entering into pay-fixed, receive-variable interest rate swaps. At the reporting date, at year end exchange rates, 98% *(2009: 96%)* of the senior debt is hedged by interest rate swaps. The majority of the interest rate swaps mature in 2014 in line with the Group's estimated date of repayment of the debt facility.

The Group applies hedge accounting to some of its interest rate swaps in line with the accounting policies in note 1. For these swaps, changes in value are recognised in equity. The changes in value of the remaining interest rate swaps are recognised in the consolidated income statement.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2010	**2009**
	£m	**£m**
Fixed rate instruments		
Financial liabilities	(153.1)	(770.6)
	(153.1)	(770.6)
Variable rate instruments		
Financial assets	67.5	87.0
Financial liabilities	(1,066.7)	(1,104.9)
	(999.2)	(1,017.9)

Notes *(continued)*

52 weeks ended 25 December 2010

27 Financial instruments *(continued)*

***Interest rate risk** (continued)*

Fair value sensitivity analysis for fixed rate instruments

The Group's sensitivity to interest rates on fixed rate instruments is calculated by measuring the change in the present value of derivatives, assuming the discount yield curve is shifted by 50 basis points *(2009: 50 basis points).*

At the end of the reporting period, if interest rates had been 50 basis points ("bp") higher/lower and all other variables were held constant, the respective gains/(losses) recognised through the consolidated income statement or directly through equity would be:

	2010		2009	
	Profit or loss £m	Equity £m	Profit or loss £m	Equity £m
50bp increase in interest rates	17.2	3.1	13.1	-
50bp reduction in interest rates	(17.6)	(3.2)	(13.1)	-

Cash flow sensitivity analysis for variable rate instruments

The Group's sensitivity to interest rates on variable rate instruments is calculated by comparing the annual interest charge/income which would apply to balances held at the year end using year end interest rates to the annual charge which would apply using year end interest rates plus a reasonably possible parallel shift of +50bp/-50bp.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The sensitivity is attributable to the Group's exposures to interest rates on its unhedged variable rate borrowings.

Interest rate swaps have a fixed leg and a floating leg; they have been classified as fixed rate financial liabilities in the table above as the cash flows to which the Group is currently sensitive to are outflows on the fixed leg. The cash flow sensitivity analysis below reflects the cash flow sensitivity of the instrument as a whole, and demonstrates the economic hedging the Group has against the variable rate financial liabilities.

	Profit or (loss)	
	2010 £m	2009 £m
Variable rate liabilities	(5.5)	(5.5)
Fixed rate liabilities	5.4	5.0
Variable rate assets	0.3	0.4
Cash flow sensitivity (net)	0.2	(0.1)

A decrease of 50bp *(2009: 50 bp)* would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

There would be no impact on components of equity other than retained earnings *(2009: £nil).*

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its obligations as they fall due. The Group's Treasury Department produces weekly short-term cash forecasts and monthly long-term cash forecasts to identify liquidity requirements and headroom over the coming 12 months, which are reviewed by the Group's Chief Financial Officer. Cash is actively managed and this includes the use of cash pooling arrangements to make best use of available cash. The Group has access to a revolving credit facility in addition to its existing borrowings to meet any shortfalls.

Notes *(continued)*

52 weeks ended 25 December 2010

27 Financial instruments *(continued)*

Liquidity risk *(continued)*

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

2010	Carrying amount £m	Contractual cash flows £m	0 to <1 years £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non derivative financial liabilities						
Secured bank loans	1,066.3	(1,389.5)	(72.1)	(56.7)	(1,260.7)	-
Finance lease liabilities	88.1	(214.3)	(7.4)	(7.6)	(16.4)	(182.9)
Bank overdrafts	0.4	(0.4)	(0.4)	-	-	-
Trade payables	32.9	(32.9)	(32.9)	-	-	-
Derivative financial liabilities						
Hedge-accounted interest rate swaps	0.6	(4.1)	(0.5)	(0.7)	(2.9)	-
Non-hedge accounted interest rate swaps	64.4	(114.1)	(34.7)	(27.3)	(52.1)	-
Non-hedge accounted foreign exchange contracts	(2.0)	(1.3)	(1.3)	-	-	-
	1,250.7	(1,756.6)	(149.3)	(92.3)	(1,332.1)	(182.9)

2009	Carrying amount £m	Contractual cash flows £m	0 to <1 years £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non derivative financial liabilities						
Secured bank loans	1,088.1	(1,214.0)	(52.2)	(53.7)	(1,108.1)	-
Finance lease liabilities	91.4	(226.2)	(7.4)	(7.7)	(18.8)	(192.3)
Italian shareholder debt (see note 20)	16.4	(16.4)	(16.4)	-	-	-
Bank overdrafts	0.4	(0.4)	(0.4)	-	-	-
Trade payables	23.5	(23.5)	(23.5)	-	-	-
Derivative financial liabilities						
Non-hedge accounted interest rate swaps	83.0	(117.8)	(45.5)	(45.5)	(26.8)	-
Non-hedge accounted foreign exchange contracts	0.3	(0.3)	(0.3)	-	-	-
	1,303.1	(1,598.6)	(145.7)	(106.9)	(1,153.7)	(192.3)

In addition to the Italian shareholder debt detailed above, the Group had additional shareholder loans in the form of PECs of £595.9 million at 26 December 2009 with final contractual maturity dates between 2035 and 2037 (see note 20). This debt was settled as part of the shareholder transaction.

The risk implied from the values shown in the table above, reflects the one-sided scenario of cash outflows only. At 25 December 2010, the Group had cash and cash equivalents of £67.1 million and access to revolving credit facilities, which are considered sufficient to meet the contractual cash flows of £149.3 million due in less than one year.

The view of liquidity and financial indebtedness used for internal management purposes as well as communication with shareholders and lending institutions is stated in the calculation of the net liquidity amount. This is the total amount of cash and cash equivalents less the amount of current interest-bearing loans and borrowings and non-current interest-bearing loans and borrowings (excluding shareholder loans in 2009).

Notes *(continued)*

52 weeks ended 25 December 2010

27 Financial instruments *(continued)*

Liquidity risk *(continued)*

	2010 £m	2009 £m
Cash and cash equivalents (net of overdrafts)	67.1	86.6
Total liquidity	67.1	86.6
Current interest bearing loans and borrowings	11.5	11.2
Current finance leases	2.2	2.1
Non-current interest bearing loans and borrowings	1,061.6	1,081.1
Non-current finance leases	85.9	89.3
Total debt	1,161.2	1,183.7
Net liquidity (Total liquidity less Total debt)	(1,094.1)	(1,097.1)

Foreign currency risk

The Group has assets denominated in Sterling, Euros, US Dollars, Chinese Renminbi, Danish Kroner, Hong Kong Dollars and Thai Baht. It has bank debt in Sterling, Euros, US Dollars and Chinese Renminbi in a ratio intended to match the funds requirements and cash generation capabilities of the Group's operations in each of these currencies.

The Group's revenues and costs are primarily in the functional currencies of the reporting entities. There are some cross border transactions that give rise to foreign exchange exposures though there is significant natural hedging within the Group. The Group uses a portfolio of foreign exchange trades to manage specific foreign exchange exposures.

The Group's exposure to foreign currency risk was as follows:

	2010				2009			
	Sterling £m	Euro £m	US Dollar £m	Other £m	Sterling £m	Euro £m	US Dollar £m	Other £m
Cash and cash equivalents	52.3	6.2	4.1	4.5	54.1	15.2	15.1	2.2
Trade receivables	10.2	1.5	1.9	0.8	4.2	1.3	0.9	1.2
Secured bank loans	(383.2)	(414.5)	(263.9)	(4.7)	(468.4)	(478.9)	(133.8)	(7.0)
Shareholder loans	-	-	-	-	-	(612.3)	-	-
Finance lease liabilities	(54.5)	(33.6)	-	-	(54.4)	(37.0)	-	-
Derivatives	(26.4)	(26.4)	(10.2)	-	(33.5)	(37.5)	(12.3)	-
Trade payables	(12.8)	(16.1)	(1.7)	(2.3)	(7.4)	(12.9)	(2.1)	(1.1)
Net exposure	(414.4)	(482.9)	(269.8)	(1.7)	(505.4)	(1,162.1)	(132.2)	(4.7)

The Group treats certain loans as net investment hedging instruments. At 25 December 2010 the Group had £572.7 million *(2009: £464.2 million)* in Euro denominated loans, £57.3 million *(2009: £57.6 million)* in Sterling denominated loans and £42.1 million *(2009: £nil)* in US Dollar denominated loans.

Notes *(continued)*

52 weeks ended 25 December 2010

27 Financial instruments *(continued)*

Foreign currency risk *(continued)*

Foreign currency sensitivity analysis

The table below demonstrates sensitivity to a 10 percent strengthening/weakening of Sterling against all foreign currencies at the reporting date.

The Group's sensitivity to foreign exchange rates is calculated by retranslating monetary assets and liabilities which are held in currencies other than the functional currencies of the reporting entities using exchange rates which have been flexed by +/- 10 percent from the Sterling exchange rates existing at the end of the reporting period. Where the Group has designated specific monetary assets or liabilities as hedging instruments that are hedging underlying foreign exchange exposures, this has been taken account of in the table below. In addition, the sensitivity analysis for forward foreign exchange contracts has applied a 10% strengthening/weakening of Sterling against Euros, US Dollars, Hong Kong Dollars, Australian Dollars and Swiss Francs to a discounted cash flow technique. The impact of these retranslations on the profit/loss for the reporting entities across the Group has been aggregated and is disclosed below. The analysis assumes that all other variables, in particular interest rates, remain constant.

The sensitivity at the reporting date, split by category of financial instrument, was as follows:

10% strengthening of Sterling

	Profit or (loss) impact				
	Cash	Trade receivables	Secured bank loans	Derivatives (unhedged)	Total
	£m	£m	£m	£m	£m
2010					
Euro	(0.1)	-	-	0.9	0.8
US Dollars	-	(0.1)	9.1	(5.3)	3.7
Hong Kong Dollars	-	-	-	(0.6)	(0.6)
Australian Dollars	-	-	-	0.3	0.3
Swiss Francs	-	-	-	(0.4)	(0.4)
	(0.1)	(0.1)	9.1	(5.1)	3.8
2009					
Euro	(0.6)	-	0.9	(0.2)	0.1
US Dollars	(0.1)	-	1.4	1.5	2.8
Danish Kroner	-	-	(1.5)	-	(1.5)
Hong Kong Dollars	-	-	-	(0.3)	(0.3)
	(0.7)	-	0.8	1.0	1.1

10% weakening of Sterling

	Profit or (loss) impact				
	Cash	Trade receivables	Secured bank loans	Derivatives (unhedged)	Total
	£m	£m	£m	£m	£m
2010					
Euro	0.1	-	-	(0.9)	(0.8)
US Dollars	-	0.1	(9.1)	7.1	(1.9)
Hong Kong Dollars	-	-	-	0.7	0.7
Australian Dollars	-	-	-	(0.3)	(0.3)
Swiss Francs	-	-	-	0.5	0.5
	0.1	0.1	(9.1)	7.1	(1.8)

Notes *(continued)*

52 weeks ended 25 December 2010

27 Financial instruments *(continued)*

Foreign currency risk *(continued)*

10% weakening of Sterling

	Profit or (loss) impact				
	Cash	**Trade receivables**	**Secured bank loans**	**Derivatives (unhedged)**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
2009					
Euro	0.6	-	(0.9)	0.3	-
US Dollars	0.1	-	(1.4)	(1.5)	(2.8)
Danish Kroner	-	-	1.2	-	1.2
Hong Kong Dollars	-	-	-	0.4	0.4
	0.7	-	(1.1)	(0.8)	(1.2)

There would be no impact on components of equity other than retained earnings *(2009: £nil).*

Credit risk

The Group has credit policies in place with regard to its trade receivables. Credit evaluations are performed on customers requiring credit over a certain amount.

The Group manages credit exposures in connection with financing and treasury activities including the exposure arising from bank deposits, cash held at bank and derivative transactions, by appraisal of, 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. At the reporting date credit exposures were within set limits.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2010		**2009**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£m	**£m**	**£m**	**£m**
Trade and other receivables	21.8	21.8	20.8	20.8
Cash and cash equivalents	67.5	67.5	87.0	87.0
Hedge accounted interest rate swaps	(0.6)	(0.6)	-	-
Non-hedge accounted interest rate swaps	(64.4)	(64.4)	(83.0)	(83.0)
Non-hedge accounted foreign exchange contracts	2.0	2.0	(0.3)	(0.3)
Secured bank loans	(1,066.3)	(1,067.1)	(1,088.1)	(1,087.0)
Shareholder loans	-	-	(612.3)	(612.2)
Finance lease liabilities	(88.1)	(88.1)	(91.4)	(91.4)
Trade and other payables	(32.9)	(32.9)	(23.5)	(23.5)
Bank overdraft	(0.4)	(0.4)	(0.4)	(0.4)
	(1,161.4)	(1,162.2)	(1,791.2)	(1,790.0)

Notes *(continued)*

52 weeks ended 25 December 2010

27 Financial instruments *(continued)*

Fair values *(continued)*

Discount rates used for determining fair value

	2010	2009
Secured bank loans	7.8%	6.1%
Shareholder loans	-	8.8%

Basis for determining fair values

Derivatives

Interest rate swaps are valued by reference to the mid point of the yield curve prevailing from the reporting date to the contracted expiry date. The valuation is the net present value of the difference between the projected fixed rate cash flows at the contracted rate and floating rate cash flows at the forward rate, with adjustments for bid/ask and credit spreads. Forward foreign exchange contract valuations are based on the net present value of the difference between contract rates and the prevailing forward foreign exchange rates.

Non-derivative financial liabilities

The fair value is calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date, taking into account the contractual terms of principal repayments together with future anticipated interest rates. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
25 December 2010				
Derivative financial liabilities	-	(63.0)	-	(63.0)
	-	(63.0)	-	(63.0)
26 December 2009				
Derivative financial liabilities	-	(83.3)	-	(83.3)
	-	(83.3)	-	(83.3)

There have been no transfers between levels in 2010 *(2009: nil)*. No other financial instruments are held at fair value.

Notes *(continued)*

52 weeks ended 25 December 2010

28 Capital commitments

At the year end the Group has a number of outstanding capital commitments amounting to £39.2 million *(2009: £23.5 million)*, for which no provision has been made. These commitments are expected to be settled in the following two financial years.

29 Related parties

Identity of related parties

The Group has related party relationships with its subsidiaries (see note 35), shareholders, key management personnel and joint ventures.

Transactions with shareholders

During the year the Group entered into transactions with shareholders KIRKBI A/S, Blackstone Capital Partners and funds advised by CVC Capital Partners (via Lancelot Holdings S.à r.l). The Group also entered into transactions with CVC Capital Partners; Dubai International Capital ("DIC"), a previous shareholder; LEGO, a related party of KIRKBI A/S; and Tatweer, a related party of DIC. Transactions entered into, and trading balances outstanding at 25 December 2010, are as follows:

	Sales £m	Fees £m	Amounts owed to related party £m	Goods £m	Amounts owed to related party £m	Amounts owed by related party £m
2010						
KIRKBI A/S	-	4.7	0.2	-	-	-
Blackstone Capital Partners	-	1.1	0.2	-	-	-
CVC Capital Partners	-	0.3	-	-	-	-
DIC	-	0.1	-	-	-	-
LEGO	-	-	-	21.3	0.3	1.4
Tatweer	0.2	-	-	-	-	-
	0.2	6.2	0.4	21.3	0.3	1.4
2009						
KIRKBI A/S	-	4.3	0.1	-	-	-
Blackstone Capital Partners	-	1.9	0.3	-	-	-
DIC	-	0.6	0.1	-	-	-
LEGO	-	-	-	16.3	1.0	0.5
Tatweer	0.5	-	-	-	-	-
	0.5	6.8	0.5	16.3	1.0	0.5

Details of shareholder loans are included in note 20.

As members of a banking syndicate, certain shareholders (or other parties related to those shareholders), are owners of elements of the Group's bank loan portfolio as described in note 20. Balances outstanding at 25 December 2010 are; KIRKBI A/S £55.2 million *(2009: £13.5 million)*, funds advised by parties related to Blackstone Capital Partners £50.6 million *(2009: £nil)* and funds advised by parties related to CVC Capital Partners £32.6 million *(2009: £nil)*.

Interest is paid and accrued on the same terms as the rest of the banking syndicate as described in note 20.

Transactions with key management personnel

Key management of the Group (the members of the Executive Committee) and their immediate relatives control 0.7% *(2009: 2.9%)* of the voting shares of the Company. At 26 December 2009 they also held PECs with a nominal value of £1.7 million.

Notes *(continued)*

52 weeks ended 25 December 2010

29 Related parties *(continued)*

Other related party transactions

The compensation of the key managers is as follows:

	2010 £m	2009 £m
Key management emoluments including social security costs	3.5	3.3
Contributions to money purchase pension schemes	0.2	0.2
Share based payments and other related payments	20.8	0.2
	24.5	3.7

Transactions with joint ventures

During the year the Group entered into arms length transactions with the following joint ventures:

	Sales to related party £m	Amounts owed by related party (trading) £m	Amounts owed by related party (non trading) £m
2010			
Pirate Adventure Golf Limited	0.1	-	-
SEA LIFE Centre Helsinki Oy	0.2	-	0.3
	0.3	-	0.3
2009			
Pirate Adventure Golf Limited	0.1	-	-
SEA LIFE Centre Helsinki Oy	0.4	0.1	0.3
	0.5	0.1	0.3

All dealings with related parties are conducted on an arms length basis. None of the balances are secured and there are no provisions for doubtful debts related to the outstanding balances at the end of each reporting period.

30 Ultimate parent company and parent company of larger group

The largest Group in which the results of the Company are consolidated is that headed by Merlin Entertainments S.à r.l., incorporated in Luxembourg. No other Group financial statements include the results of the Company.

31 Subsequent events

Shortly after the year-end the Group acquired the Sydney Attractions Group which includes the Sydney Aquarium, Sydney Wildlife World and the Sydney Tower Observatory and Skywalk, together with Kelly Tarlton's Antarctic Encounter Underwater World in Auckland, New Zealand from Village Roadshow Limited ('VRL'). An exercise to determine the fair value of the net assets and contingent liabilities acquired is still ongoing.

This acquisition marks the Group's entry into the Australian and New Zealand markets. The Group is committed to a multi-million dollar investment programme under which, over time, it plans to rebrand the assets as appropriate. In the future the aquarium assets will operate as SEA LIFE; while the Sydney Tower Observatory will be converted to the "Eye" brand.

As part of financing this acquisition, the Group drew down new debt under its existing financing facilities.

Notes *(continued)*

52 weeks ended 25 December 2010

32 Contingent liabilities

The Group has contingent liabilities arising from local planning obligations and other obligations. The total liability under these obligations could amount up to £0.4 million *(2009: £0.1 million)*.

33 Determination of fair values

Intangible assets

Brands

Brands have been valued based on discounted future cash flows, using the relief from royalty method.

Goodwill

Goodwill has been calculated as the difference between the cost of acquisition and the fair value of the net identifiable assets acquired and contingent liabilities assumed. Note 13 contains information about the assumptions and their risk factors relating to goodwill impairment.

Acquired property, plant and equipment

In respect of property, plant and equipment acquired in business combinations, given the specialised nature of the assets, fair values are calculated on a depreciated replacement cost basis. The key estimates underpinning the calculations are:

i. Replacement cost. Industry specific indices were used to restate original historic cost.

ii. Depreciation. The key determinants are the total, and remaining, economic useful life and the residual value of each asset. The total estimated lives applied are consistent with those set out in note 1. Residual values were based on industry specific indices.

34 Judgements and estimates

Under Adopted IFRS, the managers are required to adopt accounting policies considered most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its key judgments and estimates and, accordingly, provides an explanation of each below. These have been discussed with the Group's Audit Committee.

Impairment reviews

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters, as noted below.

Adopted IFRS requires management to undertake an annual test for impairment of goodwill and indefinite life assets and, for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Notes *(continued)*

52 weeks ended 25 December 2010

34 Judgements and estimates *(continued)*

Impairment reviews *(continued)*

Assumptions

There are a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Group's businesses, including management's expectations of:

- growth in EBITDA;
- timing and quantum of future capital and maintenance expenditure;
- long term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Group prepares and internally approves five year plans for its businesses and uses these as the basis for its impairment reviews.

The long term growth rate into perpetuity has been determined based on management's long term expectations, taking account of historical averages and expected future market trends.

The discount rates used are based on the estimated weighted average cost of capital of a 'market participant' within the main geographical regions where the Group operates, and are drawn from market data and businesses in similar sectors. They are adjusted for asset specific risks and are presented on a pre-tax basis. 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.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and, hence, results.

Classification of assets sold under sale and leaseback agreements

During 2007 the Group undertook a sale and leaseback transaction involving the property, plant and equipment of certain acquired operating units. In order to determine the appropriate leaseback treatment, as either an operating or finance lease, each individual asset was considered on an asset by asset basis. The key elements of these calculations were the expected remaining economic life and fair value of each asset and the allocation of the lease rental charge. Fair values were calculated on a basis consistent with that set out above for property, plant and equipment. The gross lease rental charge for each operating unit has been allocated to underlying individual assets according to their relative fair values.

Provisions

The Group measures provisions at the managers' best estimates of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking account of information available and different possible outcomes. Specifically, asset retirement provisions are established in respect of assets at the Group's leasehold sites, dependent on the specific terms of each lease. These provisions are then discounted back to present value, and the discount is then unwound through the income statement as part of financing costs. Asset retirement provisions are reviewed on acquisition and then at least annually, and any changes in estimates are reflected in the same accounting period as an adjustment to property, plant and equipment and to provisions.

Financial instruments – effective interest rate calculations

During the year, the Group completed a refinancing of its banking facilities. As the pre-existing financial liabilities were either legally settled, or substantially modified, the refinancing was accounted for as an extinguishment and reissue. Substantial modification was determined after performing a quantitative analysis as required by IAS 39: 'Financial Instruments: Recognition and Measurement'. This demonstrated the expected cash flows of the new financial liabilities were more than 10% different to the cash flows under the pre-existing financial liabilities, when both were discounted using the pre-existing financial liabilities' originally assessed effective interest rate.

The Group now holds new secured bank loans, the terms of which allow for repayment over a 5 year term from inception in July 2010. To facilitate the calculation of an effective interest rate which reflects the expected cash flows, (which includes all transaction costs directly attributable to the acquisition of the financial instruments concerned and which are amortised over the same period), the Group estimates the period of borrowings, the date of their repayment, expected future gearing during the life of the facility based on the Group's business plans and forecasts, and the expected future interest rates. Under the new facility, the Group's estimated date of repayment is December 2014.

Notes *(continued)*

52 weeks ended 25 December 2010

34 Judgements and estimates *(continued)*

Hedging arrangements

The Group enters into interest rate swaps to fix a portion of its exposure to variable interest rates on its loan arrangements, and applies cash flow hedging on certain of those swaps entered into during 2010. In order to be able to apply the hedge accounting provisions of IAS 39: 'Financial Instruments: Recognition and Measurement', the Group has considered the effectiveness of its hedging arrangements on an instrument by instrument basis. Effectiveness testing is performed by reference to an identified hypothetical derivative that would perfectly offset the cash flows on the hedged variable rate debt. Regression analysis is performed at inception and on a regular basis using the last 36 months data points, and comparing the monthly fair value movement between the hypothetical derivative and the identified instrument. A regression coefficient outside the range of 80% - 125% would indicate ineffectiveness. In assessing effectiveness, the Group also considers the probability of default or termination of the hedged and hedging item.

Valuations of derivatives – interest rate swaps

The fair value of interest rate derivatives and foreign exchange trades are determined by reference to closing market rates at the end of the accounting period. For interest rate swaps the fair value represents the net present value of the difference between the cash flows at the contracted rates and the rates of interest prevailing for the period from the reporting date to the relevant contracted expiry date using the closing mid-point of the yield curve applying.

In performing these calculations the impact of the difference between bid/offer and mid-market prices is considered, together with an estimate of credit spreads.

Useful life of brands

Brands have been valued on acquisition based on discounted future cash flows, using the relief from royalty method. This valuation includes amounts into perpetuity.

Certain brands are regarded as having indefinite useful economic lives. This is based upon the strong historical performance of the brands over a number of economic cycles, the demonstrable "chaining" of brands, and the managers' intentions regarding the future use of brands. The managers 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 definite life on the brands.

Recognition of deferred tax assets

The Group has a number of unrecognised deferred tax assets. Recognition of these assets is contingent on the availability of future taxable profits in the jurisdiction where the asset arises. In considering recoverability, the Group considers its forecast future taxable profits.

Business combinations

In determining the acquirer in a business combination, the managers consider the terms of IFRS 3 (Revised): 'Business Combinations' including the rights and intentions of the managers of both entities and the overall controlling parties before and after acquisition to determine who, in substance, the acquiring party is. In the case of the acquisition by Merlin Entertainments S.à r.l of Merlin Entertainments Group Luxembourg S.à r.l, the overall substance of the transaction is that the ultimate shareholders of the Group maintain control. As such, Merlin Entertainments Group Luxembourg S.à r.l is identified as the accounting acquirer, and the transaction is accounted for as a reverse acquisition as described in note 1.

Notes *(continued)*

52 weeks ended 25 December 2010

35 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 2010	Ownership 2009
Merlin Entertainments Group Luxembourg S.à r.l	Luxembourg	Ordinary	100.0%	100.0%
Merlin Entertainments Group Luxembourg 2 S.à r.l	Luxembourg	Ordinary	100.0%	100.0%
Merlin Entertainments Group Luxembourg 3 S.à r.l	Luxembourg	Ordinary	100.0%	100.0%
Alton Towers Limited	UK	Ordinary	100.0%	100.0%
Alton Towers Resort Operations Limited	UK	Ordinary	100.0%	100.0%
Charcoal CLG 1 Limited *(company limited by guarantee)*	UK	-	100.0%	100.0%
Charcoal CLG 2 Limited *(company limited by guarantee)*	UK	-	100.0%	100.0%
Charcoal Holdco Limited	UK	Ordinary	100.0%	100.0%
Charcoal Midco 1 Limited	UK	Ordinary	100.0%	100.0%
Charcoal Newco 1 Limited	UK	Ordinary	100.0%	100.0%
Charcoal Newco 1a Limited	UK	Ordinary	100.0%	100.0%
Chessington Hotel Limited	UK	Ordinary	100.0%	100.0%
Chessington World of Adventures Limited	UK	Ordinary	100.0%	100.0%
Chessington World of Adventures Operations Limited	UK	Ordinary	100.0%	100.0%
Chessington Zoo Limited	UK	Ordinary	100.0%	100.0%
CWA PropCo Limited	UK	Ordinary	100.0%	100.0%
LEGOLAND US Holdings Limited	UK	Ordinary	100.0%	100.0%
LEGOLAND Windsor Park Limited	UK	Ordinary	100.0%	100.0%
London Dungeon Limited	UK	Ordinary	100.0%	100.0%
London Aquarium (South Bank) Limited	UK	Ordinary	100.0%	100.0%
London Eye Holdings Limited	UK	Ordinary	100.0%	100.0%
Madame Tussaud's Limited	UK	Ordinary	100.0%	100.0%
Madame Tussaud's Touring Exhibition Limited	UK	Ordinary	100.0%	100.0%
M.E.G.H. Limited	UK	Ordinary	100.0%	100.0%
Merlin Attractions Management Limited	UK	Ordinary	100.0%	100.0%
Merlin Attractions Operations Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainment Limited	UK	Ordinary	100.0%	-
Merlin Entertainments (Asia Pacific) Limited *(formerly DMWSL266 Limited)*	UK	Ordinary	100.0%	100.0%
Merlin Entertainments (Blackpool) Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments (Dungeons) Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE) Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Developments Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Finance Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Employee Benefit Trustees Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Finance Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Holdings Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group International Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Limited	UK	Ordinary	100.0%	100.0%
Merlin Entertainments Group Operations Limited	UK	Ordinary	100.0%	100.0%
Merlin US Holdings Limited	UK	Ordinary	100.0%	100.0%
Merlin's Magic Wand Trustees Limited	UK	Ordinary	100.0%	100.0%
SEA LIFE Centre (Blackpool) Limited	UK	Ordinary	100.0%	100.0%
SEA LIFE Centres Limited	UK	Ordinary	100.0%	100.0%

Notes *(continued)*

52 weeks ended 25 December 2010

35 Subsidiary and joint venture undertakings *(continued)*

Subsidiary undertaking	**Country of incorporation**	**Class of share held**	**Ownership 2010**	**Ownership 2009**
The London Eye Company Limited	UK	Ordinary	100.0%	100.0%
The London Planetarium Company Limited	UK	Ordinary	100.0%	100.0%
The Millennium Wheel Company Limited	UK	Ordinary	100.0%	100.0%
The Seal Sanctuary Limited	UK	Ordinary	100.0%	100.0%
The Tussauds Group Limited	UK	Ordinary	100.0%	100.0%
Thorpe Park Operations Limited	UK	Ordinary	100.0%	100.0%
Tussauds (NBD) Limited	UK	Ordinary	100.0%	100.0%
Tussauds Attractions Limited	UK	Ordinary	100.0%	100.0%
Tussauds Finance Limited	UK	Ordinary	100.0%	100.0%
Tussauds Group (UK) Pension Plan Trustee Limited	UK	Ordinary	100.0%	100.0%
Tussauds Holdings Limited	UK	Ordinary	100.0%	100.0%
Tussauds Hotels Limited	UK	Ordinary	100.0%	100.0%
Tussauds Intermediate Holdings Limited	UK	Ordinary	100.0%	100.0%
Tussauds Limited	UK	Ordinary	100.0%	100.0%
Tussauds Theme Parks Limited	UK	Ordinary	100.0%	100.0%
Warwick Castle Limited	UK	Ordinary	100.0%	100.0%
Wizard AcquisitionCo Limited	UK	Ordinary	100.0%	100.0%
Wizard BondCo Limited	UK	Ordinary	100.0%	100.0%
Wizard EquityCo Limited	UK	Ordinary	100.0%	100.0%
Wizard NewCo Limited	UK	Ordinary	100.0%	100.0%
Gardaland S.r.l.	Italy	Ordinary	97.8%	97.8%
Incoming Gardaland S.r.l.	Italy	Ordinary	97.8%	97.8%
Merlin Entertainments Group Italy S.r.l.	Italy	Ordinary	100.0%	100.0%
Merlin Water Parks S.r.l.	Italy	Ordinary	100.0%	100.0%
Merlin Attractions Italy S.r.l.	Italy	Ordinary	100.0%	100.0%
Ronchi del Garda S.p.A.	Italy	Ordinary	(1) 44.7%	44.7%
Ronchi S.p.A.	Italy	Ordinary	88.5%	88.5%
Dungeon Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
Heide-Park Soltau GmbH	Germany	Ordinary	100.0%	100.0%
LEGOLAND Deutschland Freizeitpark GmbH	Germany	Ordinary	100.0%	100.0%
LEGOLAND Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
LLD Grundstücksverwaltungs GmbH	Germany	Ordinary	100.0%	100.0%
LLD Share Beteiligungs GmbH	Germany	Ordinary	100.0%	100.0%
LLD Share GmbH & Co. KG	Germany	Ordinary	100.0%	100.0%
Madame Tussauds Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
Merlin Entertainments Group Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
SEA LIFE Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
SEA LIFE Konstanz GmbH	Germany	Ordinary	100.0%	100.0%
Tussauds Deutschland GmbH	Germany	Ordinary	100.0%	100.0%
Tussauds Heide Metropole GmbH	Germany	Ordinary	100.0%	100.0%
LEGOLAND ApS	Denmark	Ordinary	100.0%	100.0%
Merlin Entertainments Group Denmark Holdings ApS	Denmark	Ordinary	100.0%	100.0%
Amsterdam Dungeon B.V.	Netherlands	Ordinary	100.0%	100.0%
Madame Tussauds Amsterdam B.V.	Netherlands	Ordinary	100.0%	100.0%
Merlin Entertainments Holdings Nederland B.V.	Netherlands	Ordinary	100.0%	100.0%
SEA LIFE Centre Scheveningen B.V.	Netherlands	Ordinary	60.0%	60.0%

Notes *(continued)*

52 weeks ended 25 December 2010

35 Subsidiary and joint venture undertakings *(continued)*

Subsidiary undertaking	Country of incorporation	Class of share held	Ownership 2010	Ownership 2009
Dirk Frimout Centrum N.V.	Belgium	Ordinary	100.0%	100.0%
SEA LIFE Centre Belgium N.V.	Belgium	Ordinary	100.0%	100.0%
SEA LIFE France SARL	France	Ordinary	100.0%	100.0%
SLCS SEA LIFE Centre Spain S.A.	Spain	Ordinary	100.0%	100.0%
Merlin Entertainments (SEA LIFE PORTO) Unipessoal Lda	Portugal	Ordinary	100.0%	100.0%
SEA LIFE Centre Bray Limited	Ireland	Ordinary	100.0%	100.0%
MT Austria Holdings GmbH	Austria	Ordinary	100.0%	-
Madame Tussauds Austria GmbH	Austria	Ordinary	100.0%	-
Merlin Entertainments US NewCo LLC	USA	Ordinary	100.0%	-
LEGOLAND California LLC	USA	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre US LLC	USA	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre (Meadowlands) LLC	USA	Ordinary	100.0%	100.0%
LEGOLAND Discovery Centre (Dallas) LLC	USA	Ordinary	100.0%	100.0%
Madame Tussauds Hollywood LLC	USA	Ordinary	100.0%	100.0%
Madame Tussaud Las Vegas LLC	USA	Ordinary	100.0%	100.0%
Madame Tussauds Orlando LLC	USA	Ordinary	100.0%	100.0%
Madame Tussaud's New York LLC	USA	Ordinary	100.0%	100.0%
Madame Tussauds Washington LLC	USA	Ordinary	100.0%	100.0%
Merlin Entertainments Group US Holdings Inc	USA	Ordinary	100.0%	100.0%
Merlin Entertainments Group Florida LLC	USA	Ordinary	100.0%	100.0%
Merlin Entertainments Group US LLC	USA	Ordinary	100.0%	100.0%
Merlin Entertainments Group Wheel LLC	USA	Ordinary	100.0%	100.0%
SEA LIFE Minnesota LLC	USA	Ordinary	100.0%	100.0%
SEA LIFE US LLC	USA	Ordinary	100.0%	100.0%
The Tussauds Group LLC	USA	Ordinary	100.0%	100.0%
Tussauds Harbour Gateway Inc	USA	Ordinary	100.0%	100.0%
Madame Tussauds Exhibition (Shanghai) Company Limited	China	Ordinary	100.0%	100.0%
Merlin Entertainments Group (Malaysia) Sdn Bhd	Malaysia	Ordinary	100.0%	100.0%
Merlin Entertainments (Thailand) Limited	Thailand	Ordinary	100.0%	100.0%
Merlin Entertainments (Australia) Pty Limited	Australia	Ordinary	100.0%	-
Merlin Entertainments (New Zealand) Limited	New Zealand	Ordinary	100.0%	-
Joint Ventures				
SEA LIFE Helsinki Oy	Finland	Ordinary	50.0%	50.0%
Pirate Adventure Golf Limited	UK	Ordinary	50.0%	50.0%

(1) Merlin Entertainments S.à r.l has control over this entity via control of the immediate parent entity and the control that the immediate parent entity has over the subsidiary entity.

LLD Grundstücks GmbH & Co. KG was merged with LLD Grundstücksverwaltungs GmbH during the year.

Merlin Entertainments Group Italy 2 S.r.l. was merged with Merlin Entertainments Group Italy S.r.l. during the year.